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90TH CONGRESS } HOUSE OF REPRESENTATIVES { DOCUMENT
1st Session } { No. 1

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

STATE OF THE UNION MESSAGE—THE ADDRESS OF THE PRESIDENT OF THE UNITED STATES

JANUARY 10, 1967.—Referred to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. Speaker, Mr. Vice President, distinguished Members of the Congress:

I share with all of you the grief you feel today at the death of one of the most beloved and respected and effective Members of this body, the distinguished Representative from Rhode Island, Mr. Fogarty.

I have come here tonight to report to you that this is a time—a time of testing for our Nation.

At home, the question is whether we will continue working for better opportunities for all Americans, when most Americans are already living better than any people in history.

Abroad, the question is whether we have the staying power to fight a very costly war, when the objective is limited and the danger to us is seemingly remote.

So our test is not whether we shrink from our country's cause when the dangers to us are obvious and close at hand, but rather whether we carry on when they seem obscure and distant—and some think that it is safe to lay down our burdens.

I have come tonight to ask this Congress and this Nation to resolve that issue: to meet our commitments at home and abroad—to continue to build a better America—and to re-affirm this Nation's allegiance to freedom.

As President Abraham Lincoln said, we must ask "where we are, and whither we are tending."

The last three years bear witness to our determination to make this a better country.

We have struck down legal barriers to equality.

We have improved the education of 7 million deprived children and this year alone we have enabled almost one million students to go to college.

We have brought medical care to older people that were unable to afford it. Three and one-half million Americans have already received treatment under Medicare since July. We have built a strong economy that has put almost three million more Americans on the payrolls in the last year alone.

We have included more than nine million new workers under a higher minimum wage.

We have launched new training programs to provide job skills for almost one million Americans.

We have helped more than a thousand local communities to attack poverty in the neighborhoods of the poor.

We have set out to rebuild our cities on a scale that was never attempted before.

We have begun to rescue our waters from the menace of pollution and to restore the beauty of our land and our countryside and our cities and our towns.

We have given one million young Americans a chance to earn through the Neighborhood Youth Corps—or through Head Start—a chance to learn.

So together, we have tried to meet the needs of our people. And, we have succeeded in creating a better life for the many as well as the few. And now we must answer whether our gains shall be the foundations of further progress, or whether they shall be only monuments to what might have been—abandoned now by a people who lacked the will to see their great work through.

I believe that our people do not want to quit—though the task is great, the work hard, often frustrating, and success is a matter of days, or months, or years—sometimes it may be even decades.

But I have come here tonight to discuss with you five ways of carrying forward the progress of these last three years. And these five ways concern programs and partnerships and priorities and prosperity and peace.

First, programs: We must see to it, I think, that these new programs that we have passed work effectively and are administered in the best possible way.

Three years ago we set out to create these new instruments of social progress. This required trial and error—and it has produced both. But as we learn, through success and failure, we are changing our strategy and we are trying to improve our tactics. In the long run, these starts—some rewarding, others inadequate and disappointing—are crucial to success.

One example is the struggle to make life better for the less fortunate among us.

On a similar occasion at this rostrum in 1949, I heard a great American President, Harry S. Truman declare, this: "the American people have decided that poverty is just as wasteful and just as unnecessary as preventable disease."

Many listened to President Truman that day here in this chamber, but few understood what was required and did anything about it. The Executive Branch and the Congress waited fifteen long years before it would take any action on that challenge as it did on many other challenges that great President presented. When, three years ago, you here in the Congress joined with me in a declaration of war

on poverty, then I warned "it will not be a short or easy struggle—no single weapon will suffice—but we shall not rest until that war is won."

And I have come here to renew that pledge tonight.

I recommend that we intensify our effort to give the poor a chance to enjoy and to join in this Nation's progress.

I shall propose certain administrative changes suggested by the Congress—as well as some we have learned from our own trial and errors.

I shall urge special methods and special funds to reach the hundreds of thousands of Americans that are now trapped in the ghettos of our big cities—and, through Head Start, to try to reach out to our very young little children. The chance to learn is their brightest hope and must command our full determination. For learning brings skills; and skills bring jobs; and jobs bring responsibility and dignity, as well as taxes.

This war—like the war in Vietnam—is not a simple one. There is no single battleline which you can plot each day on a chart. The enemy is not easy to perceive or to isolate or to destroy. There are mistakes and there are setbacks. But we are moving, and our direction is forward.

This is true with other programs that are making and breaking new ground. Some do not yet have the capacity to absorb well or wisely all the money that could be put into them. Administrative skills and trained manpower are just as vital to their success as dollars and I believe those skills will come. But it will take time and patience and hard work. Success cannot be forced at a single stroke. So we must continue to strengthen the administration of every program if that success is to come—as we know that it must.

We have done much in the space of two short years working together.

I have recommended, and you the Congress have approved, ten different reorganization plans combining and consolidating many bureaus of this government and creating two entirely new Cabinet Departments. And I have come tonight to propose that we establish a new department, a Department of Business and Labor.

By combining the Department of Commerce with the Department of Labor and other related agencies, I think that we can create a more economical, efficient and streamlined instrument that will better serve a growing Nation.

This is our goal throughout the Federal Government. Every program will be thoroughly evaluated. Grant-in-aid programs will be improved and simplified as desired by many of our local administrators and our Governors.

Where there have been mistakes, we will try very hard to correct them.

Where there has been progress, we will try to build upon it.

Our second objective is partnership—to create an effective partnership at all levels of American Government. And I should treasure nothing more than to have that partnership between the Executive and the Congress.

The 88th and 89th Congresses passed more social and economic legislation than any single two Congresses in American history. Most of

you who were Members of those Congresses voted to pass most of those measures. But your efforts will come to nothing unless it reaches the people.

Federal energy is essential. But it is not enough. Only a total working partnership among Federal, State and local governments can succeed. The test of that partnership will be the concern of each public organization, each private institution, and each responsible citizen.

Each State and county and city needs to examine its capacity for government in today's world—as we are examining ours in the Executive department, and as I see you are examining yours. Some will need to reorganize and reshape their methods of administration—as we are doing. Others will need to revise their constitutions and their laws to bring them up to date—as we are doing. Above all, I think we must work together and find ways in which the multitudes of small jurisdictions can be brought together more efficiently.

During the past 3 years we have returned to State and local governments about $40 billion in grants in aid. This year alone 70 percent of our Federal expenditures for domestic programs will be distributed through the State and the local governments. With Federal assistance, State and local governments by 1970 will be spending close to $110 billion annually. These enormous sums must be used wisely, honestly, and effectively.

We intend to work closely with the States and the localities to do exactly that.

Our third objective is priorities—to move ahead on the priorities that we have established within the resources that are available.

I wish, of course, that we could do all that should be done—and that we could do it now. But the nation has many commitments and responsibilities which make heavy demands upon our total resources. No Administration would more eagerly utilize for these programs all the resources they require than the Administration that started them.

So let us resolve, now, to do all that we can, with what we have—knowing that it is far, far more than we have ever done before, and far, far less than our problems will ultimately require.

Let us create new opportunities for our children and our young Americans who need special help.

We should strengthen the Head Start program, begin it for children three years old, and maintain its educational momentum by following through in the early years.

We should try new methods of child development and care from the earliest years, before it is too late to correct.

And I will propose these measures to the 90th Congress.

Let us ensure that older Americans, and neglected Americans, share in their Nation's progress.

We should raise Social Security payments by an overall average of 20 percent—that will add $4.1 billion to Social Security payments in the first year. I will recommend that each of the 23 million Americans now receiving payments gets an increase of at least 15 percent.

I will ask that you raise the minimum payments by 59 percent—from $44 to $70 a month, and to guarantee a minimum benefit of $100 a month for those with a total of 25 years of coverage. We must raise

the limits that retired workers can earn without losing Social Security income.

We must eliminate by law unjust discrimination in employment because of age.

We should embark upon a major effort to provide self-help assistance to the forgotten in our midst—the American Indians and the migratory farm workers. And we should reach with the hand of understanding to help those who live in rural poverty.

And I will propose these measures to the 90th Congress.

So let us keep on improving the quality of life and enlarging the meaning of justice for all of our fellow Americans.

We should transform our decaying slums into places of decency through the landmark Model Cities Program. I intend to seek for this effort this year the full amount that you in Congress authorized last year.

We should call upon the genius of private industry and the most advanced technology to help rebuild our great cities.

We should vastly expand the fight for clean air with a total attack on pollution at its sources. And because air, like water, does not respect man-made boundaries, we shall set up "regional airsheds" throughout this great land.

We should continue to carry to every corner of the Nation our campaign for a Beautiful America, to clean up our towns, to make them more beautiful—our cities, our countrysides—by creating more parks and more seashores and more open spaces for our children to play in and the generations that come after us to enjoy.

We should continue to seek equality and justice for each citizen—before a jury, in seeking a job, in exercising his civil rights. We should find a solution to fair housing, so that every American, regardless of color, has a decent home of his choice.

We should modernize our Selective Service System. The National Commission on Selective Service will shortly submit its report. I will send you new recommendations to meet our military manpower needs. But—let us resolve that this is to be the Congress that made our draft laws as fair and as effective as possible.

We should protect what Justice Brandeis called the "right most valued by civilized men"—the right to privacy. We should outlaw all wire-tapping—public and private—wherever and whenever it occurs, except when the security of this Nation itself is at stake—and only then with the strictest governmental safeguards. And we should exercise the full reach of our Constitutional powers to outlaw electronic "bugging" and "snooping".

I hope this Congress will try to help me do more for the consumer.

We should demand that the cost of credit be clearly and honestly expressed, where average citizens can understand it. We should take steps to prevent massive power failures, to safeguard the home against hazardous household products, and to assure safety in the pipelines that carry natural gas across our Nation.

We should extend Medicare benefits that are now denied to 1.3 million permanently and totally disabled Americans under 65 years of age.

We should improve the process of democracy by passing our election reform and financing proposals, by tightening our laws regulating lobbying, and by restoring a reasonable franchise to Americans who move their residences.

We should develop educational television into a vital public resource to enrich our homes, educate our families and to provide assistance in our classrooms. And we should insist that the public interest be fully served through the public's airways. And I will propose these measures to the 90th Congress. And now we come to a question that weighs very heavily on all of our minds—on yours and mine.

This Nation must make an all out effort to combat crime.

The 89th Congress gave us a new start in the attack on crime by passing the Law Enforcement Assistance Act that I recommended. We appointed the National Crime Commission to study crime in America and to recommend the best ways to carry that attack forward.

And while we do not have all the answers, on the basis of its preliminary recommendations, we are ready to move.

This is not a war that Washington alone can win. The idea of a national police force is repugnant to the American people. Crime must be rooted out in local communities by local authorities. But our policemen must be better trained, and must be better paid, and must be better supported by the local citizens that they try to serve and to protect.

The national Government can, and expects to, help.

So I will recommend to the 90th Congress the Safe Streets and Crime Control Act of 1967. It will enable us to assist those States and cities that try to make their streets and their homes safer, and their police forces better, and their corrections systems more effective, and their courts more efficient. And when the Congress approves, the Federal Government will be able to provide a substantial percentage of the cost:

—90 percent of the cost of developing the State and local plans—master plans—to combat crimes in their areas;

—60 percent of the cost of training new tactical units, and developing instant communications and special alarm systems, and introducing the latest equipment and techniques so that they can become weapons in the war on crime;

—and 50 percent of the cost of building crime laboratories and police academy-type centers so that our citizens can be protected by the best-trained and served by the best-equipped police to be found anywhere.

We will also recommend new methods to prevent juvenile delinquents from becoming adult delinquents and we will seek new partnerships with States and cities in order to deal with this hideous narcotics problem. And we will recommend strict controls on the sale of firearms.

At the heart of this attack on crime must be the conviction that a free America—as Abraham Lincoln once said—must "let reverence for the laws . . . become the political religion of the nation."

Our country's laws must be respected. Order must be maintained. I will support—with all the constitutional powers the President possesses—our nation's law-enforcement officials in their attempt to

control the crime and the violence that tear the fabric of our communities.

Many of these priority proposals will be built on foundations that have already been laid. Some will necessarily be small at first, but "every beginning is a consequence." And if we postpone this urgent work now, it will simply have to be done later, and later we will pay a much higher price.

Our fourth objective is prosperity, to keep our economy moving ahead, moving it steadily and safely. We have now enjoyed six years of unprecedented and rewarding prosperity.

Last year, 1966:

Wages were the highest in history—and the unemployment rate, announced yesterday, reached the lowest point in 13 years;

The total after-tax income of the American families—after taxes—rose nearly five percent;

The corporate profits after taxes rose a little more than five percent;

Our Gross National Product advanced 5½ percent, to about $740 billion;

Income per farm went up six percent.

Now, we have been greatly concerned because consumer prices rose 4½ percent over the 18 months since we decided to send troops to Vietnam. This was more than we had expected—and the Government tried to do everything that we knew how to do to hold it down. Yet we were not as successful as we wished to be. In the 18 months after we entered World War II, prices rose not 4½ percent but 13½ percent. And in the first 18 months after Korea—the conflict broke out there—prices rose not 4½ percent but 11 percent. Now, during those two periods we had OPA price controls that the Congress gave us, or Labor Board wage controls. Since Vietnam we have not asked for those controls and we have tried to avoid imposing them. We believe that we have done better but we make no pretense of having been successful or done as well as we wished.

Our greatest disappointment in the economy during 1966 was the excessive rise in interest rates and the tightening of credit. They imposed very severe and very unfair burdens on our home buyers and on our homebuilders and all those associated with the home industry.

Last January, and again last September, I recommended fiscal and moderate tax measures to try to restrain the unbalanced pace of economic expansion. Legislatively and administratively we took several billions out of the economy, and with these measures in both instances the Congress approved most of the recommendations rather promptly.

As 1966 ended, price stability was seemingly being restored. Wholesale prices are lower tonight than they were in August. So are retail food prices. Monetary conditions are also easing. Most interest rates have retreated from their earlier peaks. More money now seems to be available.

And given the cooperation of the Federal Reserve System, which I so earnestly seek, I am confident that this movement can continue. And I pledge the American people that I will do everything in a President's power to lower interest rates and to ease money in this

country. The Federal Home Loan Bank Board tomorrow morning will announce that it will make immediately available to savings and loan associations an additional $1 billion. And it will lower from 6 percent to 5¾ percent the interest rate charged on those loans.

We shall continue on a sensible course of fiscal and budgetary policy that we believe will keep our economy growing without new inflationary spirals that will finance responsibly the needs of our men in Vietnam and the progress of our people at home, that will support a significant movement in our export surplus, and will press forward toward easier credit and toward lower interest rates.

I recommend to the Congress a surcharge of 6 percent on both corporate and individual income taxes—to last for two years or for so long as the unusual expenditures associated with our efforts in Vietnam continue. I will promptly recommend an earlier termination date if a reduction in these expenditures permits it. This surcharge will raise revenues by some 4.5 billion in the first year. For example, a person whose income tax—whose tax payment, the tax he owes—is $1,000, he will pay under this proposal an extra $60 over a twelve-month period, or $5 a month. The overwhelming majority of Americans who pay taxes today are below that figure, and they will pay substantially less than $5 a month.

Married couples with two children, with incomes up to $5,000 per year, will be exempt from this tax—as will single people with an income of up to $1,900 a year.

If Americans today still paid the income and excise tax rates in effect when I came into the Presidency, the year 1964, their annual taxes would have been over $20 billion more than at present tax rates. So this proposal is that while we have this problem of this emergency in Vietnam, while we are trying to meet the needs of our people at home, your government asks for slightly more than one-fourth of that tax cut each year in order to try to hold our budget deficit for fiscal 1968 within prudent limits and to give our country and to give our fighting men the help they need in this hour of trial.

For fiscal 1967, we estimate the budget expenditures to be $126.7 billion—126.7—and revenues of $117 billion. That will leave us a deficit this year of $9.7 billion.

For fiscal 1968, we estimate the budget expenditures of $135 billion. And with the tax measures recommended, and a continuing strong economy, we estimate revenues will be $126.9 billion. The deficit then will be $8.1 billion.

I will very soon forward all of my recommendations to the Congress. Yours is the responsibility to discuss and to debate them—to approve or modify or reject them.

I welcome your views, as I have welcomed working with you for 30 years as a colleague and as Vice President and President.

I should like to say to the Members of the opposition, whose numbers, if I am not mistaken, seem to have increased somewhat, that the genius of the American political system has always been best expressed through creative debate that offers choices and reasonable alternatives. Throughout our history, great Republicans and Democrats have seemed to understand this. So let there be light and reason in our relations. That is the way to a responsible session and a responsive Government.

Let us be remembered as a President and a Congress who tried to

improve the quality of life for every American—not just the rich, not just the poor, but every man, woman and child in this great Nation of ours.

We all go to school—to good schools or bad schools. We all take air into our lungs—clean air or polluted air. We all drink water—pure water or polluted water. We all face sickness some day—some more often than we wish—and old age as well. We all have a stake in this great society—in its economic growth, in reduction of civil strife—a great stake in good government.

And we just must not arrest the pace of progress that we have established in this country in these years. So our children's children will pay the price if we are not wise enough and courageous enough, and determined enough to stand up and meet the Nation's needs as well as we can in the time allotted us.

Abroad, as at home, there is also risk in change. But abroad, as at home, there is a greater risk in standing still. No part of our foreign policy is so sacred that it ever remains beyond review. We shall be flexible where conditions in the world change—and where man's efforts can change them for the better.

We are in the midst of a great transition—a transition from narrow nationalism to international partnership; from the harsh spirit of the cold war to the hopeful spirit of common humanity on a troubled and a threatened planet.

In Latin America the American Chiefs of State will be meeting very shortly to give our hemispheric policies new direction.

We have come a long way in this Hemisphere since the inter-American effort in economic and social development was launched by the Conference at Bogota in 1960 under the leadership of President Eisenhower. The Alliance for Progress moved dramatically forward under President Kennedy. There is new confidence that the voice of the people is being heard, that the dignity of the individual is stronger than ever in this hemisphere, and we are facing up to and meeting many of the hemispheric problems together. In this hemisphere that reform under democracy can be made to happen—because it is happening. So together I think we must now move to strike down the barriers to full cooperation among the American nations and to free the energies and the resources of two great continents on behalf of all our citizens.

Africa stands at an earlier stage of development than Latin America. It has yet to develop the transportation, communications, agriculture, and, above all, the trained men and women without which growth is impossible. There, too, the job will best be done if the nations and the people of Africa cooperate on a regional basis. More and more our programs for Africa are going to be directed toward self-help.

The future of Africa is shadowed by unsolved racial conflicts. Our policy will continue to reflect our basic commitments as a people to support those that are prepared to work toward cooperation and harmony between races, to help those who demand change but reject the fool's gold of violence.

In the Middle East the spirit of good will toward all, unfortunately, has not yet taken hold. An already tortured peace seems to be constantly threatened. We shall try to use our influence to increase the

possibilities of improved relations among the nations of that region. We are working hard at that task.

In the great subcontinent of South Asia live more than a sixth of the earth's population. Over the years we—and others—have invested very heavily in capital and food for the economic development of India and Pakistan.

We are not prepared to see our assistance wasted, however, in conflict. It must strengthen their capacity to help themselves. It must help these two nations—both our friends—to overcome poverty and to emerge as self-reliant leaders, and find terms for reconciliation and cooperation.

In Western Europe we shall maintain in NATO an integrated common defense. But we also look forward to the time when greater security can be achieved through measures of arms control and disarmament and through other forms of practical agreement.

We are shaping a new future of enlarged partnership in nuclear affairs, in economic and technical cooperation, in trade negotiations, in political consultation, and in working together with the governments and peoples of Eastern Europe and the Soviet Union.

The emerging spirit of confidence is precisely what we hoped to achieve when we went to work a generation ago to put our shoulder to the wheel and try to help rebuild Europe. We face new challenges and opportunities then and there—we face also some dangers.

But I believe that the peoples on both sides of the Atlantic, as well as both sides of this Chamber, want to face them together.

Our relations with the Soviet Union and Eastern Europe are also in transition. We have avoided both the acts and the rhetoric of the cold war. When we have differed with the Soviet Union, or other nations for that matter, I have tried to differ quietly and with courtesy and without venom. Our objective is not to continue the cold war, but to end it.

We have signed an agreement at the United Nations on the peaceful uses of outer space.

We have agreed to open direct air flights with the Soviet Union.

We have removed more than 400 non-strategic items from export control.

We are determined that the Export-Import Bank can allow commercial credits to Poland, Hungary, Bulgaria, and Czechoslovakia, as well as to Rumania and Yugoslavia.

We have entered into a cultural agreement with the Soviet Union for another two years.

We have agreed with Bulgaria and Hungary to upgrade our legations to embassies.

We have started discussions with international agencies on ways of increasing contacts with Eastern European countries.

This Administration has taken these steps even as duty compelled us to fulfill and execute alliances and treaty obligations throughout the world that were entered into before I became President.

So tonight I ask and urge the Congress to help our foreign and commercial trade policies by passing an East-West Trade Bill and approving our consular convention with the Soviet Union.

The Soviet Union has in the past year increased its long-range missile capabilities. It has begun to place near Moscow a limited antimissile defense. My first responsibility to our people is to assure that

no nation can ever find it rational to launch a nuclear attack or to use its nuclear power as a credible threat against us or our allies.

I would emphasize that that is why an important link between Russia and the United States is our common interest in arms control and disarmament. We have the solemn duty to slow down the arms race between us if that is at all possible, in both conventional and nuclear weapons and defenses. I thought we were making some progress in that direction, in the first few months I was in office. I realize any additional race would impose on our peoples and on all mankind for that matter, an additional waste of resources with no gain in security to either side.

I expect in the days ahead to closely consult and seek the advice of Congress about the possibilities of international agreements bearing directly upon this problem.

Next to the pursuit of peace, the really great challenge to the human family is the race between food supply and population increase. That race tonight is being lost.

The time for rhetoric has clearly passed. The time for concerted action is here, and we must get on with the job.

We believe that three principles must prevail if our policy is to succeed:

First, the developing nations must give highest priority to food production, including the use of technology and the capital of private enterprise.

Second, nations with food deficits must put more of their resources into voluntary family planning programs.

Third, the developed nations must all assist other nations to avoid starvation in the short run to move rapidly towards the ability to feed themselves.

Every member of the world community now bears a direct responsibility to help bring our most basic human account into balance.

I come now finally to Southeast Asia—and to Vietnam in particular. Soon I will submit to the Congress a detailed report on that situation. Tonight I want to just review the essential points as briefly as I can.

We are in Vietnam because the United States of America and our allies are committed by the SEATO Treaty to "act to meet the common danger" of aggression in Southeast Asia.

We are in Vietnam because an international agreement signed by the United States, North Vietnam and others in 1962 is being systematically violated by the Communists. That violation threatens the independence of all the small nations in Southeast Asia and threatens the peace of the entire region, and perhaps the world.

We are there because the people of South Vietnam have as much right to remain non-Communist—if that is what they choose—as North Vietnam has to remain Communist. We are there because the Congress has pledged by solemn vote to take all necessary measures to prevent further aggression.

No better words could describe our present course there than those once spoken by the great Thomas Jefferson:

> It is the melancholy law of human societies to be compelled sometimes to choose a great evil in order to ward off a greater evil.

We have chosen to fight a limited war in Vietnam in an attempt to prevent a larger war—a war almost certain to follow, I believe, if the Communists succeeded in overrunning and taking over South Vietnam by aggression and by force. I believe and I am supported by some authority, that if they are not checked now, the world can expect to pay a greater price to check them later.

That is what our statesmen said when they debated this treaty, and that is why it was ratified 82 to 1 by the Senate many years ago.

You will remember that we stood in Western Europe twenty years ago. Is there anyone in this chamber tonight who doubts that the course of freedom was not changed for the better because of the courage of that stand?

Sixteen years ago we and others stopped another kind of aggression—this time it was in Korea. And imagine how different Asia might be today if we had failed to act when the Communist army of North Korea marched South. The Asia of tomorrow will be far different because we have said in Vietnam as we said 16 years ago in Korea: "This far, and no further."

I think I reveal no secrets when I tell you that we are dealing with a stubborn adversary committed to the use of force and terror to settle political questions.

I wish I could report to you that the conflict is almost over. This I cannot do. We face more cost, more loss, and more agony. For the end is not yet. I cannot promise you that it will come this year—or come next year. Our adversary still believes I think tonight that he can go on fighting longer than we can and longer than we and our allies will be prepared to stand up and resist.

Our men in that area—there are nearly 500,000 in that area now—have borne well "the burden and the heat of the day." Their efforts have deprived the Communist enemy of the victory he sought and that he expected a year ago. We have steadily frustrated his main forces. General Westmoreland reports that the enemy can no longer succeed on the battlefield.

So I must say to you that our pressure must be sustained—and will be sustained—until he realizes that the war he started is costing him more than he can ever hope to gain.

I know of no strategy more likely to attain that end than the strategy of "accumulating slowly, but inexorably, every kind of material resource"—of "laboriously teaching troops the very elements of their trade." That, and patience—I mean a great deal of patience.

Our South Vietnamese allies are also being tested tonight because they must provide real security to the people that are living in the countryside. This means reducing the terrorism and the armed attacks—which kidnapped and killed 26,900 civilians in the last 32 months—to levels where they can be successfully controlled by the regular South Vietnamese security forces. It means bringing to the villagers an effective civilian government that they can respect and that they can rely upon and that they can participate in and that they can have a personal stake in their government. We hope that government is now beginning to emerge.

While I cannot report the desired progress in the pacification effort, the very distinguished and able Ambassador Henry Cabot Lodge

reports that South Vietnam is turning to this task with a new sense of urgency. And we can help, but only they can win this part of the war. Their task is to build and protect a new life in each rural province.

One result of our stand in Vietnam is already clear.

It is this: The peoples of Asia now know that the door to independence is not going to be slammed shut. They know that it is possible for them to choose their own national destinies—without coercion.

The performance of our men in Vietnam—backed by the American people—has created a feeling of confidence and unity among the independent nations of Asia and the Pacific. I saw it in their faces in the 19 days that I spent in their homes and in their country.

Fear of external Communist conquest in many Asian nations is already subsiding—and with this, the spirit of hope is rising. For the first time in history, a common outlook and common institutions are emerging.

This forward movement is rooted in the ambitions and interests of the Asian nations themselves. It was precisely this movement that we hoped to accelerate when I spoke at Johns Hopkins in Baltimore in April 1965, and I pledged "a much more massive effort to improve the life of man" in that part of the world and the hope we could take some of the funds we were spending on bullets and bombs and spend them on schools and production.

Twenty months later our efforts have produced a new reality: The doors of the billion-dollar Asian Bank that I recommended to the Congress and you endorsed almost unanimously, I am proud to tell you, are already open. Asians are engaged tonight in regional efforts in a dozen new directions. Their hopes are high. Their faith is strong. Their confidence is deep. Even as the war continues, we shall play our part in carrying forward this constructive historic development. As recommended by the Eugene Black mission, and if other nations will agree to join with us, I will seek a special authorization from the Congress of $200 million for East Asian regional programs.

Because, we are eager to turn our resources to peace, our efforts in behalf of humanity, I think, need not be restricted by any parallel or by any boundary line. The moment that peace comes, as I pledged in Baltimore, I will ask the Congress for funds to join in an international program of reconstruction and development for all the people of Vietnam—and their deserving neighbors who wish our help.

We shall continue to hope for a reconciliation between the people of mainland China and the world community—including working together in all the tasks of arms control and security, and progress on which the fate of the Chinese people, like their fellow men elsewhere, depends.

We would be the first to welcome a China which had decided to respect her neighbors' rights. We would be the first to applaud her were she to apply her great energies and intelligence to improving the welfare of her own people. And we have no intention of trying to deny her legitimate needs for security and friendly relations with her neighboring countries.

Our hope that all of this will some day happen rests on the conviction that we, the American people and our allies, will—and are going to—see Vietnam through to an honorable peace.

We will support all appropriate initiatives by the United Nations, and others, which can bring the several parties together for unconditional discussions of peace—anywhere, any time. And we will continue to take every possible initiative ourselves to constantly probe for peace.

Until such efforts succeed, or until the infiltration ceases or until the conflict subsides, I think the course of wisdom for this country is that we must firmly pursue our present course. We will stand firm in Vietnam.

I think you know that our fighting men there tonight bear the heaviest burden of all. With their lives they serve their nation, and we must give them nothing less than our full support—and we have given them that—nothing less than the determination Americans have always given their fighting men. Whatever our sacrifice here, even if it is more than $5 a month, it is very small compared to their own.

How long it will take, I cannot prophesy. I only know that the will of the American people I think is tonight being tested.

Whether we can fight a war of limited objectives over a period of time, and keep alive the hope of independence and stability for people other than ourselves; whether we can continue to act with restraint when the temptation to "get it over with" is inviting but dangerous; whether we can accept the necessity of choosing "a great evil in order to ward off a greater one"; whether we can do these without arousing the hatreds and passions that are ordinarily loosed in time of war: on all these questions so much turns.

The answers will determine not only where we are, but "whither we are tending."

A time of testing—yes. And a time of transition. The transition is sometimes slow; sometimes unpopular; almost always very painful; and often quite dangerous.

But we have lived with danger for a long time before, and we shall live with it for a long time yet to come. We know that "man is born unto trouble." We also know that this Nation was not forged and did not survive and grow and prosper without a great deal of sacrifice from a great many men.

For all the disorders we must deal with, and all the frustrations that concern us, for all the anxieties we are called upon to resolve, for all the issues we must face with the agony that attends them, let us remember that "Those who expect to reap the blessings of freedom must, like men, undergo the fatigues of supporting it."

But let us also count not only our burdens but our blessings—for they are many. And let us give thanks to the One who governs us all.

Let us draw encouragement from the signs of hope—for they, too, are many.

Let us remember that we have been tested before and America has never been found wanting.

So with your understanding and, I would hope, your confidence, and your support, we are going to persist—and we are going to succeed.

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90TH CONGRESS } HOUSE OF REPRESENTATIVES { DOCUMENT
1st Session } { No. 40

AID FOR THE AGED

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

A REVIEW OF MEASURES TAKEN TO AID THE OLDER AMERICANS AND RECOMMENDATIONS FOR LEGISLATION TO PROVIDE FURTHER AID

JANUARY 23, 1967.—Referred to the Committee of the Whole House on the State of the Union and ordered to be printed

To the Congress of the United States:

America is a young nation. But each year a larger proportion of our population joins the ranks of the senior citizens. Today, over 19 million Americans are 65 or older—a number equal to the combined populations of 20 States. One out of every 10 citizens is in this age group—more than twice as many as a half century ago.

These figures represent a national triumph. The American born in 1900 could expect to reach his 47th birthday. The American born today has a life expectancy of 70 years. Tomorrow, the miracles of man's knowledge will stretch the lifespan even farther.

These figures also represent a national challenge. One of the tests of a great civilization is the compassion and respect shown to its elders. Too many of our senior citizens have been left behind by the progress they worked most of their lives to create. Too often the wisdom and experience of our senior citizens is lost or ignored. Many who are able and willing to work suffer the bitter rebuff of arbitrary and unjust job discrimination.

In this busy and productive Nation, the elderly are too frequently destined to lead empty, neglected lives:

5.3 million older Americans have yearly incomes below the poverty level.

Only one out of five has a job, often at low wages.

Over 2 million elderly citizens are on welfare.

Nearly 40 percent of our single older citizens have total assets of less than $1,000.

Countless numbers dwell in city and rural slums, lonely and forgotten, isolated from the invigorating spirit of the American community. They suffer a disproportionate burden of bad housing, poor health facilities, inferior recreation and rehabilitation services.

THE FEDERAL ROLE

The historic Social Security Act of 1935, sponsored by that great President, Franklin D. Roosevelt, first proclaimed a Federal role in the task of creating a life of dignity for the older American. By 1951, the number of our senior citizens who had earned and received social security benefits exceeded the number on public welfare. Today, more than 15 million Americans over 65 draw social security, while only 2 million remain on the welfare rolls.

We in the executive branch and you in the Congress have extended the Federal role in other ways:

The last eight Housing Acts contain special public housing provisions for the elderly and special assistance for them when they rent, buy, or modernize their own homes.

The Hill-Burton hospital program seeks to expand and improve nursing homes and other long-term care facilities.

Public welfare provides programs to help restore older people to self-support and self-care.

The manpower development and training programs direct special efforts at the problems of the middle-aged and older Americans.

The National Institutes of Health have established programs of research on aging.

In 1965, the Congress enacted and I signed into law two landmark measures for older Americans:

Medicare, to ease the burden of hospital and doctor bills.

The Older Americans Act, to develop community services to put more meaning into the lives of the senior citizens.

When he signed the 1935 Social Security Act, President Franklin Roosevelt said, "This law * * * represents a cornerstone in a structure which is being built but is by no means complete." President Truman in 1950 and President Kennedy in 1961 proposed and the Congress passed legislation to improve the social security system.

The time has come to build on the solid foundations provided by the work of Congress and the executive branch over the last three decades. Last summer, I declared a Bill of Rights for Older Americans—to fix as our Nation's goal an adequate income, a decent home, and a meaningful retirement for each senior citizen.

Now we must take steps to move closer toward that goal.

Let us raise social security benefits to a level which will better meet today's needs.

Let us improve and extend the health care available to the elderly.

Let us attack the roots of unjust job discrimination.

Let us renew and expand our programs to help bring fulfillment and meaning to retirement years.

TOWARD AN ADEQUATE INCOME

Social security benefits today are grossly inadequate.

Almost 2½ million individuals receive benefits based on the minimum of $44 a month. The average monthly benefit is only $84.

Although social security benefits keep 5½ million aged persons above the poverty line, more than 5 million still live in poverty.

A great nation cannot tolerate these conditions. I propose social security legislation which will bring the greatest improvement in living standards for the elderly since the act was passed in 1935.

I recommend effective July 1, 1967:

1. A 20-percent overall increase in social security payments.

2. An increase of 59 percent for the 2.5 million people now receiving minimum benefits—to $70 for an individual and $105 for a married couple.

3. An increase of at least 15 percent for the remaining 20.5 million beneficiaries.

4. An increase to $150 in the monthly minimum benefit for a retired couple with 25 years of coverage—to $100 a month for an individual.

5. An increase in the special benefits paid to more than 900,000 persons 72 or over, who have made little or no social security contribution—from $35 to $50 monthly for an individual; from $52.50 to $75 for a couple.

6. Special benefits for an additional 200,000 persons 72 or over, who have never received benefits before.

During the first year, additional payments would total $4.1 billion—almost five times greater than the major increase enacted in 1950, almost six times greater than the increase of 1961. These proposals will take 1.4 million Americans out of poverty this year—a major step toward our goal that every elderly citizen have an adequate income and a meaningful retirement.

The time has also come to make other improvements in the act.

The present social security system leaves 70,000 severely disabled widows under age 62 without protection.

The limits on the income that retired workers can earn and still receive benefits are so low that they discourage those who are able and willing to work from seeking jobs.

Some farmworkers qualify for only minimum social security benefits. Others fail to qualify at all. As a result, many farmworkers must go on the welfare rolls in their old age.

Federal employees in the civil service and Foreign Service retirement systems are now excluded from social security coverage. Those having less than 5 years' service receive no benefits if they die, become disabled, or leave Federal employment. Those who leave after longer service lose survivor and disability protection.

I propose legislation to eliminate these inequities and close these loopholes.

I recommend that—

Social security benefits be extended to severely disabled widows under 62.

The earnings exemption be increased by 12 percent, from $125 to $140 a month, from $1,500 to $1,680 a year.

The amount above $1,680 a year up to which a beneficiary can retain $1 in payments for each $2 in earnings be increased from $2,700 to $2,880.

One-half million additional farmworkers be given social security coverage.

Federal service be applied as social security credit for those employees who are not eligible for civil service benefits when they retire, become disabled, or die.

Social security financing must continue on an actuarially sound basis. This will require future adjustments both in the amount of annual earnings credited toward benefits and in the contribution rate of employers and employees.

I recommend—

A three-step increase in the amount of annual earnings credited toward benefits—to $7,800 in 1968; to $9,000 in 1971; and to $10,800 in 1974.

That the scheduled rate increase to 4.4 percent in 1969 be revised to 4.5 percent; and that the increase to 4.85 percent in 1973 be revised to 5 percent.

Public Assistance

Despite these improvements in social security, many elderly Americans will continue to depend on public assistance payments for the essentials of life. Yet these welfare programs are far behind the times. While many States have recently improved their eligibility standards for medical assistance, their regular welfare standards are woefully inadequate.

In nine States, the average amounts paid for old-age assistance are as low as $50 a month, or less.

Twenty-seven States do not even meet their own minimum standards for welfare payments.

The Federal Old-Age Assistance Act allows the States to provide special incentives to encourage older persons on welfare to seek employment. But almost half the States have not taken advantage of this provision.

To make vitally needed changes in public assistance laws, I recommend legislation to provide that—

State welfare agencies be required to raise cash payments to welfare recipients to the level the State itself sets as the minimum for subsistence;

State agencies be required to bring these minimum standards up to date annually;

Each State maintain its welfare subsistence standards at not less than two-thirds the level set for medical assistance;

State welfare programs be required to establish a work-incentive provision for old-age assistance recipients.

Tax Reform for Senior Citizens

Our Federal income tax laws today unfairly discriminate against older taxpayers with low incomes who continue to work after 65. The system of deductions, credits, and exemptions is so complex that many senior citizens are unable to understand them and thus do not receive the full benefits to which they are entitled.

I recommend that—

The tax structure for senior citizens be completely overhauled, simplified, and made fairer.

Existing tax discrimination against the older Americans who are willing and able to work be eliminated.

Under this proposal, taxes will be reduced for almost 3 million older Americans—two out of every three who now pay taxes. Nearly 500,000 of these Americans will no longer have to pay taxes. There will be some increases for those in the upper tax brackets—those best able to afford them.

THE SUCCESS—AND THE FUTURE—OF MEDICARE

During the long wait for medicare, many older Americans needlessly suffered and died because they could not afford proper health care. Nearly half had no health insurance protection. For most, coverage was grossly inadequate. As a result, men and women spent their later years overburdened by health care costs. Many were forced to turn to public assistance. Others had to impose financial hardship on their relatives. Still others went without necessary medical care.

Since medicare went into effect just over 6 months ago—

More than 2½ million older Americans have received hospital care.

Hospitals have received nearly $1 billion in payments.

More than 3½ million Americans have been treated by doctors under the voluntary coverage of medicare.

130,000 people have received home health services, and medicare paid the bills.

6,700 hospitals, with more than 98 percent of the general hospital beds in the Nation, have become partners in medicare.

High standards set by medicare will raise the level of health care for all citizens—not just the aged. Compliance with title VI of the Civil Rights Act has hastened the end of racial discrimination in hospitals and has brought good medical care to many who were previously denied it.

Medicare is an unqualified success. Nevertheless, there are improvements which can be made and shortcomings which need prompt attention.

The 1.5 million seriously disabled Americans under 65 who receive social security and railroad retirement benefits should be included under medicare. The typical member of this group is over 50. He finds himself in much the same plight as the elderly. He is dependent on social security benefits to support himself and his family. He is plagued by high medical expenses and poor insurance protection.

I recommend that medicare be extended to the 1.5 million disabled Americans under 65 now covered by the social security and railroad retirement systems.

Certain types of podiatry services are important to the health of the elderly. Yet, these services are excluded under present law. *I recommend that foot treatment, other than routine care, be covered under medicare whether performed by podiatrists or physicians.*

Finally, medicare does not cover prescription drugs for a patient outside the hospital. We recognize that many practical difficulties remain unresolved concerning the cost and quality of such drugs. This matter deserves our prompt attention. *I am directing the Secretary of Health, Education, and Welfare to undertake immediately*

a comprehensive study of the problems of including the cost of prescription drugs under medicare.

Nursing and Health Care

Medicare and the medical assistance program have removed major financial barriers to health services. Federally assisted programs are developing health facilities, manpower, and services—many targeted to the needs of older Americans.

We have made progress, but serious problems remain. Although the number of agencies that provide health services to individuals in their own homes has grown to more than 1,400 throughout the country, their services are often limited in scope and quality. Many communities still have no such services available.

The great majority of nursing homes are ill equipped to provide services required for medicare and medical assistance patients. Of the 20,000 nursing homes in the country, only 3,000 have qualified for medicare. Of the 850,000 beds in nursing homes, less than half—415,000—meet Hill-Burton standards for long-term care. Many do not even meet minimum fire and safety standards.

Expenditures for nursing home care have increased by 400 percent in the past decade. They now exceed $1.2 billion annually. Federal, State, and local governments pay more than a third of these costs—and the government share is rising rapidly.

We have learned that there is no single answer to the problem of providing the highest quality health care to the elderly. Just as their needs vary, so must the approach.

Some senior citizens can be treated in their homes, where they can be close to their families and friends. Others may need once-a-week care at a nearby outpatient clinic. When serious illness strikes, extended hospitalization may be required. When chronic disease is involved, care in a nursing home may be needed. And when post-operative care for short durations is necessary, specialized facilities may be essential.

Thus, we must pursue a wide range of community programs and services to meet the needs of the elderly—to allow them freedom to choose the right services at the right time and in the right place.

To move toward our health goal for the elderly, I propose to—

Extend the partnership for health legislation to improve State and local health planning for the elderly.

Launch special pilot projects to bring comprehensive medical and rehabilitation services to the aged.

Begin an extensive research effort to develop the best means of organizing, delivering, and financing health services needed by the aged.

Expand visiting nurses and other home health services.

I am requesting funds for more health facilities and better health care institutions for the aged, including:

The full authorization of $280 million for construction under the Hill-Burton program to provide new beds and to modernize existing facilities.

Mortgage guarantees and loans to construct nursing homes for the aged.

Infirmaries and nursing units in senior citizens' housing projects.

Intensive research to find new approaches in design and operation of hospitals, nursing homes, extended care facilities, and other health institutions.

JOB OPPORTUNITIES FOR THE OLDER AMERICAN

In our Nation, there are thousands of retired teachers, lawyers, businessmen, social workers and recreation specialists, physicians, nurses, and others, who possess skills which the country badly needs.

Hundreds of thousands not yet old, not yet voluntarily retired, find themselves jobless because of arbitrary age discrimination. Despite our present low rate of unemployment, there has been a persistent average of 850,000 people age 45 and over who are unemployed.

Today, more than three-quarters of a billion dollars in unemployment insurance is paid each year to workers who are 45 or over. They comprise 27 percent of all the unemployed—and 40 percent of the long-term unemployed. In 1965, the Secretary of Labor reported to the CONGRESS and the President that approximately half of all private job openings were barred to applicants over 55; a quarter were closed to applicants over 45.

In economic terms, this is a serious—and senseless—loss to a nation on the move. But the greater loss is the cruel sacrifice in happiness and well-being which joblessness imposes on these citizens and their families.

Opportunity must be opened to the many Americans over 45 who are qualified and willing to work. We must end arbitrary age limits on hiring. Though 23 States have already enacted laws to prohibit discriminatory practices, the problem is one of national concern and magnitude.

I recommend that—

The Congress enact a law prohibiting arbitrary and unjust discrimination in employment because of a person's age.

The law cover workers 45 to 65 years old.

The law provide for conciliation and, if necessary, enforcement through cease-and-desist orders, with court review.

The law provide an exception for special situations where age is a reasonable occupational qualification, where an employee is discharged for good cause, or where the employee is separated under a regular retirement system.

Educational and research programs on age discrimination be strengthened.

Employment opportunities for older workers cannot be increased solely by measures eliminating discrimination. Today's high standards of education, training, and mobility often favor the younger worker. Many older men and women are unemployed because they are not fitted for the jobs of modern technology; because they live where there are no longer any jobs, or because they are seeking the jobs of a bygone era.

We have already expanded training and education for all Americans. But older workers have not been able to take full advantage of these programs. In many State employment offices, there is need for additional counselors, trained to deal with the special problems of older workers.

I am directing the Secretary of Labor to establish a more comprehensive program of information, counseling, and placement service for older workers through the Federal-State system of employment services.

Enriching the Later Years

Old age is too often a time of lonely sadness, when it should be a time for service and continued self-development. For many, later life can offer a second career. It can mean new opportunities for community service. It can be a time to develop new interests, acquire new knowledge, find new ways to use leisure hours.

Our goal is not merely to prolong our citizens' lives, but to enrich them.

Congress overwhelmingly endorsed this goal, when it passed the Older Americans Act. As a result, we have launched a new partnership at all levels of government, and among voluntary and private organizations. We have established a new agency and a new impetus to promote this partnership.

Forty-one States, the District of Columbia, and Puerto Rico—where more than 91 percent of our older persons live—are now engaged in providing special services for senior citizens. Two hundred and seventy community programs have already been started. Several hundred more will begin in the next few months.

We are helping States and communities to—

Establish central information and referral services so that our older citizens can learn about and receive all the benefits to which they are entitled.

Begin or expand services in more than 65 more senior citizen centers.

Increase volunteer-service opportunities for older people.

Offer preretirement courses and information about retirement.

Support services which help older people remain in their homes and neighborhoods.

To carry forward this partnership, I recommend that—

The Older Americans Act be extended and its funding levels be increased.

Appropriations under the neighborhood facilities program be increased to construct multipurpose centers to serve senior citizens with a wide range of educational, recreational, and health services, and to provide information about housing and employment opportunities.

A pilot program be started to provide nutritional meals in senior citizen centers.

Decent housing plays an important role in promoting self-respect and dignity in the later years. In the past 3 years, the total Federal investment in special housing programs for the elderly has doubled—to over $2.5 billion.

Rental housing for the elderly is one of our most successful housing programs. We have made commitments for about 187,000 units to house more than 280,000 persons. Direct loan and grant programs assist many senior citizens to improve their homes in urban renewal areas, and in areas of concentrated code enforcement where blight is worst. The new rent supplement program, enacted in 1965, promises to help thousands of low income older citizens to have good housing at reasonable rents.

I recommend that these housing programs be continued and that the full amount authorized for the 1968 rent supplement program be provided. I am directing the Secretary of Housing and Urban Development to make certain that the model cities program gives special attention to the needs of older people in poor housing and decaying neighborhoods.

The talents of elderly Americans must not lie fallow. For most Americans, the most enriching moments of life are those spent helping their fellow man. I have asked the Director of the Office of Economic Opportunity to initiate and expand programs to make a wider range of volunteer activities available to older citizens:

To enlist them in searching out isolated and incapacitated older people.

To build on the success of the foster grandparent and medicare alert programs by using public-spirited older Americans as tutors and classroom aids in Headstart and other programs.

To organize older citizens as VISTA volunteers in a variety of community efforts.

Our Obligation

These are my major recommendations to the first session of the 90th Congress on behalf of older Americans. But this message does not end our quest, as a nation, for a better life for these citizens.

I believe that these new measures, together with programs already enacted, will bring us closer to fulfilling the goals set forth in our Bill of Rights for Older Americans.

We should look upon the growing number of older citizens not as a problem or a burden for our democracy, but as an opportunity to enrich their lives and, through them, the lives of all of us.

Lyndon B. Johnson.

The White House, *January 23, 1967.*

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90TH CONGRESS } HOUSE OF REPRESENTATIVES { DOCUMENT
1st Session } { No. 68

HEALTH AND EDUCATION

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

PROPOSALS FOR COMPREHENSIVE PROGRAMS IN HEALTH AND EDUCATION

FEBRUARY 28, 1967.—Referred to the Committee of the Whole House on the State of the Union and ordered to be printed

To the Congress of the United States:

In Edmonds, Wash., three new evening classes today are helping 150 high school dropouts finish school and gain new job skills.

In Detroit, a month ago, 52,000 children were immunized against measles, during a campaign assisted by Federal funds.

In 25 States, Federal funds are helping improve medical care for 6.4 million citizens who get public assistance.

Over 8 million poor children are now getting a better education because of funds provided under title I of the Elementary and Secondary Education Act. Nineteen million older citizens enjoy the protection of medicare.

Three years ago, not one of these programs existed.

Today they are flourishing—because a concerned people and the creative 89th Congress acted. They are the result of 24 new health laws and 18 new education laws.

But even the best new programs are not enough.

Today, we face major challenges of organization and evaluation. If our new projects are to be effective, we must have the people to run them, and the facilities to support them. We must encourage States and localities to plan more effectively and comprehensively for their growing needs and to measure their progress toward meeting those needs.

Above all, each community each State, must generate a spirit of creative change: a willingness to experiment.

In this, my fourth message to Congress on health and education, I do not recommend more of the same—but more that is better: to solve old problems, to create new institutions, to fulfill the potential of each individual in our land.

Nothing is more fundamental to all we seek than our programs in health and education:

Education—because it not only overcomes ignorance, but arms the citizen against the other evils which afflict him.

Health—because disease is the cruelest enemy of individual promise and because medical progress makes less and less tolerable that illness still should blight so many lives.

I. Education

I believe that future historians, when they point to the extraordinary changes which have marked the 1960's, will identify a major movement forward in American education.

This movement, spurred by the laws of the last 3 years, seeks to provide equality of educational opportunity to all Americans—to give every child education of the highest quality no matter how poor his family, how great his handicap, what color his skin, or where he lives.

We cannot yet fully measure the results of this great movement in American education. Our progress can be traced partially by listing some of the extraordinary bills I have signed into law:

The Higher Education Act of 1965.
The Elementary and Secondary Education Act of 1964.
The Higher Education Facilities Act of 1963.
The Vocational Education Act of 1963.

The scale of our efforts can be partially measured by the fact that today appropriations for the Office of Education are nearly seven times greater than 4 years ago. Today we can point to at least 1 million college students who might not be in college except for government loans, grants, and work-study programs, and to more than 17,500 school districts helping disadvantaged children under the Elementary and Secondary Education Act.

This breakthrough is not the work of Washington alone. The ideas for these programs come from educational leaders all over the country. Many different communities must supply the energy to make these programs work. Yet they are national programs, shaped by national needs. Congress has played a vital role in reviewing these needs and setting these priorities.

The new Federal role in education is, in reality, a new alliance with America's States and local communities. In this alliance, the Federal Government continues to be a junior partner:

Local school districts will submit and State governments will approve, the plans for spending more than $1 billion this year to improve the education of poor children.

Federal funds for vocational education are administered through State plans controlled by State, not Federal, officials.

The recommendations of the States have been sought and followed in more than 95 percent of the projects for centers and services which are funded by the U.S. Office of Education.

The education programs I recommend this year have three major aims:

To strengthen the foundations we have laid in recent years, by revising, improving, and consolidating existing programs.

To provide special help to those groups in our society with special needs: the poor, the handicapped, victims of discrimination or neglect.

To build for the future by exploiting the new opportunities presented by science, technology and the world beyond our borders.

The budget proposals I am making for 1968 will carry forward our efforts at a new level. The total Federal dollar expenditures for educational purposes, including health training, which I have proposed for fiscal 1968 will amount to $11 billion—an increase of $1 billion, or 10 percent, over 1967 and $7 billion, or 175 percent, over 1963.

STRENGTHENING EDUCATION PROGRAMS

State and community education leaders have shouldered heavy new burdens as a result of recent increases in Federal programs. If these officials are to develop wise and long-range plans for education, they must have more help.

The Elementary and Secondary Education Act has provided funds to strengthen State departments of education. But additional funds are needed—money to improve community, State, and regional educational planning. Nothing can do more to insure the effective use of Federal dollars.

I recommend legislation authorizing $15 million to help State and local governments evaluate their education programs and plan for the future.

A better education timetable

One condition which severely hampers educational planning is the congressional schedule for authorizations and appropriations. When Congress enacts and funds programs near the end of a session, the Nation's schools and colleges must plan their programs without knowing what Federal resources will be available to them to meet their needs. As so many Governors have said, the Federal legislative calendar often proves incompatible with the academic calendar.

I urge that the Congress enact education appropriations early enough to allow the Nation's schools and colleges to plan effectively. I have directed the Secretary of Health, Education, and Welfare to work with the Congress toward this end.

Another way to ease this problem is to seek the earliest practical renewal of authorization for major education measures.

I recommend that Congress this year extend three major education measures now scheduled to expire in June 1968:

The National Defense Education Act of 1958.

The Higher Education Act of 1965.

The National Vocational Student Loan Insurance Act of 1965.

Improving program evaluation

Most of our education programs have been operating too short a time to provide conclusive judgments about their effectiveness. But we should be heartened by the evaluations so far.

Recently, the National Advisory Council on the Education of Disadvantaged Children reported:

The morale of teachers and administrators in schools with many poor children—their will to succeed and their belief in the possibility of succeeding—is perceptibly on the rise in many of the schools visited. More teachers than ever are involved in an active search for paths to success. The paths are not all clearly visible as yet, but decidedly the search has taken on a new vigor.

The Council did identify problems and weaknesses in the school districts. Our efforts to identify shortcomings and to assess our progress can never be fully effective until we provide sufficient resources for program evaluation.

I have requested $2.5 million to assure careful analysis of new programs so that we can provide a full accounting to the Congress and the American people of our successes and shortcomings.

The Education Professions Act of 1967

Our work to enrich education finds its focus in a single person: the classroom teacher, who inspires each student to achieve his best.

Next year, more than 170,000 new teachers will be needed to replace uncertified teachers, to fill vacancies and to meet rising student enrollments. Moreover:

There are severe shortages of English, mathematics, science, and elementary school teachers.

More teachers are needed for our colleges and junior colleges.

Well-trained administrators at all levels are critically needed.

New kinds of school personnel—such as teachers aids—are needed to help in the schools.

By 1975, the Nation's schools will need nearly 2 million more new teachers.

To help meet this growing demand, the Federal Government has sponsored a number of programs to train and improve teachers.

These programs, though they have been effective, have been too fragmented to achieve their full potential and too limited to reach many essential sectors of the teaching profession. Teacher aids and school administrators have not been eligible to participate.

We must develop a broader approach to training for the education professions. At the State and local level, education authorities must have greater flexibility to plan for their educational manpower needs.

I recommend the Education Professions Act of 1967 to—

Combine and expand many of the scattered statutory authorities for teacher training assistance.

Provide new authority for the training of school administrators, teacher aids, and other education workers for schools and colleges.

Improving student loan programs

In the Higher Education Act of 1965, Congress authorized a program to support State guarantees for student loans made by banks and other lending institutions. For students of modest means, the Federal Government also subsidizes the interest cost.

The program has become an example of creative cooperation between the Federal Government, the States, private financial institutions, and the academic community.

Though it began in a time of tight credit, the program is off to a promising start. This year, it is expected that loans totaling $400 million will be made to nearly 480,000 students. By 1972, outstanding loans are expected to total $6.5 billion.

I have asked all of the Government officials concerned with the program—the Secretary of Health, Education, and Welfare, the

Secretary of the Treasury, the Director of the Budget, and the Chairman of the Council of Economic Advisers—to review its operations in consultation with State and private organizations concerned.

If administrative changes in the program are necessary, we will make them. If any amendments to the legislation are in order, we will submit appropriate recommendations to the Congress.

SPECIAL PROGRAMS FOR SPECIAL NEEDS

Educating poor children

Over the past 2 years, we have invested more than $2.6 billion in improving educational opportunities for more than 10 million poor children. This has been an ambitious venture, for no textbook offers precise methods for dealing with the disadvantaged. It has also been rewarding: we have generated new energy, gained new workers, and developed new skills in our effort to help the least fortunate.

Dollars alone cannot do the job—but the job cannot be done without dollars.

So let us continue the programs we have begun under Headstart and the Elementary and Secondary Education Act.

Let us begin new efforts—like the Headstart follow through program which can carry forward into the early grades the gains made under Headstart.

The Teacher Corps

Young as it is, the Teacher Corps has become a symbol of new hope for America's poor children and their parents—and for hard pressed school administrators.

More than 1,200 interns and veteran teachers have volunteered for demanding assignments in city and rural slums. Teacher Corps volunteers are at work in 275 schools throughout the country: helping children in 20 of our 25 largest cities, in Appalachia, in the Ozarks, in Spanish-speaking communities.

The impact of these specialists goes far beyond their number. For they represent an important idea: that the schools in our Nation's slums deserve a fair share of our Nation's best teachers.

Mayors and school officials across the country cite the competence, the energy, and the devotion which Teacher Corps members are bringing to these tasks.

Perhaps the best measure of the vitality of the Teacher Corps is the demand by school districts for volunteers and the number of young Americans who want to join. Requests from local schools exceed by far the number of volunteers we can now train. Ten times as many young Americans as we can presently accept—among them, some of our brightest college graduates—have applied for Teacher Corps service.

The Teacher Corps, which I recommended and which the 89th Congress established, deserves the strong support of the 90th Congress.

I recommend that the Teacher Corps be expanded to a total of 5,500 volunteers by the school year beginning in September 1968.

I proposed amendments to enhance the role of the States in training and assigning Teacher Corps members.

Finally, to finance next summer's training program, I strongly recommend early action on a supplemental appropriation request of $12.5 million for the Teacher Corps in fiscal year 1967.

Educating the handicapped

One child in 10 in our country is afflicted with a handicap which, if left untreated, severely cripples his chance to become a productive adult.

In my message on children and youth, I proposed measures to bring better health care to these children—the mentally retarded, the crippled, the chronically ill.

We must also give attention to their special educational needs. We must more precisely identify the techniques that will be effective in helping handicapped children to learn.

We need many more teachers who have the training essential to help these children. There are now only 70,000 specially trained teachers of the handicapped—a small fraction of the number the Nation requires. In the next decade, five times that number must be trained and put to work.

I recommend legislation to—

Establish regional resource centers to identify the educational needs of handicapped children and help their parents and teachers meet those needs.

Recruit more men and women for careers in educating the handicapped.

Extend the service providing captioned films and other instructional materials for the deaf to all handicapped people.

Ending discrimination

Giving every American an equal chance for education requires that we put an end once and for all to racial segregation in our schools.

In the Civil Rights Act of 1964, this Nation committed itself to eliminating segregation. Yet patterns of discrimination are still entrenched in many communities, North and South, East and West.

If equal opportunity is to be more than a slogan in our society, every State and community must be encouraged to face up to this legal and moral responsibility.

I have requested $30 million—nearly a fourfold increase over this year's appropriation—to provide the needed resources under title IV of the Civil Rights Act to help States and communities face the problems of school desegregation.

Education for the world of work

Three out of 10 students in America drop out before completing high school. Only two out of 10 of our Nation's young men and women receive college degrees.

Too few of these young people get the training and guidance they need to find good jobs.

I recommend legislation to aid secondary schools and colleges to develop new programs in vocational education, to make work part of the learning experience and to provide career-counseling for their students.

A number of our colleges have highly successful programs of cooperative education which permit students to vary periods of study with periods of employment. This is an important educational innovation that has demonstrated its effectiveness. It should be applied more widely in our schools and universities.

I recommend an amendment of the college work-study program which will for the first time permit us to support cooperative education projects.

I am also requesting the Director of the Office of Economic Opportunity and the Secretary of Labor to use Neighborhood Youth Corps funds at the high school level for this purpose.

Combating adult illiteracy

At least 3 million adults in America cannot read or write. Another 13 million have less than an eighth grade education. Many of these citizens lack the basic learning to cope with the routine business of daily life.

This is a national tragedy and an economic loss for which each one of us must pay.

The Adult Education Act, enacted last year, is our pledge to help eliminate this needless loss of human talent.

This year, I am requesting $44 million—an increase of nearly 50 percent—for adult basic education programs.

These funds will help new projects, sponsored by both public agencies and nonprofit private groups, to train volunteers for work in adult literacy programs and to establish neighborhood education programs reaching beyond the formal classroom.

BUILDING FOR TOMORROW

Public television

In 1951, the Federal Communications Commission set aside the first 242 television channels for noncommercial broadcasting, declaring:

> The public interest will be clearly served if these stations contribute significantly to the educational process of the Nation.

The first educational television station went on the air in May 1953. Today, there are 178 noncommercial television stations on the air or under construction. Since 1963 the Federal Government has provided $32 million under the Educational Television Facilities Act to help build towers, transmitters, and other facilities. These funds have helped stations with an estimated potential audience of close to 150 million citizens.

Yet we have only begun to grasp the great promise of this medium, which, in the words of one critic, has the power to "arouse our dreams, satisfy our hunger for beauty, take us on journeys, enable us to participate in events, present great drama and music, explore the sea and the sky and the winds and the hills."

Noncommercial television can bring its audience the excitement of excellence in every field. I am convinced that a vital and self-sufficient noncommercial television system will not only instruct, but inspire and uplift our people.

Practically all noncommercial stations have serious shortages of the facilities, equipment, money, and staff they need to present programs of high quality. There are not enough stations. Interconnections between stations are inadequate and seldom permit the timely scheduling of current programs.

Noncommercial television today is reaching only a fraction of its potential audience—and achieving only a fraction of its potential worth.

Clearly, the time has come to build on the experience of the past 14 years, the important studies that have been made, and the beginnings we have made.

I recommend that Congress enact the Public Television Act of 1967 to—

Increase Federal funds for television and radio facility construction to $10.5 million in fiscal 1968, more than three times this year's appropriations.

Create a Corporation for Public Television authorized to provide support to noncommercial television and radio.

Provide $9 million in fiscal 1968 as initial funding for the Corporation.

Next year, after careful review, I will make further proposals for the Corporation's long-term financing.

Noncommercial television and radio in America, even though supported by Federal funds, must be absolutely free from any Federal Government interference over programing. As I said in the state of the Union message, "We should insist that the public interest be fully served through the public's airwaves."

The Board of Directors of the Corporation for Public Television should include American leaders in education, communications, and the creative arts. I recommend that the Board be comprised of 15 members, appointed by the President and confirmed by the Senate.

The Corporation would provide support to establish production centers and to help local stations improve their proficiency. It would be authorized to accept funds from other sources, public and private.

The strength of public television should lie in its diversity. Every region and every community should be challenged to contribute its best.

Other opportunities for the Corporation exist to support vocational training for young people who desire careers in public television, to foster research and development, and to explore new ways to serve the viewing public.

One of the Corporation's first tasks should be to study the practicality and the economic advantages of using communication satellites to establish an educational television and radio network. To assist the Corporation, I am directing the Administrator of the National Aeronautics and Space Administration and the Secretary of Health, Education, and Welfare to conduct experiments on the requirements for such a system, and for instructional television, in cooperation with other interested agencies of the Government and the private sector.

Formulation of long-range policies concerning the future of satellite communications requires the most detailed and comprehensive study by the executive branch and the Congress. I anticipate that the appropriate committees of Congress will hold hearings to consider these complex issues of public policy. The executive branch will carefully study these hearings as we shape our recommendations.

Instructional television

I recommend legislation to authorize the Secretary of Health, Education, and Welfare to launch a major study of the value and the promise of instructional television which is being used more and more widely in our classrooms, but whose potential has not been fully developed.

Computers in education

In my 1968 budget, I propose that the National Science Foundation be given new resources to advance man's knowledge and serve the Nation. Its endeavors will help our scholars better to understand

the atmosphere, exploit the ocean's riches, probe the behavior and the nature of man.

The Foundation will also step up its pioneer work to develop new teaching materials for our schools and colleges. The "new math" and the "new science" are only the first fruits of this innovative work.

One educational resource holds exciting promise for America's classrooms: the electronic computer. Computers are already at work in educational institutions, primarily to assist the most advanced research. The computer can serve other educational purposes—if we find ways to employ it effectively and economically and if we develop practical courses to teach students how to use it.

I have directed the National Science Foundation working with the U.S. Office of Education to establish an experimental program for developing the potential of computers in education.

Enriching the arts and the humanities

Our progress will not be limited to scientific advances. The National Foundation on the Arts and the Humanities, established in 1965, has already begun to bring new cultural and scholarly spirit to our schools and communities. State arts councils, museums, theaters, and orchestras have received not only new funds but new energy and enthusiasm through the National Endowment for the Arts.

The National Endowment for the Humanities has made grants to support new historical studies of our Nation's heritage, to encourage creative teaching in our colleges, to offer outstanding young scholars opportunities for advancement.

I recommend that Congress appropriate for the National Foundation on the Arts and Humanities $16 million—an increase of nearly one-third.

Higher education for international understanding

For many years, America's colleges and universities have prepared men and women for careers involving travel, trade, and service abroad. Today, when our world responsibilities are greater than ever before, our domestic institutions of higher learning need more support for their programs of international studies.

The 89th Congress, in its closing days, passed the International Education Act—a historic measure recognizing this Nation's enduring belief that learning must transcend geographic boundaries. Through a program of grants under the act, America's schools, colleges, and universities can add a world dimension to their students' learning experience.

I urge the Congress to approve promptly my forthcoming request for a supplemental appropriation of $350,000 for the International Education Act, to permit necessary planning for next year's program, as well as an appropriation of $20 million for fiscal 1968.

II. HEALTH

No great age of discovery in history can match our own time. Today, our wealth, our knowledge, our scientific genius give us the power to prolong man's life—and to prevent the erosion of life by illness.

In 1900, an American could expect to live only 49 years. Today, his life expectancy has been increased to 70 years.

These advances are the result of spectacular progress in research, in public health, in the medical arts. We have developed—

Sufficient knowledge to end nearly all of the hazards of childbirth and pregnancy.

Modern nutrition to wipe out such ailments as rickets, goiter, and pellagra.

Vaccines, antibiotics, and modern drugs to control many of the killers and cripplers of yesterday: polio, diphtheria, pneumonia.

New medical and surgical techniques to combat cancer and cardiovascular disease.

Lifesaving devices: plastic heart valves and artificial artery transplants.

In 1967, to pursue this vital work, the Federal Government is investing more than $440 million in the construction of health facilities, $620 million for health manpower education and training, $1.3 billion in biomedical research, $7.8 billion to provide medical care.

But each gain, each victory, should focus our attention more sharply on the unfinished business facing this Nation in the field of health:

Infant mortality is far higher than it need be.

Handicaps afflicting many children are discovered too late or left untreated.

Grave deficiencies remain in health care for the poor, the handicapped, and the chronically ill.

American men between the ages of 45 and 54—which should be the most productive years of their lives—have a death rate twice that of men of the same age in a number of advanced countries.

We still search in vain for ways to prevent and treat many forms of cancer.

Many types of mental illness, retardation, arthritis, and heart disease are still largely beyond our control.

Our national resources for health have grown, but our national aspirations have grown faster. Today we expect what yesterday we could not have envisioned—adequate medical care for every citizen.

My health proposals to the 90th Congress have four basic aims:

To expand our knowledge of disease and our research and development of better ways to deliver health care to every American.

To build our health resources, by stepped-up training of health workers and by improved planning of health facilities.

To remove barriers to good medical care for those who most need care.

To strengthen our partnership for health by encouraging regional, State, and local efforts—public and private—to develop comprehensive programs serving all our citizens.

HEALTH RESEARCH AND DEVELOPMENT: THE FOUNDATION OF OUR EFFORTS

Supporting biomedical research

Our progress in health grows out of a research effort unparalleled anywhere in the world. The scientists of the National Institutes of Health have shaped an alliance throughout the Nation to find the causes and the cures of disease.

We must build on the strong base of past research achievements, exchange ideas with scholars and students from all parts of the world, and apply our knowledge more swiftly and effectively.

We must take advantage of our progress in targeted research as we have done in our vaccine development program, in the heart drug study, in artificial kidney and kidney transplant research, and in the treatment of specific types of cancer.

In the 1968 budget, I am recommending an increase of $65 million—to an annual total of almost $1.5 billion—to support biomedical research.

I am seeking funds to establish an International Center for Advanced Study in the Health Sciences and to provide scholarships and fellowships in the Center.

I am directing the Secretary of Health, Education, and Welfare to appoint immediately a lung cancer task force, to supplement the continuing work of existing task forces on leukemia, cancer chemotherapy, uterine cancer, solid tumor, and breast cancer.

Health services research and development

America's annual spending for health and medical care is more than $43 billion. But despite this investment, our system of providing health services is not operating as efficiently and effectively as it should:

In some U.S. counties infant mortality rates, one yardstick of health care, are 300 percent higher than the national average.

Seventy percent of automobile accident deaths occur in communities of less than 2,500 people, where medical facilities are often poorest.

Even though we have good techniques for detecting and curing cervical cancer, 8,000 women die each year for lack of proper care.

Emergency rooms in U.S. hospitals are seriously overcrowded, not with actual emergency cases, but with people who cannot find normal outpatient care anywhere else.

Research and development could help eliminate these conditions by pointing the way to better delivery of health care. Yet the governmentwide total investment in health service research amounts to less than one-tenth of 1 percent of our total annual investment in health care.

We have done very little to mobilize American universities, industry, private practitioners, and research institutions to seek new ways of providing medical services.

There have been few experiments in applying advanced methods—systems analysis and automation, for example—to problems of health care.

Our superior research techniques have brought us new knowledge in health and medicine. These same techniques must now be put to work in the effort to bring low cost, quality health care to our citizens.

We must marshal the Nation's best minds to—

Design hospitals, nursing homes, and group practice facilities which provide effective care with the most efficient use of funds and manpower.

Develop new ways of assisting doctors to reach more people with good health services.

Devise new patterns of health services.

To begin this effort, I have directed the Secretary of Health, Education, and Welfare to establish a National Center for Health Services Research and Development.

I recommend legislation to expand health services research and make possible the fullest use of Federal hospitals as research centers to improve health care.

I also recommend an appropriation of $20 million to the Department of Health, Education, and Welfare in 1968, for research and development in health services—nearly twice as much as in 1967.

DEVELOPING MANPOWER AND FACILITIES FOR HEALTH

Health manpower

The United States is facing a serious shortage of health manpower. Within the next decade this Nation will need 1 million more health workers. If we are to meet this need, we must develop new skills and new types of health workers. We need short-term training programs for medical aids and other health workers; we need programs to develop physicians' assistants and speed the training of health professions. We also need to make effective use of the thousands of medical corpsmen trained in the Armed Forces who return to civilian life each year.

Last May, I appointed a National Advisory Commission on Health Manpower to recommend how we can—

Speed the education of doctors and other health personnel without sacrificing the quality of training.

Improve the use of health manpower both in and outside the Government.

Meanwhile, I directed members of my Cabinet to intensify their efforts to relieve health manpower shortages through Federal programs. This week they reported to me that federally supported programs in 1967 will train 224,000 health workers—an increase of nearly 100,000 over 1966. Thirty thousand previously inactive nurses and technicians will be given refresher training this year.

Through the teamwork of Federal and State agencies, professional organizations, and educational institutions, we have launched a major effort to provide facilities and teachers for this immense training mission.

To maintain this stepped-up training already started in fiscal year 1967, I am recommending expenditures of $763 million—a 22-percent increase for fiscal year 1968—to expand our health manpower resources.

Planning for future health facilities

Over the past two decades, the Hill-Burton program has assisted more than 3,400 communities to build hospitals, nursing homes, and other health care centers. Hill-Burton funds have helped to provide 350,000 hospital and nursing home beds, and to bring modern medical services to millions of Americans. The authorization for this program expires on June 30, 1969. The contribution of the Federal Government in financing construction of health facilities has changed, especially with the beginning of medicare, medicaid, and other new programs. It is timely, therefore, that we take a fresh look at this area.

I am appointing a National Advisory Commission on Health Facilities to study our needs for the total system of health facilities—hospitals,

extended care facilities, nursing homes, long-term care institutions, and clinics. In addition to considering the future of the Hill-Burton program, the Commission will make recommendations for financing the construction and modernization of health facilities.

ELIMINATING BARRIERS TO HEALTH CARE

In previous messages to Congress this year, I have made recommendations to—

Extend medicare to 1.5 million seriously disabled Americans under age 65.

Establish new health services through broader maternal and child health programs; a strengthened crippled children's program, and new projects in child health and dental care.

Improve medical services for the needy under medicaid.

Combat mental retardation by supporting construction of university and community centers for the mentally retarded, and for the first time, helping to staff the community centers.

Guarantee the safety of medical devices and laboratory tests by requiring Food and Drug Administration preclearance of devices, and by requiring licensing of clinical laboratories in interstate commerce.

We must act in other ways to overcome barriers to health care.

The Office of Economic Opportunity has developed a program of neighborhood health centers which not only bring modern medical care to the poor but also train citizens for jobs in the health field.

Last year, Congress endorsed this new approach and authorized funds for 24 such centers. More are needed.

I am requesting the Director of the Office of Economic Opportunity to encourage communities to establish additional centers. Our goal will be to double the number of centers in fiscal 1968.

In the past 4 years, we have launched a new program to attack mental illness through community mental health centers. This program is now well underway. More centers are needed, and we must strengthen and expand existing service.

I recommend legislation to extend and improve the Community Mental Health Centers Act.

Among the most tragically neglected of our citizens are those who are both deaf and blind. More than 3,000 Americans today face life unable to see and hear.

To help reach the deaf-blind with the best programs our experts can devise, I recommend legislation to establish a National Center for the Deaf and Blind.

Ending hospital discrimination

With the launching of the medicare program last July, the Nation took a major step toward ending racial segregation in hospitals.

More than 95 percent of the Nation's hospitals have already complied with the antidiscrimination requirements of the medicare legislation. They are guaranteeing that there will be no "second-class patients" in our health-care institutions; that all citizens can enter the same door, enjoy the same facilities and the same quality of treatment.

We will continue to work for progress in this field—until equality of treatment is the rule not in some, but in all of our hospitals and other health facilities.

Rising medical costs

In 1950, the average cost per patient per day in a hospital was $14.40. In 1965, this cost more than tripled to over $45. Other health costs have also risen sharply in recent years.

Last August I asked the Secretary of Health, Education, and Welfare to initiate a study of medical costs. This study, now completed, indicates that medical costs will almost certainly continue to rise. It emphasizes the absolute necessity of using medical resources more efficiently if we are to moderate this increase in the cost of health care.

This is a job for everyone who plays a part in providing or financing medical care—the medical profession the hospital industry, insurance carriers, State and local governments, and many other private and public groups. Federal programs must also play a role in promoting cost consciousness in medical care.

The new National Center for Health Services Research and Development will develop ways to make our medical systems more efficient. The Center's first assignment will be to develop new ways to improve the use of professional and auxiliary health workers—a key factor in reducing hospital costs.

We can take other steps.

I am directing Secretary John Gardner to convene at the Department of Health, Education, and Welfare a National Conference on Medical Costs.

This Conference will bring together leaders of the medical community and members of the public to discuss how we can lower the costs of medical services without impairing the quality.

In the weeks and months ahead, the Secretary of Health, Education, and Welfare will consult with representatives of the medical profession, universities, business, and labor to—

Find practical incentives for the effective operation of hospitals and other health facilities.

Reduce the costs of construction and speed the modernization of hospitals, nursing homes, and extended-care facilities.

Support those innovations in medical education which will lead to better training programs and promote the efficient practice of medicine.

OUR PARTNERSHIP FOR HEALTH

The partnership for health legislation, enacted by the 89th Congress, is designed to strengthen State and local programs and to encourage broad-gage planning in health. It gives the States new flexibility to use Federal funds by freeing them from tightly compartmentalized grant programs. It also allows the States to attack special health problems which have special regional or local impact.

I recommend that Congress extend the partnership for health legislation for 4 years; provide supplemental appropriations for planning in fiscal 1967 and total appropriations of $161 million—an increase of $41 million—in fiscal 1968.

Our regional medical programs for heart disease, cancer, and stroke depend on a second partnership, involving doctors, medical schools, hospitals, and State and local health departments. These programs will bring to every citizen the fruits of our Nation's research into the killer diseases. They will also promote the continuing education of the Nation's doctors, nurses, and other health workers.

To sustain these nationwide programs, I recommend an appropriation of $64 million for fiscal 1968—an increase of $19 million over 1967.

Occupational health and safety

Occupational health and safety is another area in which we need to strengthen our partnership with labor, industry, medicine. and government.

In 1965, more than 14,000 job-connected deaths and 2 million disabling work injuries caused untold misery and privation to workers, 230 million lost man-days of production, and billions of dollars in lost income.

We must learn more about the nature of job-connected injuries, so we can set effective safety standards and develop better protective measures.

I am recommending in the 1968 budget an appropriation for the Department of Health, Education, and Welfare of $8.1 million—a 25-percent increase over this year—to expand research and training programs in occupational health, and to strengthen State and local public health programs in this field.

I am directing the Secretary of Labor to improve and strengthen health protection and safety standards for workers through cooperative Federal-State programs.

III. To Fulfill the Individual

As a people, we have wanted many things, achieved many things. We have become the richest, the mightiest, the most productive nation in the world.

Yet a nation may accumulate dollars, grow in power, pile stone on stone—and still fall short of greatness. The measure of a people is not how much they achieve—but what they achieve.

Which of our pursuits is most worthy of our devotion? If we were required to choose, I believe we would place one item at the top of the list: fulfillment of the individual.

If that is what we seek, mere wealth and power cannot help us. We must also act—in definable and practical ways—to liberate each individual from conditions which stunt his growth, assault his dignity, diminish his spirit. Those enemies we know: ignorance, illness, want, squalor, tyranny, injustice.

To fulfill the individual—this is the purpose of my proposals. They present an opportunity—and an obligation—to the 90th Congress.

I hope and believe this Congress will live up to the high expectations of a progressive and humanitarian America.

Lyndon B. Johnson.

The White House, *February 28, 1967.*

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90TH CONGRESS
1ST SESSION

H. R. 5710

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 20, 1967

Mr. MILLS introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to provide health insurance to the disabled, to improve the public assistance program and programs relating to the welfare and health of children, to revise the income tax treatment of the aged, 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 1967".

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TITLE I—OLD-AGE, SURVIVORS, DISABILITY, AND HEALTH INSURANCE

PART I—OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

SEC. 101. (a) Section 215(a) of the Social Security 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 under 1965 Act)	(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. (h)) 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—		
------	$23.08	$60.00 or less	---	$96	$70.00	$105.00
$23.09	23.44	61.00	$97	97	70.20	105.30
23.45	23.76	62.10	98	99	71.50	107.30
23.77	24.20	63.20	100	101	72.70	109.10
24.21	24.60	64.20	102	102	73.90	110.90
24.61	25.00	65.30	103	104	75.10	112.70
25.01	25.48	66.40	105	106	76.40	114.60
25.49	25.92	67.50	107	107	77.70	116.60
25.93	26.40	68.50	108	109	78.80	118.20
26.41	26.94	69.60	110	113	80.10	120.20
26.95	27.46	70.70	114	118	81.40	122.10
27.47	28.00	71.70	119	122	82.50	123.80
28.01	28.68	72.80	123	127	83.80	125.70
28.69	29.25	73.90	128	132	85.00	127.50
29.26	29.68	74.90	133	136	86.20	129.30
29.69	30.36	76.00	137	141	87.40	131.10
30.37	30.92	77.10	142	146	88.70	133.10
30.93	31.36	78.20	147	150	90.00	135.00
31.37	32.00	79.20	151	155	91.10	136.70
32.01	32.60	80.30	156	160	92.40	138.60
32.61	33.20	81.40	161	164	93.70	140.60
33.21	33.88	82.40	165	169	94.80	142.20
33.89	34.50	83.50	170	174	96.10	144.20
34.51	35.00	84.60	175	178	97.30	146.00
35.01	35.80	85.60	179	183	98.50	147.80
35.81	36.40	86.70	184	188	99.80	150.40
36.41	37.08	87.80	189	193	101.00	154.40
37.09	37.60	88.90	194	197	102.30	157.60
37.61	38.20	89.90	198	202	103.40	161.60
38.21	39.12	91.00	203	207	104.70	165.60
39.13	39.68	92.10	208	211	106.00	168.80
39.69	40.33	93.10	212	216	107.10	172.80
40.34	41.12	94.20	217	221	108.40	176.80
41.13	41.76	95.30	222	225	109.60	180.00
41.77	42.44	96.30	226	230	110.80	184.00
42.45	43.20	97.40	231	235	112.10	188.00
43.21	43.76	98.50	236	239	113.30	191.20
43.77	44.44	99.60	240	244	114.60	195.20
44.45	44.88	100.60	245	249	115.70	199.20
44.89	45.60	101.70	250	253	117.00	202.40

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

"I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1965 Act)	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—		
		$102.80	$254	$258	$118.30	$206.40
		103.80	259	263	119.40	210.40
		104.90	264	267	120.70	213.60
		106.00	268	272	121.90	217.60
		107.00	273	277	123.10	221.60
		108.10	278	281	124.40	224.80
		109.20	282	286	125.60	228.80
		110.30	287	291	126.90	232.80
		111.30	292	295	128.00	236.00
		112.40	296	300	129.30	240.00
		113.50	301	305	130.60	244.00
		114.50	306	309	131.70	247.20
		115.60	310	314	133.00	251.20
		116.70	315	319	134.30	255.20
		117.70	320	323	135.40	258.40
		118.80	324	328	136.70	262.40
		119.90	329	333	137.90	266.40
		121.00	334	337	139.20	269.60
		122.00	338	342	140.30	273.60
		123.10	343	347	141.60	277.60
		124.20	348	351	142.90	280.80
		125.20	352	356	144.00	284.80
		126.30	357	361	145.30	288.80
		127.40	362	365	146.60	292.00
		128.40	366	370	147.70	296.00
		129.50	371	375	149.00	300.00
		130.60	376	379	150.20	303.20
		131.70	380	384	151.50	307.20
		132.70	385	389	152.70	311.20
		133.80	390	393	153.90	314.40
		134.90	394	398	155.20	318.40
		135.90	399	403	156.30	322.40
		137.00	404	407	157.60	325.60
		138.00	408	412	158.70	329.60
		139.00	413	417	159.90	333.60
		140.00	418	421	161.00	336.80
		141.00	422	426	162.20	340.80
		142.00	427	431	163.30	344.80
		143.00	432	436	164.50	348.80
		144.00	437	440	165.60	352.00
		145.00	441	445	166.80	356.00
		146.00	446	450	167.90	360.00
		147.00	451	454	169.10	361.60
		148.00	455	459	170.20	363.60
		149.00	460	464	171.40	365.60
		150.00	465	468	172.50	367.20
		151.00	469	473	173.70	369.20
		152.00	474	478	174.80	371.20
		153.00	479	482	176.00	372.80
		154.00	483	487	177.10	347.80
		155.00	488	492	178.30	376.80
		156.00	493	496	179.40	378.40
		157.00	497	501	180.60	380.40
		158.00	502	506	181.70	382.40
		159.00	507	510	182.90	384.00
		160.00	511	515	184.00	386.00
		161.00	516	520	185.20	388.00
		162.00	521	524	186.30	389.60
		163.00	525	529	187.50	391.60
		164.00	530	534	188.60	393.60
		165.00	535	538	189.80	395.20
		166.00	539	543	190.90	397.20
		167.00	544	548	192.10	399.20
		168.00	549	551	193.20	400.40
			552	555	194.00	402.00
			556	559	195.00	403.60
			560	562	196.00	404.80
			563	566	197.00	406.40
			567	569	198.00	407.60
			570	573	199.00	409.20
			574	576	200.00	410.40
			577	580	201.00	412.00
			581	583	202.00	413.20
			584	587	203.00	414.80
			588	591	204.00	416.40
			592	594	205.00	417.60
			595	598	206.00	419.20
			599	601	207.00	420.40
			602	605	208.00	422.00

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

"I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1965 Act)	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—		
			$606	$608	$209.00	$423.20
			609	612	210.00	424.80
			613	616	211.00	426.40
			617	619	212.00	427.60
			620	623	213.00	429.20
			624	626	214.00	430.40
			627	630	215.00	432.00
			631	633	216.00	433.20
			634	637	217.00	434.80
			638	641	218.00	436.40
			642	644	219.00	437.60
			645	648	220.00	439.20
			649	651	221.00	440.40
			652	655	222.00	442.00
			656	658	223.00	443.20
			659	662	224.00	444.80
			663	665	225.00	446.00
			666	669	226.00	447.60
			670	673	227.00	449.20
			674	676	228.00	450.40
			677	680	229.00	452.00
			681	683	230.00	453.20
			684	687	231.00	454.80
			688	690	232.00	456.00
			691	694	233.00	457.60
			695	698	234.00	459.20
			699	701	235.00	460.40
			702	705	236.00	462.00
			706	709	237.00	463.60
			710	713	238.00	465.20
			714	716	239.00	466.40
			717	720	240.00	468.00
			721	724	241.00	469.60
			725	728	242.00	471.20
			729	732	243.00	472.80
			733	735	244.00	474.00
			736	739	245.00	475.60
			740	743	246.00	477.20
			744	747	247.00	478.80
			748	750	248.00	480.00
			751	754	249.00	481.60
			755	758	250.00	483.20
			759	762	251.00	484.80
			763	766	252.00	486.40
			767	769	253.00	487.60
			770	773	254.00	489.20
			774	777	255.00	490.80
			778	781	256.00	492.40
			782	785	257.00	494.00
			786	788	258.00	495.20
			789	792	259.00	496.80
			793	796	260.00	498.40
			797	800	261.00	500.00
			801	804	262.00	501.60
			805	807	263.00	502.80
			808	811	264.00	504.40
			812	815	265.00	506.00
			816	819	266.00	507.60
			820	823	267.00	509.20
			824	826	268.00	510.40
			827	830	269.00	512.00
			831	834	270.00	513.60
			835	838	271.00	515.20
			839	842	272.00	516.80
			843	845	273.00	518.00
			846	849	274.00	519.60
			850	853	275.00	521.20
			854	857	276.00	522.80
			858	861	277.00	524.40
			862	864	278.00	525.60
			865	868	279.00	527.20
			869	872	280.00	528.80
			873	876	281.00	530.40
			877	880	282.00	532.00
			881	883	283.00	533.20
			884	887	284.00	534.80
			888	891	285.00	536.40
			892	895	286.00	538.00
			896	899	287.00	539.60
			900	900	288.00	540.00"

(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 June 1967 on the basis of the wages and self-employment income of such insured individual, such total of benefits for any month which begins after May 1967 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 equal to the sums of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 222 (b), section 202 (q), and subsections (b), (c), and (d) of this section), as in effect prior to June 1967, for each such person for June 1967, by 115 percent and raising each 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 this subparagraph, and (ii) if section

202 (k) (2) (A) was applicable in the case of any such benefits for June 1967, and ceases to apply after such month, the provisions of subparagraph (B) shall be applied, for and after the month in which such section 202 (k) (2) (A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for June 1967 or".

(c) Section 215 (b) of such Act is amended by striking out paragraphs (4) and (5) and inserting in lieu thereof the following new paragraph:

"(4) The provisions of this subsection shall be applicable only in the case of an individual—

"(A) who becomes entitled, after May 1967, to benefits under section 202 (a) or section 223; or

"(B) who dies after May 1967 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)."

(d) Section 215 (c) of such Act is amended to read as follows:

"Primary Insurance Amount Under 1965 Act

"(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 the Social Security Amendments of 1967.

"(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 1967 or who died before such month."

(e) Section 215 (d) of such Act is amended by striking out paragraph (3).

(f) The amendments made by this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after May 1967 and with respect to lump-sum death payments under such title in the case of deaths occurring after such month.

(g) If an individual was entitled to a disability insurance benefit under section 223 of the Social Security Act for May 1967 and became entitled to old-age insurance benefits under section 202 (a) of such Act for June 1967, or he died in such month, then, for purposes of section 215 (a) (4) of the Social Security Act (if applicable) the amount in column IV of the table appearing in such section 215 (a) for such individual shall be the amount in such column on the line on which in column II appears his primary insurance amount (as determined under section 215

(c) of such Act) instead of the amount in column IV equal to his disability insurance benefit.

SPECIAL MINIMUM PRIMARY INSURANCE AMOUNT

SEC. 102. (a) Section 215(a) of the Social Security Act is 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:

"(5) An amount equal to $4 multiplied by his years of coverage.

For purposes of paragraph (5), an individual's 'years of coverage' is the number (not exceeding 25) equal to the sum of (A) 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 (B) 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 each such year."

(b) Section 203(a) of such Act is amended by adding immediately after paragraph (3) thereof the following new

sentence: "For purposes of this subsection, if the primary insurance amount of an individual does not appear in column IV of the table in section 215(a), the reference to the amount appearing in column V of such table shall be treated as referring to the amount on the line on which the next higher primary insurance amount appears."

(c) Section 215(f)(2)(C) of such Act is amended by striking out "(1) and (3)" and inserting in lieu thereof "(1), (3), and (5)".

(d) The amendments made by subsections (a), (b), and (c) shall apply with respect to monthly insurance benefits under title II of the Social Security Act for months after May 1967 and with respect to lump-sum death payments under such title in the case of deaths occurring after such month.

MAXIMUM AMOUNT OF A WIFE'S OR HUSBAND'S INSURANCE BENEFIT

SEC. 103. (a) Section 202(b)(2) of the Social Security Act is amended to read as follows:

"(2) Except as provided in subsection (q), such wife's insurance benefit for each month shall be equal to whichever of the following is the smaller: (A) one-half of the primary insurance amount of her husband (or, in the case of a divorced wife, her former husband) for such month, or (B) $90."

(b) Section 202 (c) (3) of such Act is amended to read as follows:

"(3) Except as provided in subsection (q), such husband's insurance benefit for each month shall be equal to whichever of the following is the smaller: (A) one-half of the primary insurance amount of his wife for such month, or (B) $90."

(c) The amendments made by subsections (a) and (b) shall apply with respect to monthly insurance benefits under title II of the Social Security Act for months after May 1967.

INCREASE IN BENEFITS FOR CERTAIN INDIVIDUALS AGE 72

SEC. 104. (a) (1) Section 227 (a) of the Social Security Act is amended by striking out "$35" and inserting in lieu thereof "$50", and by striking out "$17.50" and inserting in lieu thereof "$25".

(2) Section 227 (b) of such Act is amended by striking out in the second sentence "$35" and inserting in lieu thereof "$50".

(b) (1) Section 228 (b) (1) of such Act is amended by striking out "$35" and inserting in lieu thereof "$50".

(2) Section 228 (b) (2) of such Act is amended by striking out "$35" and inserting in lieu thereof "$50", and by striking out "$17.50" and inserting in lieu thereof "$25".

(3) Section 228 (c) (2) of such Act is amended by striking out "$17.50" and inserting in lieu thereof "$25".

(4) Section 228 (c) (3) (A) of such Act is amended by striking out "$35" and inserting in lieu thereof "$50".

(5) Section 228 (c) (3) (B) of such Act is amended by striking out "$17.50" and inserting in lieu thereof "$25".

(c) The amendments made by subsections (a) and (b) shall apply with respect to monthly insurance benefits under title II of the Social Security Act for months after May 1967.

WIDOW'S BENEFITS TO DISABLED WIDOWS UNDER AGE 62

SEC. 105. (a) (1) Paragraph (1) (B) of section 202 (e) of the Social Security Act is amended to read as follows:

"(B) (i) has attained age 60 or (ii) is under a disability (as defined in section 223 (c) (2)) which began before the end of the period specified in paragraph (5),".

(2) So much of section 202 (e) (1) of such Act as follows subparagraph (E) is amended to read as follows: "shall be entitled to a widow's insurance benefit for each month, beginning with—

"(F) if she is entitled on the basis of having attained age 60, the first month in which she becomes so entitled to such insurance benefits, or

"(G) if she is entitled on the basis of being under a disability, (i) the first month after her waiting period (as defined in paragraph (6)) in which she becomes

so entitled to such insurance benefits, or (ii) the first month during all of which she is under a disability and in which she becomes so entitled to such insurance benefits, but only if such first month occurs (I) in the period specified in paragraph (5) and (II) after the month in which her previous entitlement to insurance benefits under this subsection on the basis of being under a disability terminated.

and ending with the month preceding the first month in which any of the following occurs: she remarries, dies, or becomes entitled to an old-age insurance benefit equal to or exceeding 82½ percent of the primary insurance amount of such deceased individual, or the third month following the month in which her disability ceases (unless she attains age 62 on or before the last day of such third month)."

(3) Section 202 (e) (1) of such Act is further amended by adding at the end thereof the following sentence: "No payment under this paragraph may be made to a widow or surviving divorced wife entitled to benefits on the basis of being under a disability who would not meet the definition of disability in section 223 (c) (2), except for subparagraph (B) therefor, for any month in which she engages in substantial gainful activity."

(4) Section 202 (e) of such Act is further amended by

adding after paragraph (4) thereof the following new paragraphs:

"(5) The period referred to in paragraph (1) (B) (ii) means, in the case of any widow or surviving divorced wife, the period beginning with whichever of the following is the latest:

"(A) the month in which the fully insured individual referred to in paragraph (1) died, or

"(B) the last month for which she was entitled to mother's insurance benefits on the basis of the wages and self-employment income of such individual, or

"(C) the month in which her previous entitlement to widow's insurance benefits on the basis of such wages and self-employment income terminated because her disability had ceased,

and ending with the month before the month she attains age 62, or, if earlier, the close of the eighty-fourth month following the month with which such period began.

"(6) The waiting period referred to in paragraph (1) means, in the case of any widow or surviving divorced wife, the earliest period of six consecutive calendar months—

"(A) throughout which the applicant for widow's insurance benefits has been under a disability, and

"(B) which begins not earlier than with whichever of the following is the later: (i) the first day of the

eighteenth month before the month in which such application is filed, or (ii) the first day of the sixth month before the month in which the period, specified in paragraph (5), begins."

(5) Section 202 (q) (5) of such Act is amended by adding at the end thereof the following new subparagraph:

"(E) A widow's insurance benefit, reduced as provided in paragraph (1), for a month in which she is entitled to benefits on the basis of being under a disability (if such month occurs before the month in which she attains age 62) which began before the end of the period specified in subsection (e) (5) shall be reduced by the amount such widow's insurance benefit would be reduced under such paragraph had such individual attained age 62 in the first month in which she was entitled to such benefits on the basis of being under such disability."

(b) (1) Section 203 (c) of such Act is amended by striking out in the third sentence "or any subsequent month." and inserting in lieu thereof "or any subsequent month; nor shall any deduction be made under this subsection from any widow's insurance benefit for the month in which the widow or surviving divorced wife has not attained age 62 and is entitled to such benefits on the basis of being under a disability."

(2) The third sentence of section 203 (f) (1) of such Act is amended by striking out "or (D)" and inserting in lieu thereof the following: "(D) prior to the month such individual attains age 62, if such individual is entitled to widow's insurance benefits for such month on the basis of being under a disability, or (E)".

(3) Section 203 (f) (2) of such Act is amended by striking out "and (D)" and inserting in lieu thereof "(D), and (E)".

(4) Section 203 (f) (4) of such Act is amended by striking out "(D)" and inserting in lieu thereof "(E)".

(c) Section 216 (i) (1) of such Act is amended by inserting "202 (e)," after "202 (d),".

(d) (1) Section 222 (a) of such Act is amended by inserting "disabled individuals under age 62 who are entitled to widow's insurance benefits" after "determination of disability,".

(2) Section 222 (b) (1) of such Act is amended by striking out "child's insurance benefits or if" and inserting in lieu thereof "child's insurance benefits, a widow or surviving divorced wife who has not attained age 62 and is entitled to widow's insurance benefits on the basis of being under a disability, or".

(e) (1) Section 222 (c) (1) of such Act is amended by

striking out "or 202 (d)" and inserting in lieu thereof ", 202 (d), or 202 (e)".

(2) The first sentence of section 222 (c) (3) of such Act is amended to read as follows: "A period of trial work for any individual shall begin (i) in the case of an individual entitled to disability insurance benefits, with the month in which he becomes entitled to such benefits, (ii) in the case of a widow or surviving divorced wife who has not attained age 62 and who is entitled to widow's insurance benefits on the basis of being under a disability, with the month in which she becomes entitled to such benefits, or (iii) in the case of an individual who has attained age 18 and is entitled to benefits under section 202 (d) (and is under a disability), with the month in which he becomes entitled to such benefits, or the month in which he attains age 18, whichever is later."

(f) (1) Section 222 (d) (1) of such Act is amended by inserting "or" at the end of subparagraph (B), and by inserting after subparagraph (B) the following new subparagraph:

"(C) entitled to widow's insurance benefits under section 202 (e) before having attained age 62 (and are under a disability),".

(2) Section 222 (d) (1) of such Act is further amended by striking out in the first sentence "who have attained age

18 and are under a disability," and inserting in lieu thereof the following: "who have attained age 18 and are under a disability, the benefits under section 202 (e) for widows and surviving divorced wives who have not attained age 62 and are under a disability,".

(g) (1) Section 225 of such Act is amended by inserting in the first sentence after "under section 202 (d)," the following: "or that a widow or surviving divorced wife who has not attained age 62 and is entitled to benefits under section 202 (e) on the basis of being under a disability,".

(2) Section 225 of such Act is further amended by striking out in the first sentence "223 or 202 (d)" and inserting in lieu thereof "202 (d), 202 (e), or 223".

(h) The amendments made by this section shall apply only with respect to monthly insurance benefits under title II of the Social Security Act for and after the second month following the month in which this Act is enacted, but only on the basis of applications for such benefits filed in or after the month in which this Act is enacted.

(i) Where—

(1) two or more persons were entitled (without the application of subsection (j) (1) of section 202 of the Social Security Act) to monthly benefits under such section 202 for the effective month (as hereinafter

defined) on the basis of the wages and self-employment income of a deceased individual, and one or more of such persons is entitled to monthly benefits under subsection (g) of such section 202 for such effective month, and

(2) no person, other than the persons referred to in paragraph (1) of this subsection, becomes entitled to benefits under such section 202 on the basis of such deceased individual's wages and self-employment income for a subsequent month or for any month after the effective month and before such subsequent month, but the person, referred to in such paragraph (1) as entitled to benefits under such subsection (g), becomes entitled to benefits under subsection (e) of section 202 on the basis of disability, and

(3) the total of the benefits to which all such persons are entitled under section 202 of such Act on the basis of such deceased individual's wages and self-employment income for such subsequent month is reduced by reason of the application of section 203 (a) of such Act,

then the amount of the benefit to which each such person referred to in paragraph (1) of this subsection is entitled for such subsequent month shall be determined without re-

gard to this section if, after the application of this section, such benefit for such month is less than such benefit for the effective month. The preceding provisions of this subsection shall not apply to any monthly benefit of any person for any month beginning after the effective month under this section unless paragraph (3) also applies to such benefit for such month of entitlement (or would so apply but for the next to the last sentence of section 203 (a) of the Social Security Act). For purposes of this subsection, "effective month" means the first month after the month in which this Act is enacted.

INCREASE IN AMOUNT AN INDIVIDUAL IS PERMITTED TO EARN WITHOUT SUFFERING FULL DEDUCTIONS FROM BENEFITS

SEC. 106. (a) (1) Paragraphs (1), (3), and (4) (B) of subsection (f) of section 203 of the Social Security Act are each amended by striking out "$125" wherever it appears and inserting in lieu thereof "$140".

(2) Paragraph (1) (A) of subsection (h) of section 203 of such Act is amended by striking out "$125" and inserting in lieu thereof "$140".

(b) The amendments made by subsection (a) shall apply with respect to taxable years ending after December 1967.

INCREASE OF EARNINGS COUNTED FOR BENEFIT AND TAX PURPOSES

SEC. 107. (a) (1) (A) Section 209 (a) (4) of the Social Security Act is amended by inserting "and prior to 1968" after "1965".

(B) Section 209 (a) of such Act is further amended by adding at the end thereof the following new paragraphs:

"(5) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $7,800 with respect to employment has been paid to an individual during any calendar year after 1967 and prior to 1971, is paid to such individual during any such calendar year;

"(6) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $9,000 with respect to employment has been paid to an individual during any calendar year after 1970 and prior to 1974, is paid to such individual during any such calendar year;

"(7) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $10,800 with respect to employment has been paid to an individual during any

calendar year after 1973, is paid to such individual during such calendar year;".

(2) (A) Section 211 (b) (1) (D) of such Act is amended by inserting "and prior to 1968" after "1965", 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 subparagraphs:

"(E) For any taxable year ending after 1967 and prior to 1971, (i) $7,800, minus (ii) the amount of the wages paid to such individual during the taxable year; and

"(F) For any taxable year ending after 1970 and prior to 1974, (i) $9,000, minus (ii) the amount of the wages paid to such individual during the taxable year; and

"(G) For any taxable year ending after 1973, (i) $10,800, minus (ii) the amount of the wages paid to such individual during the taxable year; or".

(3) (A) Section 213 (a) (2) (ii) of such Act is amended by striking out "after 1965" and inserting in lieu thereof "after 1965 and before 1968, or $7,800 in the case of a calendar year after 1967 and before 1971, or $9,000 in the case of a calendar year after 1970 and before 1974, or $10,800 in the case of a calendar year after 1973".

(B) Section 213 (a) (2) (iii) of such Act is amended by striking out "after 1965" and inserting in lieu thereof "after 1965 and prior to 1968, or $7,800 in the case of a taxable year ending after 1967 and prior to 1971, or $9,000 in case of a taxable year ending after 1970 and prior to 1974, or $10,800 in the case of a taxable year ending after 1973".

(4) Section 215 (e) (1) of such Act is amended by striking out "and the excess over $6,600 in the case of any calendar year after 1965" and inserting in lieu thereof "the excess over $6,600 in the case of any calendar year after 1965 and before 1968, the excess over $7,800 in the case of any calendar year after 1967 and before 1971, the excess over $9,000 in the case of any calendar year after 1970 and before 1974, and the excess over $10,800 in the case of any calendar year after 1973".

(b) (1) (A) Section 1402 (b) (1) (D) of the Internal Revenue Code of 1954 (relating to definition of self-employment income) is amended by inserting "and before 1968" after "1965", and 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 subparagraphs:

"(E) for any taxable year ending after 1967

and before 1971, (i) $7,800, minus (ii) the amount of the wages paid to such individual during the taxable year; and

"(F) for any taxable year ending after 1970 and before 1974, (i) $9,000, minus (ii) the amount of the wages paid to such individual during the taxable year; and

"(G) for any taxable year ending after 1973, (i) $10,800 minus (ii) the amount of the wages paid to such individual during the taxable year; or".

(2) (A) Section 3121 (a) (1) of such Code (relating to definition of wages) is amended by striking out "$6,600" each place it appears and inserting in lieu thereof "$7,800".

(B) Effective with remuneration paid after 1970, section 3121 (a) (1) of such Code is amended by striking out "$7,800" each place it appears and inserting in lieu thereof "$9,000".

(C) Effective with remuneration paid after 1973, section 3121 (a) (1) of such Code is amended by striking out "$9,000" each place it appears and inserting in lieu thereof "$10,800".

(3) (A) The second sentence of section 3122 of such Code (relating to Federal service) is amended by striking out "$6,600" and inserting in lieu thereof "$7,800".

(B) Effective with remuneration paid after 1970, the

second sentence of section 3122 of such Code is amended by striking out "$7,800" and inserting in lieu thereof "$9,000".

(C) Effective with remuneration paid after 1973, the second sentence of section 3122 of such Code is amended by striking out "$9,000" and inserting in lieu thereof "$10,800".

(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 "$6,600" where it appears in subsections (a), (b), and (c) and inserting in lieu thereof "$7,800".

(B) Effective with remuneration paid after 1970, section 3125 of such Code is amended by striking out "$7,800" where it appears in subsections (a), (b), and (c) and inserting in lieu thereof "$9,000".

(C) Effective with remuneration paid after 1973, section 3125 of such Code is amended by striking out "$9,000" where it appears in subsections (a), (b), and (c) and inserting in lieu thereof "$10,800".

(5) Section 6413(c)(1) of such Code (relating to special refunds of employment taxes) is amended—

(A) by inserting "prior to the calendar year 1968" after "the calendar year 1965",

(B) by inserting after "exceed $6,600," the following: "or (D) during any calendar year after the calendar year 1967 and prior to the calendar year 1971,

the wages received by him during such year exceed $7,800, or (E) during any calendar year after the calendar year 1970 and prior to the calendar year 1974, the wages received by him during such year exceed $9,000, or (F) during any calendar year after the calendar year 1973, the wages received by him during such year exceed $10,800," and

(C) by inserting before the period at the end thereof the following: "and before 1968, or which exceeds the tax with respect to the first $7,800 of such wages received in such calendar year after 1967 and before 1971, or which exceeds the tax with respect to the first $9,000 of such wages received in such calendar year after 1970 and before 1974, or which exceeds the tax with respect to the first $10,800 after 1973".

(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 $6,600 for any calendar year after 1965" and inserting in lieu thereof "$6,600 for the calendar year 1966 or 1967, or $7,800 for the calendar year 1968, 1969, or 1970, or $9,000 for the calendar year 1971, 1972, or 1973, or $10,800 for any calendar year after 1973".

(c) The amendments made by subsections (a) (1) and (a) (3) (A), and the amendments made by subsection (b)

(except paragraph (1) thereof), shall apply only with respect to remuneration paid after December 1967. The amendments made by subsections (a) (2), (a) (3) (B), and (b) (1) shall apply only with respect to taxable years ending after 1967. The amendment made by subsection (a) (4) shall apply only with respect to calendar years after 1967.

CHANGES IN TAX SCHEDULES

SEC. 108. (a) Section 3101 (a) of the Internal Revenue Code of 1954 (relating to rate of tax on employees under the Federal Insurance Contributions Act) is amended by striking out in paragraph (3) "4.4" and inserting in lieu thereof "4.5", and by striking out in paragraph (4) "4.85" and inserting in lieu thereof "5.0".

(b) Section 3111 (a) of the Internal Revenue Code of 1954 (relating to rate of tax on employers under the Federal Insurance Contributions Act) is amended by striking out in paragraph (3) "4.4" and inserting in lieu thereof "4.5", and by striking out in paragraph (4) "4.85" and inserting in lieu thereof "5.0".

(c) Section 1401 of the Internal Revenue Code of 1954 (relating to the rate of tax under the Self-Employment Contributions Act) is amended by striking out in paragraph (3) of subsection (a) "6.6" and inserting in lieu thereof "6.8".

(d) The amendments made by subsections (a) and (b)

shall apply only with respect to remuneration paid after December 31, 1968. The amendment made by subsection (c) shall apply only with respect to taxable years beginning after December 31, 1968.

DISABILITY INSURANCE TRUST FUND

SEC. 109. (a) Section 201 (b) (1) of the Social Security Act is amended by—

(1) inserting "(A)" after "(1)";

(2) striking out "1954, and" and inserting in lieu thereof "1954, (B)";

(3) inserting "and before January 1, 1968," after "December 31, 1965,"; and

(4) inserting after "so reported," the following: "(C) 0.85 of 1 per centum of the wages (as so defined) paid after December 31, 1967, and before January 1, 1969, and so reported, and (D) 0.95 of 1 per centum of the wages (as so defined) paid after December 31, 1968, and so reported,".

(b) Section 201 (b) (2) of such Act is amended by—

(1) inserting "(A)" after "(2)";

(2) striking out "1966, and" and inserting in lieu thereof "1966, (B)"; and

(3) inserting "after December 31, 1965," the following: "and before January 1, 1968, (C) 0.6375 of 1 per centum of the amount of self-employment income

(as so defined) so reported for any taxable year beginning after December 31, 1967, and before January 1, 1969, and (D) 0.7125 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1968,".

ELIMINATION OF PROVISIONS DENYING BENEFITS TO INDIVIDUALS BECAUSE OF MEMBERSHIP IN CERTAIN ORGANIZATIONS

SEC. 110. (a) Section 103 (b) of the Social Security Amendments of 1965 is amended by striking out paragraphs (1) and (2), by striking out "(3)" in the first sentence, and by striking out "Paragraph (3)" in the second sentence and inserting in lieu thereof "This subsection".

(b) Section 104 (b) of the Social Security Amendments of 1965 is amended by striking out "(b) (1)" and inserting in lieu thereof "(b)", and by striking out paragraph (2).

(c) (1) Section 202 (u) of the Social Security Act is repealed.

(2) Section 228 (f) of such Act is amended by striking out "and (u)".

(d) (1) Section 210 (a) (17) of such Act is repealed, and paragraphs (18) and (19) are redesignated as (17) and (18), respectively.

(2) Section 3121 (b) (17) of the Internal Revenue

Code of 1954 is repealed, and paragraphs (18) and (19) are redesignated as (17) and (18), respectively.

(e) (1) The amendments made by subsections (a) and (b) shall take effect July 30, 1965, as though they had been incorporated in the Social Security Amendments of 1965 as enacted on that date.

(2) The amendments made by subsection (d) shall apply with respect to services performed on or after the first day of the calendar quarter which commences after the date of enactment of this Act.

PART 2—COVERAGE UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

COVERAGE OF AGRICULTURAL LABOR

SEC. 115. (a) Section 209 (h) (2) of the Social Security Act is amended by striking out "$150" and inserting in lieu thereof "$50", and by striking out "twenty" and inserting in lieu thereof "ten".

(b) Section 213 (a) (2) (iv) of such Act is amended by striking out "$100" and inserting in lieu thereof "$50"; by striking out "$200" each time it appears and inserting in lieu thereof "$100"; by striking out "$300" each time it appears and inserting in lieu thereof "$150"; and by striking out "$400" each time it appears and inserting in lieu thereof "$200".

(c) Section 3121 (a) (8) (B) of the Internal Revenue

Code of 1954 (relating to the coverage of agricultural labor) is amended by striking out "$150" and inserting in lieu thereof "$50", and by striking out "20" and inserting in lieu thereof "10".

(d) The amendments made by subsections (a) and (c) shall apply with respect to remuneration paid after December 1967; the amendments made by subsection (b) shall be applicable (A) in the case of monthly benefits under title II of the Social Security Act for months after December 1967, on the basis of applications filed after such month, (B) in the case of lump-sum death payments under such title, with respect to deaths occurring after such month, and (C) in the case of applications under section 216(i) of such Act or under section 103 of the Social Security Amendments of 1965, with respect to applications filed after such month.

TRANSFER OF FEDERAL EMPLOYMENT CREDITS

SEC. 116. (a) Section 205 of the Social Security Act is amended by adding to the end thereof the following new subsection:

"Crediting of Pay or Salary Under Civil Service Retirement or Foreign Service Retirement

"(q) (1) Notwithstanding paragraphs (5) and (6) of section 210(a)—

"(A) the basic pay (as defined in section 8331(3)

of title 5, United States Code) of an individual attributable to service (other than service described in section 8331 (14) of title 5, United States Code) to which Civil Service Retirement (Ch. 83, subch. III of title 5, United States Code) applies and which is performed after June 30, 1966, or

"(B) the basic salary (as determined by the Secretary of State pursuant to regulations) of an individual attributable to service to which title VIII of the Foreign Service Act of 1946 applies and which is performed after June 30, 1966,

shall constitute remuneration for employment under this title if, after December 31, 1967, such individual is separated by reason of death, disability, transfer (other than transfer to service to which such Civil Service Retirement or such Foreign Service Act of 1946, or the Central Intelligence Agency Retirement Act of 1964 for Certain Employees applies), or otherwise, from service to which such Civil Service Retirement or such Foreign Service Act of 1946 applies and neither such individual nor any of his survivors is entitled to an annuity (deferred or otherwise) under such Civil Service Retirement or such Foreign Service Act of 1946 on the basis of such individual's service. The preceding provisions of this paragraph shall not apply with respect to remuneration for (i) any period of service that terminated before the

second month following the month of enactment of the Social Security Amendments of 1967 and (ii) service performed outside of the United States by an individual who is not a citizen or national of the United States.

"(2) The Chairman of the Civil Service Commission or the Secretary of State, as the case may be, shall, at the request of the Secretary of Health, Education, and Welfare, furnish him a record of such individual's service, basic pay and basic salary, together with a certification that such individual meets the requirements of paragraph (1). Such report and certification shall be final and conclusive upon the Secretary of Health, Education, and Welfare. Pay or salary paid to any individual in any calendar year and included in any such report shall, in the absence of evidence to the contrary, be presumed to have been paid in equal proportions with respect to all months in such year in which such individual performed service for such pay or salary, as the case may be."

(b) Section 201 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(i) (1) Within the 6-month period after the close of the fiscal year ending June 30, 1968, and within the 6-month period after the close of each fiscal year thereafter, the Secretary of the Treasury shall transfer to the Federal Old-Age and Survivors Insurance Trust Fund, the Federal

Disability Insurance Trust Fund, and the Federal Hospital Insurance Trust Fund,

"(A) from the Civil Service Retirement and Disability Fund, an amount determined by the Secretary of Health, Education, and Welfare to be equal to the total of the proportionate costs, attributable to the basic pay for Federal service credited pursuant to section 205(q), of the benefits of all individuals paid at any time during such fiscal year out of each of such Trust Funds, and

"(B) from the Foreign Service Retirement and Disability Fund, an amount determined by the Secretary of Health, Education, and Welfare to be equal to the total of the proportionate costs, attributable to the basic salary for Federal service credited pursuant to section 205(q), of the benefits of all individuals paid at any time during such fiscal year out of each of such Trust Funds, and

"(C) the interest on the amount determined under subparagraphs (A) and (B) from the date of payment of such benefits from Trust Funds to the date of such transfer; such rate of such interest for each of such Trust Funds shall be the average of the rates of interest for the months of such fiscal year as determined under the fifth sentence of subsection (d) of this section.

In determining the amount to be transferred under subparagraphs (A) and (B), the Secretary of Health, Education, and Welfare shall take into account adjustments required by overpayments or underpayments made with respect to prior years and benefits paid indirectly through the financial interchange provisions of section 5(k)(2) of the Railroad Retirement Act of 1937.

"(2) For purposes of paragraph (1), the proportionate costs, which are attributable to the pay or salary for Federal service credited pursuant to section 205(q), of the benefits of an individual and with respect to which a tax equivalent has been withheld by the Secretary of the Treasury, pursuant to a certification by the Chairman of the Civil Service Commission or the Secretary of State, as the case may be, from his lump-sum credit under Civil Service Retirement or the Foreign Service Act of 1946, shall be the amount of benefits paid (either directly from such Trust Fund or indirectly through the financial interchange provisions of section 5(k)(2) of the Railroad Retirement Act of 1937) on the basis of the wages and self-employment income of such individual multiplied by the fraction—

"(A) the numerator of which is the dollar amount of the basic pay or salary taken into account in determining such tax equivalent for such indivdual, and

"(B) the denominator of which is the sum of (i) the amount determined under subparagraph (A), plus (ii) the dollar amount of such individual's wages and self-employment income (computed without regard to the basic pay or salary referred to in subparagraph (A)), plus (iii) the dollar amount of compensation of such individual under the Railroad Retirement Act of 1947 which would have been included as wages under the Social Security Act if service as an employee under the Railroad Retirement Act of 1937 after December 31, 1936, had been included in the term 'employment' as defined in the Social Security Act.

The tax equivalent with respect to an individual means an amount equal to the taxes which would have been paid (but which have not been paid) under section 3101 of the Internal Revenue Code of 1954 with respect to service after June 30, 1966, of such individual who was subject to Civil Service Retirement (Ch. 83, subch. III of title 5, United States Code) or the Foreign Service Act of 1946 if such individual's basic pay or basic salary, as the case may be, for that service had at that time constituted remuneration for employment under this title."

COVERAGE STATUS OF SHRIMPBOAT FISHERMEN AND TRUCK LOADERS AND UNLOADERS

SEC. 117. (a) (1) Section 210(j) of the Social Security Act is amended by striking out the period at the end of paragraph (3) and inserting in lieu thereof "; or" and by adding at the end thereof the following new paragraphs:

"(4) any individual who performs services for remuneration (whether on a share basis or any other basis) as an officer or member of the crew of a vessel while it is engaged in the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal and vegetable life (including services performed by any such individual as an ordinary incident to any such activity); except that an individual shall not be included in the term 'employee' under the provisions of this paragraph if, pursuant to the provisions of subsection (p), any officer or member of the crew of such vessel is deemed to be his employee; or

"(5) any individual who performs services for remuneration in the loading or unloading of the contents

of a truck, truck or tractor trailer, or similar conveyance."

(2) Section 210 of the Social Security Act is further amended by adding at the end thereof the following new subsections:

Owners and Lessees of Vessels

"(p) For purposes of this title an individual who is an employee under the provisions of subsection (d) (4) shall be deemed to be the employee of the owner of the vessel on or in connection with which his services are performed except that if (1) such vessel has been chartered or leased by the owner and the owner has no interest of any kind in the fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal and vegetable life caught, taken, harvested, cultivated, or farmed by such vessel, or in the proceeds thereof, such individual shall be deemed to be the employee of the charterer or lessee of such vessel. If by reason of the preceding sentence an individual is deemed to be the employee of more than one charterer or lessee, and one or more (but less than all) of such charterers or lessees is not an officer or member of the crew of such vessel, such individual shall be deemed to be the employee of each of the charterers or lessees who is not an officer or member of the crew of such vessel.

Truck Loaders and Unloaders

"(q) For purposes of this title an individual who is an employee under the provisions of subsection (d) (5) shall be deemed to be the employee of the driver in charge of the truck or other conveyance in connection with which his service is performed, except that if such driver is the employee of another person in respect of services he performs as the driver of such truck or other conveyance, such individual shall be deemed to be the employee of such other person. However, the preceding sentence shall not apply with respect to an individual if it can be shown by such driver or his employer that a person other than such driver or employer has acknowledged in writing on a form to be prescribed by the Secretary of the Treasury or his delegate that he has the responsibility for collecting and paying the taxes imposed by the Federal Insurance Contributions Act with respect to such loading or unloading services performed by such individual, in which event the person who has made such acknowledgment in writing shall be deemed to be the employer or of such individual."

(3) The amendments made by this subsection shall have the same effect as if included in the Social Security Act on January 1, 1951.

(b) (1) Section 3121 (d) of the Internal Revenue Code of 1954 is amended by striking out the period at the end of paragraph (3) and inserting in lieu thereof "; or" and by adding at the end thereof the following new paragraphs:

"(4) any individual who performs services for remuneration (whether on a share basis or any other basis) as an officer or member of the crew of a vessel while it is engaged in the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal and vegetable life (including services performed by any such individual as an ordinary incident to any such activity); except that an individual shall not be included in the term 'employee' under the provisions of this paragraph if, pursuant to the provisions of subsection (r), any officer or member of the crew of such vessel is deemed to be his employee; or

"(5) any individual who performs services for remuneration in the loading or unloading of the contents of a truck, truck or tractor trailer, or similar conveyance."

(2) Section 3121 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new subsections:

"(r) OWNERS AND LESSEES OF VESSELS.—For purposes of this chapter an individual who is an employee under the provisions of subsection (d) (4) shall be deemed to be the employee of the owner of the vessel on or in connection with which his services are performed except that if such vessel has been chartered or leased by the owner and the owner has no interest of any kind in the fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal and vegetable life caught, taken, harvested, cultivated, or farmed by such vessel, or in the proceeds thereof, such individual shall be deemed to be the employee of the charterer or lessee of such vessel. If by reason of the preceding sentence an individual is deemed to be the employee of more than one charterer or lessee, and one or more (but less than all) of such charterers or lessees are not officers or members of the crew of such vessel, such individual shall be deemed to be the employee of each of the charterers or lessees who is not an officer or member of the crew of such vessel.

"(s) TRUCK LOADERS AND UNLOADERS.—For purposes of this chapter an individual who is an employee under the provisions of subsection (d) (5) shall be deemed to be the employee of the driver in charge of the truck or other conveyance in connection with which his service is performed, except that if such driver is the employee of another person

in respect of services he performs as the driver of such truck or other conveyance, such individual shall be deemed to be the employee of such other person. However, the preceding sentence shall not apply with respect to an individual if it can be shown by such driver or his employer that a person other than such driver or employer has acknowledged in writing on a form to be prescribed by the Secretary or his delegate that he has the responsibility for collecting and paying the taxes imposed by this chapter with respect to such loading or unloading services performed by such individual, in which event the person who has made such acknowledgment in writing shall be deemed to be the employer of such individual."

(3) The amendments made by this subsection shall apply with respect to remuneration paid after December 31, 1967, for services performed after such date.

(c) (1) Section 3401 (c) of the Internal Revenue Code of 1954 is amended by striking out "an officer of a corporation" in the final sentence and inserting in lieu thereof "the persons named in section 3121 (d), except that paragraph (3) shall not apply".

(2) The amendment made by this subsection shall apply with respect to remuneration paid after December 31, 1967, for services performed after such date.

PART 3—HEALTH INSURANCE BENEFITS

HEALTH INSURANCE FOR THE DISABLED

SEC. 125. (a) (1) Section 226 (a) of the Social Security 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 subparagraph (A) and (B).

"(2) Every individual who—

"(A) has not attained age 65, but

"(B) (i) is entitled to disability insurance benefits under section 223, or (ii) has attained the age of 18 and is entitled to child's insurance benefits under section 202 (d) and is under a disability (as defined in section 223 (c)) which began before he attained age 18, or (iii) has not attained age 62 and is entitled to widow's insurance benefits on the basis of being under

a disability (as so defined), or (iv) is a qualified railroad retirement beneficiary,

shall be entitled to hospital insurance benefits under part A of title XVIII for each month beginning with the later of (a) January 1968 or (b) the first month for which he satisfies the applicable conditions of subparagraph (B), and ending with the eleventh month after the first month in which he ceases to meet the applicable conditions of subparagraph (B) or, if earlier, with the month before the month in which he attains age 65. Notwithstanding clause (iii) of subparagraph (B), a widow or surviving divorced wife who has attained age 62 shall be deemed to have satisfied the applicable conditions of such subparagraph (B) in any month in which (i) she is entitled to benefits under section 202 (e) (or would be but for paragraph (i) (E) of such section 202 (e)) and (ii) she would be entitled to such benefits (but without regard to such paragraph (1) (E)) on the basis of being under a disability (as defined in section 223 (c)) had the period, specified in section 202 (e) (5), ended in the month she attains 65, instead of the month she attains 62; and the first month in which she shall be deemed not to have satisfied such applicable conditions shall be the eleventh month following the first month in which such benefits would have been terminated on the basis of the concurrence of an event specified in section 202 (e) (1)."

(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 (1) 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 (but only if there has been no intervening termination of such entitlement)".

(3) 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."

(4) (A) Section 1837 (b) (1) of such Act is amended to read as follows:

"(1) No individual may enroll for the first time (in any continuous period of eligibility) under this part more than 3 years after the close of the first enrollment period (in such continuous period of eligibility) during which he could have enrolled under this part."

(B) The first sentence of section 1837 (b) (2) of such Act is amended by inserting "(during any continuous period of eligibility)" after "may not enroll".

(C) The last sentence of section 1837 (b) (2) of such Act is amended by inserting before the period at the end thereof the following: "(during any continuous period of eligibility)".

(D) Section 1837 (b) of such Act is further amended by adding at the end thereof the following new paragraph:

"(3) For purposes of paragraphs (1) and (2) (and section 1839 (c)), 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 re-

spect to such individual (and each such period which terminates shall be deemed not to have existed for purposes of subsequently applying this section or section 1839(c))."

(E) 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)."

(F) 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."

(G) Section 1837(c) of such Act is further amended by adding at the end thereof the following new sentence: "In the case of an individual who has not attained age 65 and who first satisfies paragraph (1) of section 1836 before August 1967, the initial enrollment period shall begin on June 1, 1967, and shall end on October 31, 1967."

(H) Section 1837(d) of such Act is amended to read as follows:

"(d) In the case of an individual who, with respect to

the period beginning with the month in which he attains age 65, first satisfies paragraph (1) or (2) of section 1836 on or after March 1, 1966, his initial enrollment period shall begin on the first day of the third month before the month in which he first satisfies such paragraph and shall end seven months later. In the case of an individual who has not attained age 65 and who first satisfies paragraph (1) of section 1836 after July 1967, his initial enrollment period shall begin on the day—

"(1) he files his application for disability insurance benefits under section 223, or

"(2) the widow or surviving divorced wife files her application for widow's insurance benefits under section 202 (e), or

"(3) he files his application for child's insurance benefits under section 202 (d) after attaining age 18 on the basis of being under a disability (as defined in section 223 (c))

and shall end at the close of the fourth month following the month in which he is mailed notice of a final disability determination. In the case of a child entitled to child's insurance benefits before attaining age 18, such initial enrollment period shall begin on the first day of the sixth month preceding the month he attains such age but only if a deter-

mination is made that such child is under a disability (as so defined) which began before he attained age 18."

(I) Section 1837 of such Act is further amended by adding at the end thereof the following new subsection:

"(f) For purposes of subsections (b), (c), and (d) of this section (and for purposes of sections 1838(a) and 1839(c)), any enrollment under this part which terminates in the manner described in section 1838(c) shall thereafter be deemed not to have existed."

(5) (A) Section 1838(a) of such Act is amended—

(i) by striking out "July 1, 1966" in paragraph (1) and inserting in lieu thereof "July 1, 1966, or (in the case of an individual who has not attained age 65) January 1, 1968";

(ii) by striking out in paragraph (2)(A) "paragraphs (1) and (2)" and inserting in lieu thereof "paragraph (1) or (2)", and by inserting "(who has attained age 65)" after "individual",

(iii) by striking out "such paragraphs" each place it appears in subparagraphs (B), (C), and (D) of paragraph (2) and inserting in lieu thereof "such paragraph", and by inserting after "individual" each place it appears in such subparagraphs the following: "(who has attained age 65)",

(iv) by striking out the period at the end and inserting in lieu thereof ", or" and by adding the following new paragraph:

"(3) (A) in the case of an individual who has not attained age 65 and who enrolls pursuant to subsection (d) of 1837 in a month prior to the month in which he is mailed notice of a final determination of disability, the first day of the month in which he is mailed such notice, or

"(B) in the case of an individual who has not attained age 65 and who enrolls pursuant to subsection (d) of 1837 in the month in which he is mailed such notice, or the first month thereafter, the first day of the month following the month in which he so enrolls, or

"(C) in the case of an individual who has not attained age 65 and who enrolls pursuant to subsection (d) of 1837 in the second month following the month in which he is mailed such notice, the first day of the second month following the month in which he so enrolls, or

"(D) in the case of an individual who has not attained age 65 and who enrolls pursuant to subsection (d) of 1837 more than two months following the month in which he is mailed such notice, the first day of the third month following the month in which he so enrolls."

(B) Section 1838 of such Act is further amended by re-

designing 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."

(6) 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."

(7) (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".

(C) Section 1840 (c) of such Act is amended by striking out "section 202" and inserting in lieu thereof "section 202 or 223".

(b) 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 sixty-five who are entitled to annuities under paragraph 4 or 5 of section 2 (a) or are entitled to annuities under section 5 (c) (or who have been or would be considered in applying the provisions of section 3 (e) (3)) and have attained the age of eighteen and have a disability (within the meaning of section 5 (l) (1) (ii)) and who are in a 'period of disability' (as this term is described in section 3 (e)) and, with respect to individuals entitled to annuities under paragraph 4 or 5 of section 2 (a), are not in a 'waiting period' (as defined in section 223 (c) (3) of the Social Security Act) shall be certified by the Board under section 21 in the same manner, for the same purposes, and subject to the same conditions, restrictions, and other provisions as individuals specifically described in such 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."

HEALTH INSURANCE PAYMENTS TO FEDERAL FACILITIES

SEC. 126. (a) Section 1814 of the Social Security Act is amended by striking out subsection (c) and by redesignating subsections (d), (e), and (f), and references thereto, as subsections (c), (d), and (e), respectively.

(b) Section 1835 of such Act is amended by striking out subsection (b) and by redesignating section 1835(a), and references thereto, as section 1835.

(c) The amendments made by subsections (a) and (b) shall apply with respect to services furnished after December 31, 1967.

INCLUSION OF PODIATRISTS' SERVICES UNDER THE SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

SEC. 127. (a) Section 1861 (s) (1) of the Social Security Act is amended by adding before the semicolon and after "services" the following: "or podiatrists' services".

(b) Section 1861 of such Act is amended by adding at the end thereof the following new subsection:

"Podiatrists' Services

"(z) The term 'podiatrists' services' means services performed by a doctor of podiatry or surgical chiropody, but only with respect to functions which he is legally authorized to perform as such by the State in which he performs them."

(c) Section 1862 (a) of such Act is amended—

(1) by striking out "or" at the end of paragraph (11);

(2) by striking out the period at the end of paragraph (12) and inserting in lieu thereof "; or"; and

(3) by adding after paragraph (12) the following new paragraph:

"(13) where such expenses are for routine foot care, including the removal of corns or calluses and the trimming of nails."

(c) The amendments made by subsections (a) and (b) shall apply with respect to services furnished after June 30, 1967.

INCREASE IN MEMBERSHIP OF THE NATIONAL MEDICAL REVIEW COMMITTEE

SEC. 128. Section 1868 (a) of the Social Security Act is amended—

(1) by striking out in the first sentence "nine" and inserting in lieu thereof "sixteen"; and

(2) by striking out the third sentence and inserting in lieu thereof the following sentence: "Each member shall hold office for a term of four years, except that any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term, and except that the terms of office of the members first taking office shall expire, as designated by the Secretary at the time of appointment, four at the end of the first year, four at the end of the second year, four at the end of the third year, and four at the end of the fourth year after the date of appointment."

DEPRECIATION ALLOWANCE FOR PURPOSE OF DETERMINING REASONABLE COST

SEC. 129 (a) (1). Section 1861 (v) of the Social Security Act is amended by adding at the end thereof the following new paragraph:

"(5) (A) Notwithstanding any other provision of this title, the term 'reasonable cost' shall include amounts attributable to depreciation of plant and equipment in the case of any provider of service, but only with respect to periods

during which such provider of service furnishes, pursuant to such regulations as the Secretary may prescribe, satisfactory assurance that such provider will—

"(i) set aside, and keep separate and apart from any other funds or assets, such amounts attributable to depreciation of plant and equipment (including any interest on such amounts) as he may be paid to such provider under this title;

"(ii) furnish to the Secretary, at such time or times as he may request, such timely information and reports, with respect to such amounts, as the Secretary finds necessary in performing his functions under this title;

"(iii) not utilize such amounts for improper capital expenditures; and

"(iv) not utilize such amounts for noncapital expenditures except under such conditions as may be approved, in accordance with regulations prescribed by the Secretary, by the State agency designated pursuant to section 1864(c).

"(B) A capital expenditure by a provider of service shall be deemed improper if the State agency, designated pursuant to section 1864(c) determines that such capital expenditure does not conform to the overall plan developed, in accordance with regulations prescribed by the Secretary,

by such State agency for adequate health care facilities and such provider of service had notice of such overall plan.

"(C) Where a provider of service utilizes funds (whether or not such funds include the amounts referred to in subparagraph (A)), for a capital expenditure which, under the provisions of subparagraph (B), are determined to be improper, or such provider fails substantially to comply with clause (i), (ii), or (iv) of subparagraph (A), the Secretary may—

"(i) terminate the agreement with such provider of service entered into pursuant to section 1866, and for such purposes the provisions of subsection (b) of such section shall apply, or

"(ii) deduct from future payments under this title to such provider of services, for such periods of time as the Secretary finds necessary to effectuate the purposes of this paragraph, the amounts attributable to depreciation of such improper capital expenditure, and such portion (or any part thereof) of other cost of services to individuals covered by the insurance programs established by this title as the Secretary finds attributable to such improper capital expenditures."

"(D) For purposes of this paragraph, a 'capital expenditure' means (except to the extent that the meaning of such term shall be modified pursuant to regulations of

the Secretary) an expenditure which, under accepted accounting procedures, is not properly chargeable as an expense of operation or maintenance."

(2) The amendment made by this subsection shall be effective with respect to payments under title XVIII of the Social Security Act to provider of service for services provided after June 30, 1968.

(b) The heading of section1864 of such Act is amended by adding at the end thereof: "AND TO PROVIDE PROGRAMS OF HEALTH-CARE FACILITY PLANNING.

(c) Section 1864 of such Act is further amended by adding at the end thereof the following new subsections:

"(c) (1) For purposes of administering the provision of section 1861(v) (5), the Secretary shall make an agreement with any State which is able and willing to do so under which he will be authorized to utilize the services of a State agency (designated by the State) which (A) provides for health-care facility and equipment planning in all political subdivisions of the State to meet the needs in the most efficient and economical manner possible of residents of the States for adequate health-care, (B) coordinates its activities with other agencies engaged in health service planning and participate in interstate and regional health-care facility program, (C) assists the health-care facilities located within the State with their programs of planning for carrying on

health, educational and research activities, including related educational and research activities, and (D) if the agency designated by the State is other than an agency established pursuant to section 314 (a) (2) of the Public Health Service Act, coordinates (or provides reasonable assurance that it will coordinate) its activities under section 1861 (v) (5) with, and in these activities is guided by the planning policies and procedures of, the agency established pursuant to such section 314 (a) (2).

"(2) The Secretary shall pay from the Federal Hospital Insurance Trust Fund to any State with which he makes an agreement described in paragraph (1), 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 services for purposes of carrying out paragraph (5) (B) of section 1861 (v)."

(d) Section 1902 (a) (13) of the Social Security Act is amended by—

(1) designating clauses (A) and (B) as clauses (i) and (ii), respectively;

(2) inserting "(A)" after "services, and"; and

(3) by adding before the semicolon at the end

thereof the following: ", and (B) effective June 30, 1968, provide that in determining the reasonable cost of inpatient hospital services provided under the plan, there shall be included an amount attributable to depreciation of plant and equipment but only, in the case of any institution furnishing such services, during such period as the State has satisfactory assurances, in accordance with standards prescribed by the Secretary, that such institution will comply with the requirements of subparagraphs (A) and (B) of paragraph (5) of section 1861 (v) with respect to such amount".

(e) Effective with calendar quarters beginning after June 30, 1968, section 1903 (a) (1) of such Act is amended by striking out "the cost thereof" and inserting in lieu thereof "the cost thereof, and expenditures for inpatient hospital services attributable to depreciation of plant and equipment of institutions furnishing such services but only if the requirements of section 1902 (a) (13) (B) are met".

OUTPATIENT HOSPITAL AND DIAGNOSTIC SPECIALTY BENEFITS FOR THE AGED AND DISABLED

SEC. 130. (a) Title XVIII of the Social Security Act is amended by designating part C as part D, and by inserting immediately after section 1844 of such Act the following:

"PART C—OUTPATIENT HOSPITAL AND DIAGNOSTIC SPECIALTY BENEFITS FOR THE AGED AND DISABLED

"DESCRIPTION OF PROGRAM

"SEC. 1850. There is hereby established as a complement to the programs under part A and part B a special program related to the services furnished to individuals under such part A and part B programs providing for the payment for hospital services rendered to hospital outpatients and for the payment for diagnostic specialty services to hospital inpatients and outpatients.

"SCOPE OF BENEFITS

"SEC. 1851. The benefits provided to an individual by the insurance program established by this part shall consist of entitlement to have payment made to him or on his behalf (subject to the provisions of this part) for—

"(a) services to hospital outpatients; and

"(b) diagnostic specialty services to hospital inpatients.

For definitions of 'services to hospital outpatients' and 'diagnostic specialty services' see section 1861 (p) and (z), respectively.

"AMOUNT OF BENEFITS

"SEC. 1852. (a) Subject to the succeeding provisions of this section, there shall be paid, in the case of each individ-

ual who is covered under the program established under this part and who incurs expenses for services with respect to which benefits are payable under this part, an amount equal to—

"(1) in the case of hospital services included in section 1851 (a), 80 per cent of the reasonable cost of the services;

"(2) in the case of diagnostic specialty services to hospital outpatients included in section 1851 (a), 80 per cent of the reasonable charges for the services; and

"(3) in the case of services described in section 1851 (b), the reasonable charges for the services.

"(b) Before applying subsections (a) (1) and (a) (2) with respect to expenses incurred for services described in section 1851 (a) by an individual during any calendar year, the total amount of the expenses incurred by such individual during such year (which would, except for this subsection, constitute incurred expenses from which benefits payable under subsection (a) are determinable) shall be reduced by a deductible of $50; except that the amount of the deductible for such calendar year shall be reduced by the amount of any deductible imposed under section 1833 (b).

"ELIGIBLE INDIVIDUALS

"SEC. 1853. (a) Every individual who is eligible to enroll and has enrolled in the insurance program established

by part B shall be entitled to have payment made for services, described in section 1851 (a) (subject to the provisions of section 1852), which are furnished him in the periods during which he is entitled to have payment made under such part for services described in section 1832 (a).

"(b) Every individual who is entitled (under section 226 and section 103 of the Social Security Amendments of 1965) to have payment made on his behalf under part A for inpatient hospital services furnished during any month shall be entitled to have payment made under this part for services described in section 1851 (b) furnished him in such month as an inpatient in a hospital which is eligible for payment under section 1866 (a).

"PAYMENT OF CLAIMS OF HOSPITALS

"SEC. 1854. (a) Payment for services described in section 1851 (a) (except to the extent that such services are included under diagnostic specialty services) furnished an individual may be made only to hospitals which are eligible therefor under section 1866 (a), and only if a written request is filed for such payment in such form, in such manner, within such time, and by such person or persons as the Secretary may by regulation prescribe.

"(b) Payments shall also be made to any hospital for services to hospital outpatients (except to the extent that

services are included under diagnostic specialty services) furnished, by the hospital or under arrangements (as defined in section 1861 (w)) with it, to an individual entitled under this part even though such hospital does not have an agreement in effect under this title if (1) such services were emergency services and (2) the Secretary would be required to make such payment if the hospital had such an agreement in effect and otherwise met the conditions of payment hereunder. Such payments shall be made only in the amounts provided under section 1812 (b) and then only if such hospital agrees to comply, with respect to the emergency services provided, with the provisions of section 1866 (a).

"USE OF CARRIERS OR ORGANIZATIONS TO FACILITATE PAYMENTS UNDER THIS PART

"SEC. 1855. The Secretary is authorized to enter into such modifications of the agreements entered into pursuant to section 1816 and of the contracts entered into pursuant to section 1842 as he finds necessary in order to facilitate the administration of this part; and for such purposes such sections are applicable to the provisions of this part. To the extent feasible, the Secretary shall utilize the agreements entered into under section 1816 where payment is to be made on a reasonable cost basis and contracts entered into under section 1842 where payment is to be made on a reasonable charge basis. Where the services are furnished by a

physician under an arrangement whereby the patient receiving such services discharges his financial liability only by payment to the physician either directly or through his agent, the methods of payment for charges provided under section 1842 shall apply. Payment for the services of a physician shall be made to him (or to the hospital if the physician has assigned his rights to the hospital) by the method provided in section 1842; except that if the physician so elects, payment may, in accordance with regulations, be made to the hospital to reimburse it for compensation paid by it to the physician.

"PAYMENT OF BENEFITS

"SEC. 1856. Payment for services described in section 1851 (a) shall be made from the Federal Supplementary Medical Insurance Trust Fund. Payment for services described in section 1851 (b) shall be made from the Federal Hospital Insurance Trust Fund."

(b) Section 1861 of such Act is amended by adding at the end thereof the following new paragraph:

"Diagnostic Specialty Services

"(z) The term 'diagnostic specialty services' means diagnostic X-Ray services and diagnostic laboratory services furnished by a physician to an individual either as an inpatient or an outpatient of a hospital and other services (to the

extent defined in regulations of the Secretary) related thereto."

(c) (1) The heading of section 1861 (p) of such Act is amended by striking out "Outpatient Hospital Diagnostic Services" and inserting in lieu thereof "Services to Hospital Outpatients".

(2) The text of section 1861 (p) of such Act is amended to read as follows:

"(p) The term 'services to hospital outpatients' means—

"(1) diagnostic specialty services furnished to an individual as a hospital outpatient; and

"(2) services (A) which are furnished to an individual as an outpatient by a hospital or by others under arrangements with them made by a hospital (including drugs and biologicals which cannot, as determined in accordance with regulations, be self-administered) and (B) which are ordinarily furnished by such hospital (or by others under such arrangements) to its outpatients; excluding, however—

"(3) any item or service (except diagnostic specialty services) if it would not be included under subsection (b) if furnished to an inpatient of a hospital; and

"(4) any services furnished under arrangements referred to in paragraph (2) unless furnished in the hos-

pital or in other facilities operated by or under the supervision of the hospital or its organized medical staff or furnished by another hospital which is qualified to participate under this title."

(3) Section 1812(a) of such Act is amended by—

(A) inserting "and" at the end of paragraph (2);

(B) striking out "; and" at the end of paragraph (3) and inserting in lieu thereof a period; and

(C) striking out paragraph (4).

(4) Section 1813(a) of such Act is amended by striking out paragraph (2) and by redesignating paragraphs (3) and (4) as (2) and (3), respectively.

(5) Section 1813(b)(2) of such Act is amended by striking out "or diagnostic study".

(6) Section 1814(a)(2) of such Act is amended by—

(A) inserting "or" at the end of subparagraph (D);

(B) striking out "or" at the end of subparagraph (E); and

(C) striking out subparagraph (F).

(7) Section 1814 of such Act is amended by striking out in the last sentence "(E), or (F)" and inserting in lieu thereof "or (E)".

(8) Section 1814(d) of such Act is amended by striking out "or outpatient hospital diagnostic services".

(9) Section 1833(b) of such Act is amended by—

(A) striking out "1813(a)(2)(A)" and inserting in lieu thereof "1852(b)"; and

(B) striking out "outpatient hospital diagnostic services" and inserting in lieu thereof "services to hospital outpatients".

(10) Section 1833(d) of such Act is amended by striking out "other than subsection (a)(2)(A) thereof".

(11) Section 1861(e) of such Act is amended by striking out "1814(d)" each time it appears therein and inserting in lieu thereof "1814(d) and section 1854(b)".

(12) Section 1866(a)(2) of such Act is amended—

(A) by striking out "outpatient hospital diagnostic services, for which payment is made under part A" and inserting in lieu thereof "services to hospital outpatients, as defined in section 1861(p)(2)"; and

(B) by striking out "(a)(2), or (a)(4)" and inserting in lieu thereof "or (a)(3)".

(13) Section 226(b)(1) of such Act is amended by striking out ", and outpatient hospital diagnostic services" and by inserting "and" after "extended care services,".

(d) So much of section 1861(s) of such Act which precedes paragraph (1) is amended by striking out "or home health services" and inserting in lieu thereof "home

health services, services to hospital outpatients, diagnostic specialty services to hospital inpatients".

(e) Section 1861 (s) (2) of such Act is amended by striking out ", and hospital services (including drugs and biologicals which cannot, as determined in accordance with regulations, be self-administered) incident to physicians' services rendered to outpatients".

ELIMINATION OF REQUIREMENT OF PHYSICIAN CERTIFICATION IN THE CASE OF INPATIENT HOSPITAL SERVICES AT TIME INDIVIDUAL BECOMES AN INPATIENT

SEC. 131. (a) Section 1814 (a) of the Social Security Act is amended—

(1) by striking out subparagraph (A) of paragraph (2);

(2) by redesignating subparagraphs (B), (C), (D), and (E) of such paragraph (2) as subparagraphs (A), (B), (C), and (D), respectively;

(3) by redesignating paragraphs (3), (4), (5), and (6) as paragraphs (4), (5), (6), and (7), respectively;

(4) by inserting immediately after paragraph (2) the following new paragraph:

"(3) with respect to inpatient hospital services (other than inpatient psychiatric hospital services and

inpatient tuberculosis services) a physician certifies, in those cases where such services are furnished over a period of time, that such services are required to be given on an inpatient basis for such individual's medical treatment, or that inpatient diagnostic study is medically required and such services are necessary for such purpose, except that (A) such certification shall be furnished only in such cases, with such frequency, and accompanied by such supporting material, appropriate to the cases involved, as may be provided by regulation, and (B) the first such certification required under clause (A) shall be furnished no later than the 20th day of such period;"; and

(5) by striking out "(D), or (E)" and inserting in lieu thereof "or (D)".

(b) The amendment made by subsection (a) shall apply with respect to payments under title XVIII of the Social Security Act for services provided after June 30, 1967.

PART 4—MISCELLANEOUS AND TECHNICAL AMENDMENTS

ELIGIBILITY OF CERTAIN CHILDREN FOR MONTHLY BENEFITS

SEC. 150. (a) Section 216(e) of the Social Security Act is amended by striking out "(e)" and inserting in lieu thereof "(e) (1)", and by striking out the first sentence and

inserting in lieu thereof the following: "The term 'child' means—

"(A) the child or legally adopted child of an individual,

"(B) a stepchild who has been such stepchild for not less than one year immediately preceding the day on which application for child's insurance benefits is filed or (if the insured individual is deceased) the day on which such individual died,

"(C) in the case of a living individual, a person who was related by blood or adoption to such individual or such individual's spouse, and who was living in such individual's household and receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Secretary, from such individual at, and for a continuous period of not less than 5 years immediately preceding, whichever of the following days first occurred—

"(i) the day on which such individual became entitled to benefits under section 202 (a) or 223, or

"(ii) if such individual had a period of disability which continued until he became entitled to benefits under section 202 (a), the day on which such period of disability began,

but only if such continuous period of not less than 5 years began before such person attained age 18 and continued, insofar as the requirement of living in such individual's household is concerned, until application for child's insurance benefits is filed, and

"(D) in the case of a deceased individual, a person who was related by blood or adoption to such individual or such individual's spouse, and who was living in such individual's household and was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Secretary, from such individual on, and for a continuous period of not less than one year immediately preceding,

"(i) the day such individual died, or

"(ii) if such individual had a period of disability which continued until he died, the day on which such period of disability began,

but only if such continuous period of not less than one year began before such person attained age 18 and continued, insofar as the requirement of living in such individual's household is concerned, until such individual died."

(b) Section 202 (d) of such Act is amended by adding at the end thereof the following new paragraph:

"(11) A child who is a child of an individual under

paragraph (1) (C) or (1) (D) of section 216 (e) shall be deemed dependent on such individual at the time specified in such paragraph unless at such time such child was receiving regular contributions toward his support from (A) his natural or adopting parent, or his stepparent, or (B) a public or private welfare organization which had placed such child in such individual's household under a foster-care program; except that the provisions of clause (A) shall not apply if such individual is the mother or father of such child."

(c) The second sentence of section 216 (e) of the Social Security Act is amended by striking out the semicolon and inserting in lieu thereof a period, and by striking out all that follows such period down to the last sentence of such section 216 (e) and inserting in lieu thereof the following sentence:

"The preceding sentence shall not apply if at the time of such individual's death such person was receiving regular contributions toward his support from—

"(C) someone other than such individual or his spouse, or

"(D) a public or private welfare organization which had placed such person in such individual's household under a foster-care program,

except that the provisions of subparagraph (C) shall not

apply if such individual is the mother or father of such person."

(d) The amendments made by this section shall be applicable with respect to monthly benefits under title II of the Social Security Act for and after the second month following the month in which this Act is enacted on the basis of an application filed in or after the month in which this Act is enacted.

ELIGIBILITY OF AN ADOPTED CHILD FOR MONTHLY BENEFITS

SEC. 151. (a) Section 216(e) of the Social Security Act (as amended by section 150(c) of this Act) is amended by striking out the second sentence and inserting in lieu thereof the following:

"(2) Except as may be provided in the succeeding sentence of this paragraph, for the purposes of paragraph (1)(A), a person shall be deemed, as of the date of death of an individual, to be the legally adopted child of such individual if such person was at the time of such individual's death living in such individual's household and was legally adopted by such individual's surviving spouse after such individual's death and only if—

"(A) proceedings for the adoption of the child had been instituted by such individual before his death, or

"(B) such child was adopted by such individual's surviving spouse before the end of two years after (i) the day on which such individual died or (ii) the date of enactment of the Social Security Amendments of 1958."

(b) Section 216(e) of the Social Security Act (as amended by subsection (a) of this section and by section 150 of this Act) is amended by striking out "For purposes of clause (2)" and inserting in lieu thereof the following:

"(3) For the purposes of paragraph (1)(B),".

(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 and after the second month following the month in which this Act is enacted, but only on the basis of an application filed in or after the month in which this Act is enacted.

PARENT'S INSURANCE BENEFITS

SEC. 152. (a) Paragraphs (1) and (2) of section 202(h) of the Social Security Act are amended to read as follows:

"(1) Every parent (as defined in this subsection) of an individual entitled to old-age or disability insurance benefits, or of an individual who died a fully insured individual, if such parent—

"(A) has attained age 62,

"(B) was receiving at least one-half of his support,

as determined in accordance with regulations prescribed by the Secretary, from such deceased or insured individual—

"(i) if such individual is entitled to old-age or disability insurance benefits, at the time he became entitled to such benefits,

"(ii) if such individual has died, at the time of death, or

"(iii) if such individual had a period of disability which continued until he became entitled to old-age or disability insurance benefits, or (if he has died) until the month of his death, at the beginning of such period of disability,

and has filed proof of such support within two years after the month in which such individual filed application with respect to such period of disability, became entitled to such benefits, or died, whichever is claimed by such parent,

"(C) is not entitled to old-age insurance benefits, or is entitled to such benefits, each of which is (i) based on a primary insurance amount which is less than 50 percent of the primary insurance amount of such individual if he is entitled to old-age or disability insurance benefits, or (ii) less than 82½ percent of the primary insurance amount of such individual if he is de-

ceased, but only in case the amount of such parent's insurance benefit is determinable under paragraph (2) (A) (or 75 percent of such primary insurance amount in any other case),

"(D) has not married since the time as of which the Secretary determines, under subparagraph (B) of this paragraph, that such parent is receiving at least one-half of his or here support from such individual,

"(E) has filed application for parent's insurance benefits,

shall be entitled to a parent's insurance benefit for each month, beginning with the first month in which he or she becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs—

"(F) such parent dies or marries, or

"(G) (i) if such individual is entitled to old-age insurance benefits, such parent becomes entitled to an old-age insurance benefit based on a primary insurance amount which is equal to or exceeds one-half of the primary insurance amount of such individual, or (ii) if such individual has died, such parent becomes entitled to an old-age insurance benefit which is equal to or exceeds 82½ percent of the primary insurance amount of such individual in case the amount of the parent's insurance

benefit for such month is determinable under paragraph (2) (A) (or 75 percent of such primary insurance amount in any other case), or

"(H) such individual is not entitled to disability insurance benefits and is not entitled to old-age insurance benefits.

"(2) (A) Except as provided in subparagraphs (B) and (C), and in subsection (q), such parent's insurance benefit for each month shall be equal to—

"(i) if the individual on the basis of whose wages and self-employment income the parent is entitled to such benefit has not died prior to the end of such month, one-half of the primary insurance amount of such individual for such month, or

"(ii) if such individual has died in or prior to such month, 82½ percent of the primary insurance amount of such individual;

"(B) For any month for which more than one parent is entitled to parent's insurance benefits on the basis of the wages and self-employment income of an individual who died in or prior to such month, such benefit for each such parent for such month shall (except as provided in subparagraph (C)) be equal to 75 per centum of the primary insurance amount of such insured individual;

"(C) In any case in which—

"(i) any parent is entitled to a parent's insurance benefit for a month on the basis of the wages and self-employment income of an individual who died in or prior to such month, and

"(ii) another parent of such individual is entitled to parent's insurance benefits for such month on the basis of such wages and self-employment income, and on the basis of an application filed after such month and after the month in which the application for the parent's insurance benefits referred to in clause (i) was filed,

the amount of the parent's insurance benefit of the parent referred to in clause (i) for the month referred to in such clause shall be determined under subparagraph (A) instead of subparagraph (B) and the amount of the parent's insurance benefit of the parent referred to in clause (ii) for such month shall be equal to 150 per centum of the primary insurance amount of such individual minus the amount (before the application of section 203 (a)) of the benefit for such month of the parent referred to in clause (i) ."

(b) Section 202 (q) of such Act is amended—

(1) by inserting "PARENT'S," in the heading after "HUSBAND'S,";

(2) by inserting "parent's," in paragraph (1) after "husband's,", and by striking out "or husband's"

in such paragraph and inserting in lieu thereof ", husband's, or parent's";

(3) by inserting "parent's," after "husband's," wherever it appears in paragraph (3), and by striking out "or husband's" wherever it appears in such paragraph and inserting in lieu thereof ", husband's, or parent's";

(4) by inserting "parent's," after "husband's," wherever it appears in paragraph (6);

(5) by inserting "parent's," after "husband's," in paragraph (7); by striking out "or husband's" in paragraph (7) and inserting in lieu thereof ", husband's, or parent's"; and by inserting at the end of subparagraph (A) of such paragraph the following: "and, in the case of a parent's insurance benefit, any month in which no such benefit was payable under section 203 (a),";

(6) by striking out "or husband's" in paragraph (9) and inserting in lieu thereof "husband's, or parent's"; and

(7) by adding at the end thereof the following new paragraph:

"(10) For purposes of this subsection, 'parent's insurance benefits' means benefits payable under this section to a parent on the basis of the wages and self-employment in-

come of an individual entitled to old-age insurance benefits or disability insurance benefits."

(c) Section 202 (r) of such Act is amended—

(1) by striking out "or Husband's" in the heading and inserting in lieu thereof ", Husband's, or Parent's"; and

(2) by striking out "or husband's" each time it appears in paragraphs (1) and (2) and inserting in lieu thereof ", husband's, or parent's".

(d) The last sentence of section 203 (a) of such Act is amended to read as follows: "Whenever a reduction is made under this subsection in the total of monthly benefits for any month—

"(A) if such total of benefits for such month includes any benefit or benefits under section 202 (h), the reduction shall be applied against such benefits under section 202 (h) by proportionately decreasing them;

"(B) if no benefits under section 202 (h) are included in such total benefit or if such reduction exceeds the sum of the benefits under section 202 (h) for such month, all of such reduction or such excess, as the case may be, shall be applied against the benefits (other than those under section 202 (h)) included in such total of benefits for such month by proportionately decreasing

each of them, except the old-age or disability insurance benefit."

(e) Section 203 (d) (1) of such Act is amended by striking out "or child's" wherever it appears and inserting in lieu thereof "child's or parent's" and by striking out "or child" and inserting in lieu thereof "child, or parent".

(f) (1) The amendments made by subsections (a), (b), (c), and (e) of this section shall apply only with respect to monthly insurance benefits under title II of the Social Security Act for and after the second month following the month in which this Act is enacted on the basis of applications filed in or after the month in which this Act is enacted.

(2) The amendments made by subsection (d) of this section shall apply only in the case of applications for benefits under such section 202 (h) filed in or after the second month following the month in which this Act is enacted.

(g) The requirement in section 202 (h) (1) (B) of the Social Security Act that proof of support be filed within two years after a specified date in order to establish eligibility for parent's insurance benefits shall, insofar as such requirement applies to cases where applications under such subsection are filed by parents on the basis of the wages and self-employment income of an individual entitled to old-age or disability insurance benefits, not be applicable if

such proof of support is filed within two years after the date of enactment of this Act.

UNDERPAYMENTS

SEC. 153. (a) Section 204(d) of the Social Security Act is amended to read as follows:

"(d) Notwithstanding the provisions of subsection (a), if an individual dies before any payment due him under this title is completed, payment of the amount due (including the amount of any unnegotiated check) shall be made—

"(1) to the person, if any, determined by the Secretary to be the surviving spouse of the deceased individual and to have been living in the same household with the deceased at the time of his death;

"(2) if there is no person who meets the requirements of paragraph (1), or if the person who meets such requirements dies before payment due him under this title is completed, to the person, if any, determined by the Secretary to be a spouse of the deceased individual who was, for the month in which the deceased individual died, entitled to a monthly benefit on the basis of the same wages and self-employment income as was the deceased individual;

"(3) if there is no person who meets the requirements of paragraph (1) or (2), or if each person who meets such requirements dies before payment due him

under this title is completed, to the child or children, if any, of such deceased individual (and in case there is more than one such child, in equal parts to each such child);

"(4) if there is no person who meets the requirements of paragraph (1), (2), or (3), or if each person who meets such requirements dies before payment due him under this title is completed, to the legal representative of the estate of such deceased individual;

"(5) if there is no person who meets the requirements of paragraphs (1), (2), (3), or (4), or if each person who meets such requirements dies before payment due him under this title is completed, to such person or persons, related to such deceased individual by blood, marriage, or adoption, as the Secretary determines (under such regulations as he may prescribe) to be the proper person or persons to receive such payment on behalf of the estate of such deceased individual."

(b) The heading of section 1870 of such Act is amended by adding at the end thereof "AND SETTLEMENT OF CLAIMS FOR BENEFITS ON BEHALF OF DECEASED INDIVIDUALS".

(c) Section 1870 of such Act is amended by adding after subsection (d) the following new subsections:

"(e) If an individual who received medical and other health services for which payment may be made under sec-

tion 1832(a)(1) dies, and payment for such services was made (other than under this title) and the individual died before any payment due with respect to such services was completed, payment of the amount due (including the amount of any unnegotiated checks) shall be made—

"(1) if such payment for such services was made by a person other than the deceased individual, to the person or persons determined by the Secretary under regulations prescribed by him to have paid for such services;

"(2) if such payment for such services was made by the deceased individual before his death, or if there is no person to whom payment can be made under paragraph (1) (or if each such person dies before such payment is completed), (A) to the legal representative of the estate of such deceased individual, if any; (B) if there is no legal representative, to the person, if any, determined by the Secretary to be the surviving spouse of the deceased individual and to have been living in the same household with the deceased at the time of his death; (C) if there is no person who meets the requirements of clause (A) or (B), or if each such person dies before payment due him under this title is completed, to the person, if any, determined by the Secretary to be a spouse of the deceased individual who was, for the month

in which the deceased individual died, entitled to a monthly benefit under title II on the basis of the same wages and self-employment income as was the deceased individual; or (D) if there is no person who meets the requirements of clause (A), (B) or (C), or if each such person dies before payment due him under this title is completed, to the person or persons, if any, determined by the Secretary to be the child or children of such deceased individual (and in case there is more than one such child, in equal parts to each such child); or (E) if there is no person who meets the requirements of clause (A), (B), (C) or (D), or if each such person dies before payment due him under this title is completed, to such person or persons, related to such deceased individual by blood, marriage, or adoption, as the Secretary determines (under such regulations as he may prescribe) to be the proper person or persons to receive such payment on behalf of the estate of such deceased individual.

"(f) If an individual who received medical and other health services for which payment may be made under section 1832(a)(1) dies, and (1) no assignment of the right to payments was made by such individual before his death, and (2) payment for such services has not been made, payment for such services shall be made to the physician or

other persons who provided such services. Payment shall be made under this subsection only in such amount and subject to such conditions as would have been applicable if the individual who received the services had not died, and only if the person or persons who provided the services agrees that the reasonable charge is the full charge for the services."

(d) Clause (ii) of section 1842(b)(3)(B) of such Act is amended to read as follows: "(ii) such payment will (except as otherwise provided in section 1870(f) be made on the basis of a receipted bill or on the basis of an assignment under the terms of which the reasonable charge is the full charge for the services;".

SIMPLIFICATION OF COMPUTATION OF PRIMARY INSURANCE AMOUNT AND QUARTER OF COVERAGE IN THE CASE OF 1937–1950 WAGES

SEC. 154. (a)(1) Section 215(a) of the Social Security Act is amended by—

(A) striking out "III" in paragraph (1) and inserting in lieu thereof "II", and striking out "IV" in such paragraph and inserting in lieu thereof "III";

(B) striking out "II" in paragraph (1) and inserting in lieu thereof "I", and striking out "IV" in such paragraph and inserting in lieu thereof "III";

(C) striking out paragraph (3);

(D) redesignating paragraph (4) as paragraph (3), and by striking out "IV" in such paragraph and inserting in lieu thereof "III"; and

(E) redesignating paragraph (5) (added to section 215 (a) of such Act by section 102 (a) of this Act) and the reference thereto as paragraph (4).

(2) Section 215 (a) of such Act (as amended by section 101 (a) of this Act) is further amended by striking out column I of the table inserted in such section 215 (a) by such section 101 (a), and by redesignating columns II, III, IV, and V of such table as I, II, III, and IV, respectively.

(b) Section 215 (b) of such Act is amended by—

(1) striking out in paragraph (1) "III" and inserting in lieu thereof "II"; and

(2) revising subparagraph (C) of paragraph (2) to read as follows:

"(C) For the purposes of subparagraph (B), 'computation base years' include calendar years in the period after 1936 and prior to the earlier of the following years—

"(i) the year in which occurred (whether by reason of section 202 (j) (1) or otherwise) the first month for which the individual was entitled to old-age insurance benefits, or

"(ii) the year succeeding the year in which he died,

except that years prior to 1951 may be included only if, pursuant to subparagraph (D), wages are deemed to have been paid in such year. Any calendar year (after 1950) all of which is included in a period of disability shall not be included as a computation base year.

"(D) For purposes of subparagraphs (B) and (C)—

"(i) an individual whose total wages prior to 1951 do not exceed $12,000 shall be deemed to have been paid such wages in equal parts in four calendar years;

"(ii) an individual whose total wages prior to 1951 exceed $12,000 and are less than $42,000 shall be deemed to have been paid (I) $3,000, in each calendar year prior to 1951, but only to the extent that the total of such calendar years is equal to the integer derived by dividing the total of such wages paid prior to 1951 by $3,000, and (II) the excess of such total of such wages over the product of $3,000 times such integer, in an additional calendar year;

"(iii) an individual whose total wages prior to 1951 are at least $42,000 shall be deemed to have been paid $3,000 in each of fourteen calendar years.

"(E) For purposes of subparagraph (D), 'total wages' with respect to an individual means the sum of (i) remuneration credited to such individual prior to 1951 on the records of the Secretary, (ii) wages deemed paid to such individual

under section 217, and (iii) compensation under the Railroad Retirement Act of 1937 creditable to him pursuant to this title."

(c) Section 215 (c) of such Act (as amended by section 101 (d) of this Act) is further amended by striking out "II" and inserting in lieu thereof "I".

(d) Section 215 (d) (as amended by section 101 (d) of this Act) is repealed.

(e) (1) So much of section 215 (f) (2) of such Act as precedes subparagraph (E) is amended to read as follows:

"(2) With respect to each year—

"(A) for any part of which an individual is entitled to old-age insurance benefits, and

"(B) which begins after 1964, except that the amendments made by sections 154 (a) and (b) of the Social Security Amendments of 1967 shall not apply for this purpose unless such individual has wages or self-employment income credited for a year after 1966,

the Secretary shall, at such time or times and within such period as he may by regulations prescribe, recompute the primary insurance amount of such individual. Such recomputation shall be made, as provided in subsection (a) (1), as though the year with respect to which such recomputation is made is the last year of the period specified in subsection (b) (2) (C), and as provided in subsection (a) (4). A

recomputation under this paragraph with respect to any year shall be effective—".

(2) Subparagraphs (E) and (F) shall be redesignated as subparagraphs (C) and (D), respectively.

(f) Section 202 (m) of such Act is amended by striking out "IV" each time it appears therein and inserting in lieu thereof "III".

(g) Section 203 (a) of such Act (including the amendment to such section made by section 102 (b) of this Act) is further amended by striking out "IV" each time it appears therein and inserting in lieu thereof "III", and by striking out "V" each time it appears therein and inserting in lieu thereof "IV".

(h) Section 101 (g) of this Act is amended by striking out "IV" each time it appears therein and inserting in lieu thereof "III", and by striking out "II" and inserting in lieu thereof "I".

(i) Section 213 of the Social Security Act is amended by adding at the end thereof the following new subsection: "Alternative Method for Determining Quarters of Coverage With Respect to Wages in the Period from 1937 to 1951

"(c) (1) In the case of any individual with respect to whom at least six of the quarters elapsing after 1950 are quarters of coverage, a quarter of coverage with respect to

wages paid to such individual prior to 1951 shall, for purposes of section 214, be a quarter to which there is allocated at least $400.

"(2) For purposes of paragraph (1), an individual's total wages (as defined in section 215(b)(2)(E)) paid prior to 1951 shall be allocated as follows: $400 shall be allocated to the last quarter of 1950 and to each preceding quarter shall be allocated $400 until the total number of quarters so allocated equals the integer derived by dividing such total wages by $400.

"(3) The provisions of this subsection shall not apply in the case of an individual with respect to whom the number of quarters of coverage derived under subsection (b)(2) for wages paid prior to 1951 is greater than the number of such quarters of coverage derived under this subsection."

(j) The preceding provisions of this section shall be applicable in the case of an individual—

(A) who meets any of the provisions of paragraph (4) of section 215(b) of the Social Security Act, as amended by section 101(e) of this Act, or

(B) who died before June 1967 without being entitled to benefits under section 202(a) or section 223, and no persons were entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits under such section 202(a) or section 223 for

any month before June 1967 on the basis of the wages and self-employment income of such individual.

DEFINITION OF WIDOW, WIDOWER, AND STEPCHILD

SEC. 155. (a) Section 216(c) of the Social Security Act is amended by striking out "on which he died" in clause (5) and inserting in lieu thereof "that occurs one month after the day on which he died".

(b) Section 216(e)(1)(B) of such Act (as added to such Act by section 150(a) of this Act) is amended by striking out "on which such individual died" and inserting in lieu thereof "that occurs one month after the day on which such individual died".

(c) Section 216(g) of the Social Security Act is amended by striking out "on which she died" in clause (5) and inserting in lieu thereof "that occurs one month after the day on which she died".

(d) The amendments made by this section shall be applicable with respect to monthly insurance benefits under title II of the Social Security Act for and after the second month following the month in which this Act is enacted on the basis of applications filed in or after the month in which this Act is enacted.

EXTENSION OF TIME FOR FILING REPORTS OF EARNINGS

SEC. 156. Subparagraph (A) of paragraph (1) of subsection (h) of section 203 of the Social Security Act is

amended by adding at the end thereof: "The Secretary may grant a reasonable extension of time for making the formal report of earnings required in this subsection, but in no case may the period be extended more than three months."

PENALTIES FOR FAILURE TO FILE TIMELY REPORTS

SEC. 157. (a) Section 203 (h) (2) (A) of the Social Security Act is amended by changing the semicolon at the end thereof to a comma, and adding: "except that if the deduction imposed under subsection (b) by reason of his earnings for such year is less than the amount of his benefit (or benefits) for the last month of such year for which he was entitled to a benefit under section 202, the additional deduction shall be equal to the amount of the deduction imposed under subsection (b) but not less than $10;".

(b) Section 203 (g) of such Act is amended by deleting the words following "shall suffer" and inserting in lieu thereof the following: "deductions in addition to those imposed under subsection (c) as follows: (1) if such failure is the first with respect to which an additional deduction is imposed by this subsection, such additional deduction shall be equal to his benefit or benefits for the first month of the period for which there is a failure to report timely even though such failure is with respect to more than one month; (2) if such failure is the second with respect to which an additional deduction is imposed by this subsection,

such additional deduction shall be equal to two times his benefit or benefits for the first month of the period for which there is a failure to report even though such failure is with respect to more than two months; and (3) if such failure is the third or a subsequent one for which an additional deduction is imposed under this subsection, such additional deduction shall be equal to three times his benefit or benefits for the first month of the period for which there is a failure to report even though the failure to report is with respect to more than three months, except that the number of additional deductions required by this subsection shall not exceed the number of months in the period for which the individual received and accepted insurance benefits under section 202 without making a timely report and for which deductions are required under subsection (c)."

LIMITATION ON PAYMENT OF RETROACTIVE BENEFITS IN CERTAIN CASES

SEC. 158. (a) Section 202 (j) of the Social Security Act is further amended by adding at the end thereof the following paragraph:

"(4) Whenever benefits which an individual is entitled to receive under this title have been withheld by the Treasury Department under chapter 123 of title 31 of the United States Code and such individual dies before such benefits can

be paid, benefits payable for months after the month in which a determination is made that the benefits should be so withheld shall not be paid in excess of the equivalent of the last 12 months' benefits that would have been payable to such individual."

(b) The amendment made by this section shall be applicable only with respect to benefits that became payable for months after the month in which this Act is enacted.

STATUTE OF LIMITATIONS FOR SELF-EMPLOYMENT INCOME

SEC. 159. Subparagraph (F) of paragraph (5) of section 205(c) of the Social Security Act is amended by striking out all that follows the third clause in such subparagraph and inserting in lieu thereof "except that no amount of self-employment income of an individual for any taxable year shall be included in the Secretary's records pursuant to this subparagraph unless such return or statement was filed either before the expiration of the time limitation following the taxable year or pursuant to an assessment of tax made under sections 6501 (c) and (e) of subchapter A of chapter 66 of the Internal Revenue Code of 1954;".

ENROLLMENT UNDER MEDICARE BASED ON AN ALLEGED DATE OF ATTAINMENT OF AGE 65

SEC. 160. Section 1837 (d) of the Social Security Act is amended by adding at the end thereof the following new sentence: "Where the Secretary finds that an individual

failed to enroll under this part during his initial enrollment period (based on a determination by the Secretary of the month in which such individual attained age 65), because such individual was mistaken as to his correct date of birth, the Secretary shall establish for such individual an initial enrollment period based on the documentary evidence of attainment of age 65 on the basis of which he initially sought to enroll."

SERVICES OF INTERNS AND RESIDENTS AS INPATIENT HOSPITAL SERVICES

SEC. 161. (a) Section 1832(a)(2)(B) of the Social Security Act is amended by striking out "unless furnished by a resident or intern of a hospital".

(b) Section 1861(b) of such Act is amended by—

(1) striking out ", resident, or intern";

(2) striking out "provided in the hospital" and inserting in lieu thereof: "provided in the hospital (A)";

(3) adding before the period at the end thereof: "or (B) by a hospital employee who is authorized by the State in which such hospital is located to practice as a physician only in a hospital".

(c) The amendments made by this section shall apply with respect to services furnished under title XVIII after June 30, 1967.

PAYMENT FOR THE PURCHASE OF DURABLE MEDICAL EQUIPMENT

SEC. 162. Section 1861 (a) (6) of the Social Security Act is amended by adding at the end thereof immediately before the semicolon the following: "and, under such regulations as the Secretary may prescribe, the purchase of such equipment".

FURNISHING CONSULTATIVE SERVICES TO LABORATORIES

SEC. 163. Section 1864 (a) of the Social Security Act is amended by striking out in the third sentence "institutions or agencies' and inserting in lieu thereof "institutions, agencies, or laboratories".

LIMITATION ON REDUCTION OF 90 DAYS OF INPATIENT HOSPITAL SERVICES

SEC. 164. Section 1812 (c) of the Social Security Act is amended by inserting after "(b) (1)" the following: "insofar as such limitation applies to inpatient psychiatric hospital services or to inpatient tuberculosis hospital services, as the case may be".

MEDICARE BENEFITS TO INDIVIDUALS WHO DIE IN MONTH OF ATTAINMENT OF AGE 65

SEC. 165. (a) Section 226 (a) (1) of the Social Security Act as amended by section 125 of this Act is further amended by inserting at the end thereof the following sentence: "An individual will be deemed to have attained age 65

if he is alive on the first day of the month he attains age 65 even though he dies prior to attaining such age."

(b) Section 1836 of the Social Security Act as amended by section 125 of this Act is further amended by adding at the end thereof the following sentence: "An individual will be deemed to have attained age 65 if he is alive on the first day of the month he attains age 65 even though he dies prior to attaining such age."

REPORT OF BOARD OF TRUSTEES TO CONGRESS

SEC. 166. Section 201(c)(2), 1817(b)(2), and 1841(b)(2) are each amended by striking out "March" and inserting in lieu thereof "April".

REDESIGNATION OF OLD-AGE INSURANCE BENEFITS

SEC. 167. Title II of the Social Security Act is amended by striking out "old-age" wherever it appears in such title and inserting in lieu thereof "retirement".

TITLE II—PUBLIC WELFARE AMENDMENTS

PART I—PUBLIC ASSISTANCE AMENDMENTS

EARNINGS EXEMPTIONS OF PUBLIC ASSISTANCE RECIPIENTS

SEC. 201. (a) Effective July 1, 1969, sections 2(a)(10)(A)(ii), 1402(A)(8)(B), 1602(a)(14)(B)(i), and 1602(a)(14)(C) of the Social Security Act are each amended by striking out "may disregard not more than" and inserting in lieu thereof "shall disregard".

(b) Effective July 1, 1967, section 402 (a) (7) (A) of such Act is amended to read as follows: "(A) the State agency may disregard not more than $50 per month of earned income of each dependent child and of any relative claiming aid to families with dependent children, but not in excess of $150 per month of earned income of such dependent children and relatives in the same home."

(c) Effective July 1, 1969, section 402 (a) (7) (A) of such Act (as amended by subsection (b) of this section) is further amended by striking out "may disregard not more than" and inserting in lieu thereof "shall disregard".

REQUIREMENT FOR MEETING FULL NEED

SEC. 202. (a) Section 2 (a) (10) of the Social Security Act is amended by striking out "and" at the end of subparagraphs (B) and (C) and by adding after subparagraph (C) the following new subparagraph:

"(D) provide (i), effective July 1, 1969, for meeting (in conjunction with other income that is not disregarded under the plan and other resources) all the need, as determined in accordance with the standards applicable under the plan for determining need, of eligible individuals (and such standards shall be no lower than the standards for determining need in effect on January 1, 1967), and (ii), effective July 1, 1968, for an annual review of such standards and (to the extent

prescribed by the Secretary) for up-dating such standards to take into account changes in living costs;"

(b) Section 402 (a) of such Act is amended by striking out "and" at the end of clause (13) and by inserting before the period at the end thereof after clause (13) the following new clause "; (14) provide (A), effective July 1, 1969, for meeting (in conjunction with other income that is not disregarded, or set aside for future needs, under the plan and other resources) all the need, as determined in accordance with standards applicable under the plan for determining need, of individuals eligible to receive aid to families with dependent children (and such standards shall be no lower than the standards for determining need in effect on January 1, 1967), and (B), effective July 1, 1968, for an annual review of such standards and (to the extent prescribed by the Secretary) for up-dating such standards to take into account changes in living costs".

(c) Section 1002 (a) of such Act is amended by striking out "and" at the end of clause (12) and by inserting before the period at the end thereof after clause (13) the following: "; and (14) provide (A), effective July 1, 1969, for meeting (in conjunction with other income that is not disregarded under the plan and other resources) all the need, as determined in accordance with standards ap-

plicable under the plan for determining need, of eligible individuals (and such standards shall be no lower than the standards for determining need in effect on January 1, 1967), and (B), effective July 1, 1968, for an annual review of such standards and (to the extent prescribed by the Secretary) for up-dating such standards to take into account changes in living costs".

(d) Section 1402 (a) of such Act is amended by striking out "and" at the end of clause (11) and by inserting before the period at the end thereof after clause (12) the following: "; and (13) provide (A), effective July 1, 1969, for meeting (in conjunction with other income that is not disregarded under the plan and other resources) all the need, as determined in accordance with standards applicable under the plan for determining need, of eligible individuals (and such standards shall be no lower than the standards for determining need in effect on January 1, 1967), and (B), effective July 1, 1968, for an annual review of such standards and (to the extent prescribed by the Secretary) for up-dating such standards to take into account changes in living costs".

(e) Section 1602 (a) of such Act is amended by striking out "and" at the end of paragraph (16), the period at the end of paragraph (17) and inserting "; and" in lieu

thereof, and by adding after such paragraph (17) the following new paragraph:

"(18) provide (A), effective July 1, 1969, for meeting (in conjunction with other income that is not disregarded under the plan and other resources) all the need, as determined in accordance with standards applicable under the plan for determining need, of eligible individuals (and such standards shall be no lower than the standards for determining need in effect on January 1, 1967) and (B), effective July 1, 1968, for an annual review of such standards and (to the extent prescribed by the Secretary) for updating such standards to take into account increases in living costs."

INCOME IN DETERMINING ELIGIBILITY

SEC. 203. (a) Section 2 (a) (10) (A) of the Social Security Act is amended by inserting before the semicolon at the end thereof the following: "and (iii) effective July 1, 1969, the State agency shall not consider such individual's (or his family's) income (that is not disregarded under the plan) a basis for finding that he is not in need, if such income is less than $66\frac{2}{3}$ percent of the amount of income established for individuals (or their families) under subsection (f) (1) of section 1903 in determining whether payments pursuant to such section may be made for expenditures for medical

assistance with respect to such individuals (or families) and for such purposes the provisions of paragraph (3) of such subsection (f) shall apply".

(b) Section 402 (a) (7) of such Act is amended—

(1) by striking out "and" at the end of clause (B) thereof; and

(2) by inserting before the semicolon at the end thereof the following: ", and (D) effective July 1, 1969, the State agency shall not consider such individual's (or his family's) income (that is not disregarded, or set aside for future need, under the plan) a basis for finding that he (or the family) is not in need, if such income is less than $66\frac{2}{3}$ percent of the amount of income established for individuals (or their families) under subsection (f) (1) of section 1903 in determining whether payment pursuant to such section may be made for expenditures for medical assistance with respect to such individuals (or families) and for such purposes the provisions of paragraph (3) of such subsection (f) shall apply".

(c) Section 1002 (a) (8) of such Act is amended—

(1) by striking out "and" at the end of clause (B) thereof; and

(2) by inserting before the semicolon at the end thereof the following: ", and (D) effective July 1,

1969, the State agency shall not consider such individual's (or his family's) income that is not disregarded under the plan a basis for finding that he is not in need is less than 66⅔ percent of the amount of income established for individuals (or their families) under subsection (f) (1) of section 1903 in determining whether payments pursuant to such section may be made for expenditures for medical assistance with respect to such individuals (or families) and for such purposes the provisions of paragraph (3) of such subsection (f) shall apply".

(d) Section 1402 (a) (8) of such Act is amended—

(1) by striking out "and" at the end of clause (B) thereof; and

(2) by inserting before the semicolon at the end thereof the following: ", and (D) effective July 1, 1969, the State agency shall not consider such individual's (or his family's) income (that is not disregarded under the plan) a basis for finding that he is not in need if such income is less than 66⅔ percent of the amount of income established for individuals (or their families) under subsection (f) (1) of section 1903 in determining whether payments pursuant to such section may be made for expenditures for medical assistance with respect to such individuals (or families) and

for such purposes the provisions of paragraph (3) of such subsection (f) shall apply".

(e) Section 1602 (a) (14) of such Act is amended—

(1) by striking out "and" at the end of subparagraph (C);

(2) by adding "and" at the end of subparagraph (D); and

(3) by adding after subparagraph (D) (as amended by paragraph (2) of this subsection) the following new subparagraph:

"(E) effective July 1, 1969, the State agency shall not consider such individual's (or his family's) income (that is not disregarded under the plan) a basis for finding that he is not in need if such income is less than 66⅔ percent of the amount of income established for individuals or families under subsection (f) (1) of section 1903 in determining whether payments pursuant to such section may be made for expenditures for medical assistance with respect to such individuals (or families) and for such purposes the provisions of paragraph (3) of such subsection (f) shall apply".

FEDERAL ASSISTANCE IN MEETING THE COSTS OF COMMUNITY WORK AND TRAINING

SEC. 204. (a) Section 402 (a) of the Social Security Act is amended by inserting before the period at the end

thereof after clause (14) (added by section 202(b) of this Act) the following: "; (15) provide (A) for entering into agreements with the Secretary of Labor, or such delegate as he may designate, for the referral of all appropriate individuals who have attained age 16 and are receiving aid to families with dependent children to a work and training program established and maintained by the Secretary of Labor or his delegate under section 410 in the geographical area in which such individuals live for purposes of preparing such individuals for, or restoring them to, employability, (B) that such aid will not be denied by reason of such referral, or by reason of the refusal of such individual to perform any such work if he has good cause for such refusal, and (C) that any additional expenses attributable to participation in such program will be considered in determining the needs of such individuals, and (16), effective July 1, 1968, provide for—

"(A) the establishment of a work and training program (which need not be in effect in all political subdivisions of the State) for appropriate individuals who have attained age 16 and who are receiving aid to families with dependent children with the objective that a maximum number of such individuals will be benefited through the conservation of their work skills and the development of new skills, and

"(B) expenditures described in section 409 in the form of payments to such individuals, and

"(C) meeting the requirements of such section 409 (a);

but only if the Secretary of Labor or his delegate does not maintain and operate any work and training program as authorized under section 410 in the State, and has certified that it is not practicable for him to maintain and operate such a program anywhere in the State".

(b) Section 402 (a) (7) of such Act is amended by striking out "and" at the end of clause (C) (added to such section by section 203 (b) of this Act), and adding at the end thereof the following: ", and (E) the State agency shall disregard any training incentive of not more than $20 a week paid under a program of work and training maintained and operated either by the State agency as authorized under section 409 or by the Secretary of Labor or his delegate as authorized under section 410".

(c) Effective with respect to expenditures made after June 30, 1967, section 409 (a) of the Social Security Act is amended by—

(1) adding at the end of the heading the following: "by the State Agency";

(2) striking out in so much of the material as precedes paragraph (1) "the relatives with whom such

child is living" and inserting in lieu thereof "such individuals", and striking out in such material "18" and inserting in lieu thereof "16";

(3) striking out in paragraphs (1), (2), and (4) "relative" and "relatives" and inserting in lieu thereof "individual" and "individuals", respectively; and

(4) deleting paragraph (2) and inserting in lieu thereof the following new paragraph:

"(2) provision (A) that the services of the public employment offices in the State shall, to the extent reasonably available, be utilized in order to assist such individuals performing work under such program to secure employment or occupational training, including appropriate provision for registration and periodic reregistration of such individuals and (B) for maximum utilization of the job placement services and other services and facilities of such offices;".

(d) (1) Section 409(b) of such Act is amended by striking out "In the case of any State" and inserting in lieu thereof "Except as may be provided in subsection (c), in the case of any State."

(2) Effective July 1, 1967, section 409 of such Act is amended by adding the following new subsection:

"(c) (1) From the sums appropriated pursuant to subsection (g) (1) of this section the Secretary of the

Treasury shall for each quarter pay each State, which has a plan for aid and services to needy families with children which has been approved under section 402, for its expenditures under the plan (in such amount as is specified in paragraph (2)), found necessary by the Secretary of Health, Education, and Welfare, for the proper and efficient administration of such plan, which are for (1) training, supervision, materials, and such other items as are authorized by the Secretary in connection with work or training on a project which is undertaken pursuant to subsection (a) and which the Secretary finds complies with such standards and limitations as he may prescribe to assure that such work and training are for the purpose of preparing for, or resorting to, employability individuals who have attained age 16 and who are receiving aid to families with dependent children, (2) other services specified by the Secretary which are related to the purposes of this section and are provided for such individuals or (3) incentive payments to any such individuals of not more than $20 per week, as authorized by the State. The State may, in accordance with such standards as the Secretary may prescribe, enter into contracts with employers, organizations, agencies, or institutions to furnish the services and items specified in the preceding sentence in order to carry out the purposes of this section.

"(2) The amount referred to in paragraph (1) shall

not exceed 90 percent of the expenditures for the items and services referred to in such paragraph unless the Secretary determines that payments in excess thereof are required to give full effect to the purposes of this section. Non-Federal contributions may be in cash or kind, fairly evaluated, including but not limited to plant, equipment, and services."

(c) Effective July 1, 1968, section 409 of such Act is amended by adding at the end thereof (after subsection (c), added to such section by subsection (c) of this section of this Act) the following new subsection:

"(d) Notwithstanding the previous provisions of this section, expenditures pursuant to subsection (a) shall be excluded from aid to families with dependent children with respect to individuals living in geographical areas (1) in which the Secretary of Labor maintains and operates a work and training program, as authorized under section 410, or (2) where the Secretary of Labor has not found it impracticable for him to maintain and operate such a program. The provisions of this paragraph shall not apply with respect to any geographical area with respect to which the Secretary of Labor has agreed that the State agency may establish a work and training program meeting the requirements of subsection (a)."

(f) Section 409 of such Act is further amended by adding after paragraph (d) (added to such section by subsec-

tion (e) of this section of this Act) the following new subsection:

"(e) (1) In order to stimulate the adoption of programs designed to help unemployed parents and related members of the same household, the Secretary is authorized to make grants beginning with the fiscal year ending June 30, 1968, to public agencies, organizations, and institutions for experimental or pilot projects relating to community work and training which may assist in better carrying out the purposes of this section and section 410 and to the extent he deems it appropriate, the Secretary may require the recipient of any grant to contribute money, facilities, or services for carrying out such experimental or pilot projects.

"(2) Payments of grants under this subsection may be made in advance or by way of reimbursement, and in such installments as the Secretary may determine; and shall be made on such conditions as the Secretary finds necessary to carry out the purposes of the grants and shall include the condition that any State agency which has a plan approved under this title must comply with the requirements of section 402 (a) (15) with respect to individuals provided assistance under such experimental or pilot projects."

(g) Section 409 of such Act is further amended by adding at the end thereof after subsection (e) (added to

such section by subsection (f) of this section of this Act) the following subsection:

"(f) Notwithstanding any other provision in section 402(a) (but only with respect to periods prior to July 1, 1969) a State plan may, at the option of the State, provide for meeting (in conjunction with other income that is not disregarded under the State plan and other resources) all the need, as determined in accordance with standards applicable under the plan for determining need, of individuals participating in a work and training program maintained and operated either by the State agency as authorized under section 409 or by the Secretary of Labor or his delegate as authorized under section 410."

(h) Section 409 of such Act is further amended by adding at the end thereof after subsection (f) (added to such section by subsection (g) of this section of this Act) the following subsection:

"(g) (1) There are hereby authorized to be appropriated such sums as may be necessary to carry out the purposes of subsections (c) (1) and (e) (1) of this section and of section 410.

"(2) The Secretary of Health, Education, and Welfare shall transfer to the Secretary of Labor from time to time sufficient amounts, out of monies appropriated pursuant to

paragraph (1) of this subsection, to enable him to carry out the purposes of section 410."

(i) Title IV of such Act is further amended by adding at the end thereof a new section to read as follows:

"COMMUNITY WORK AND TRAINING PROGRAMS BY THE SECRETARY OF LABOR

"SEC. 410. (a) The Secretary of Labor shall provide work and training programs for the purpose of preparing for, or restoring to, employability individuals referred under section 402 (a) (15) and under section 409 (e).

"(b) Such programs may include services required to determine vocational potential and needs, such as testing and counseling, basic education, communications and employment skills, work experience, vocational training, job development, job placement and follow-up required to assist participants in securing and retaining employment and securing possibilities for advancement.

"(c) For the purposes of carrying out programs under this section, the Secretary of Labor may make grants to, or enter into agreements with, public or private agencies or organizations if he determines the program meets the requirements of this section. Assistance under this section shall not include reimbursement of the individual for his time spent in work or training but may include the cost of training, supervision, materials, administration, and such other items

as are authorized by the Secretary of Labor. Federal assistance under this section shall not exceed 90 per centum of such costs unless the Secretary of Labor determines that payments in excess thereof are required to give full effect to the purposes of this section. Non-Federal contributions may be in cash or in kind, fairly evaluated, including but not limited to plant, equipment, and services.

"(d) The Secretary of Labor shall not assist any program authorized under this section unless he determines, in accordance with such regulations as he may prescribe, that it meets all the requirements of this section, including the requirements that—

"(1) appropriate standards for health, safety, and other conditions applicable to the performance of such work by individuals are established and maintained;

"(2) the program will not result in the displacement of employed workers or impair existing contracts for services;

"(3) the conditions of employment are appropriate and reasonable in the light of such factors as the type of work, geographical region, and proficiency of the participant;

"(4) the rates of pay for the time spent in work, when measured against the aid or assistance received by the participant in the program and the incentive pay-

ments paid to him under subsection (e), are not less than the minimum rate provided by law for the same type of work and are not less than the rates prevailing on similar work in the community; and

"(5) any such individual will, with respect to the work so performed, be provided appropriate workmen's compensation.

"(e) The Secretary of Labor is authorized to pay to any participant in a program under this section, an incentive payment of not more than $20 per week and additional expenses attributable in training under such program.

"(f) The Secretary of Labor may issue such rules and regulations as he finds necessary to carry out the purposes of this section, provided that in developing policies for programs under this section the Secretary of Labor shall consult with the Secretary of Health, Education, and Welfare."

FEDERAL SHARE OF PUBLIC ASSISTANCE EXPENDITURES

SEC. 205. Title XI of the Social Security Act is further amended by adding at the end thereof the following new section:

"DISREGARDING MAXIMUM EXPENDITURES IN DETERMINING AMOUNTS OF FEDERAL PAYMENTS IN CERTAIN CASES

"SEC. 1119. In the case of any State which has in effect a plan approved under titles I, X, XIV, or XVI for any calendar quarter (beginning after June 30, 1967), the total of the payments to which such State is entitled for such quarter, and for each succeeding quarter in the same fiscal year (which for purposes of this section means four calendar quarters ending June 30), under paragraphs (1) and (2) of sections 3(a), 1003(a), 1403(a), and 1603(a) shall, at the option of the State, be determined by application of the Federal medical assistance percentage (as defined in section 1905), instead of the percentages provided under each such section, to the expenditures under its State plans approved under titles I, X, XIV, and XVI, which would be included in determining the amounts of the Federal payments to which such State is entitled under such sections, but without regard to any maximum amounts per recipient which may be counted under such section, but only in the case of those recipients with respect to whom

there is a timely physician-certification of need of special living arrangements and that if such arrangements are not furnished to such recipients in appropriate institutions, their own homes, or elsewhere, such recipients will require care in skilled nursing homes."

ADDITIONAL FEDERAL PAYMENTS TO MEET NON-FEDERAL SHARE OF CASH ASSISTANCE EXPENDITURES

SEC. 206. Title XI of the Social Security Act is amended by adding after section 1119 (added by section 205 of this Act) the following new section:

"ADDITIONAL FEDERAL PAYMENTS TO MEET NON-FEDERAL SHARE OF CASH ASSISTANCE EXPENDITURES

"SEC. 1120. (a) (1) The Secretary shall, in the case of any State, determine the expenditures in the form of money payments made, during the period beginning July 1, 1969, and ending with the close of June 30, 1971, under the plans of such State approved under title I, IV, X, XIV, or XVI which are necessitated by compliance with the new requirements under such title imposed by amendments included under part 1 of title III of the Social Security Amendments of 1967

"(2) The Secretary is authorized to pay to any State a part of so much of the expenditures determined pursuant to paragraph (1) hereof as are in excess of such payments as he may make with respect to such expenditures under other provision of law.

"(b) In determining whether or not to make any payments under subsection (a) to any State, and the amount thereof, the Secretary shall consider such factors as he deems relevant, including such as the following:

"(1) the relative fiscal ability of the State;

"(2) the fiscal effort being made by the State for welfare and related programs;

"(3) the effect of increases in social security benefits on the needs for assistance expenditures; and

"(4) the amount of the additional funds required from non-Federal sources in order to comply with such new requirements and the relation thereof to prior expenditures from such sources under the plans.

"(c) There are authorized to be appropriated for payments under this section $60,000,000 each for the fiscal year ending June 30, 1970, and the succeeding fiscal year."

TEMPORARY ASSISTANCE FOR MIGRATORY WORKERS

SEC. 207. Title XI of the Social Security Act is amended by adding after section 1120 (added by section 206 of this Act) the following new section:

"TEMPORARY ASSISTANCE FOR MIGRATORY WORKERS

"SEC. 1121. (a) The Secretary is authorized to make grants to any State agency designated or established pursuant to a State plan approved under title I, IV, X, XIV, XVI, or XIX, or to any local agency participating in the administration of such a plan, for pilot or demonstration projects for the provision of temporary assistance to individuals who, as determined in accordance with regulations of the Secretary, are migratory workers, and to the members of their families who are with them.

"(b) An individual shall be eligible for assistance under a project under this section only if he is not eligible for aid or assistance under a State plan approved under title I, IV, X, XIV, XVI, or XIX.

"(c) Temporary assistance under this section to any individual in a State shall include such payments, goods, and services, and only such amounts thereof, as would be provided in that State under a State plan of such State approved under title I, IV, X, XIV, XVI, or XIX, and only

for such period of time, not in excess of 60 days, as may be provided in regulations of the Secretary.

"(d) There are authorized to be appropriated for carrying out this section for any fiscal year ending after June 30, 1967, such sums as may be necessary."

AMENDMENTS MAKING PERMANENT CERTAIN PROVISIONS RELATING TO PUBLIC ASSISTANCE

SEC. 208. (a) Section 202(e) of the Public Welfare Amendments of 1962 is amended by striking out "during the period beginning October 1, 1962, and ending with the close of June 30, 1967" and inserting in lieu thereof "after September 30, 1962".

(b) Section 135(e) of the Public Welfare Amendments of 1962 (as amended by section 1 of P.L. 88-641) is amended by striking out "during the period beginning October 1, 1962, and ending with the close of June 30, 1967" and inserting in lieu thereof "after September 30, 1962".

(c) Section 1113(d) of the Social Security Act is repealed.

(d) Section 407 of such Act is amended by striking out "and ending with the close of June 30, 1967,".

PART 2—MEDICAL ASSISTANCE AMENDMENTS

LIMITATION ON FEDERAL PARTICIPATION IN MEDICAL ASSISTANCE

SEC. 220. (a) Section 1903 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(f) (1) Payments under the preceding provisions of this section shall not be made with respect to any expenditures for medical assistance in any State for individuals whose income exceeds the amount determined, in accordance with standards prescribed by the Secretary, to be equivalent to 150 percent of the highest amount, applicable in the State for determining need, for determining eligibility of an individual for aid or assistance in the form of money payments under the plan of such State approved under title I, IV, X, XIV, or XVI, or if there is more than one such individual living in the same home, the amount so determined for one such individual plus such additional amounts for each of the other individuals living in the same home, as may be determined in accordance with such standards prescribed by the Secretary, the total so determined, if it is not a multiple of $100, or such other amount as the Secretary may prescribe, to be rounded to the next higher multiple of $100 or such other amount, as the case may be.

"(2) In computing an individual's (or family's) income

for purposes of the preceding paragraph there shall be excluded any costs (whether in the form of insurance premiums or otherwise) incurred by him (or the family) for medical care or for any other type of remedial care recognized under State law.

"(3) In determining the amount which is equivalent to 150 percent of the highest amount of income applicable to an individual or family for purposes of determining eligibility to aid or assistance in the form of money payments under a State's plan under titles I, IV, X, XIV, or XVI of the Social Security Act, the Secretary shall give consideration to variations in shelter costs and to special needs, if recognized for a significant number of individuals, and where necessary, may prescribe methods for estimating the total cost of items and services recognized by a State in determining eligibility for aid or assistance under plans approved under such titles."

(b) The amendment made by subsection (a) shall apply with respect to calendar quarters beginning after December 31, 1967.

DETERMINING MAINTENANCE OF STATE EFFORT

SEC. 221. (a) Section 1117(a) of the Social Security Act is amended by adding at the end thereof the following new sentences: "For any fiscal year ending on or after June 30, 1967, and before July 1, 1969, in lieu of the

substitution provided by paragraph (3) or (4), at the option of the State (i) paragraphs (1) and (2) of this subsection shall be applied on a fiscal year basis (rather than on a quarterly basis), and (ii) the base period fiscal year shall be either the fiscal year ending June 30, 1965, or the fiscal year ending June 30, 1964 (whichever is chosen by the State). In applying the preceding sentence to the fiscal year ending June 30, 1966, there shall be taken into account, as a fiscal year, only the last two quarters of such year and of the appropriate base period fiscal year."

(b) Section 1117 of such Act is amended by adding at the end thereof the following new subsections:

"(d) (1) In the case of the quarters in any fiscal year ending before July 1, 1969, the reduction (if any) under this section shall, at the option of the State, be determined under paragraph (2), (3), or (4) of this subsection in lieu of under the preceding provisions of this section.

"(2) If the reduction determination is made under this paragraph for a State for a quarter, then—

"(A) subsection (a) shall be applied by taking into account only money payments under plans of the State approved under titles I, IV, X, XIV, and XVI,

"(B) subsection (b) shall be applied by eliminating each reference to title XIX, and

"(C) subsection (c) shall be applied by eliminating the reference to section 1903, and by substituting a reference to this paragraph of this subsection for the reference to subsections (a) and (b).

"(3) If the reduction determination is made under this paragraph for a State for a quarter, then—

"(A) subsection (a) shall be applied by taking into account payments under section 523 (not including payments for expenditures described in section 524 (b) (2)),

"(B) subsection (b) shall be applied by striking out 'and XIX' and 'or XIX' and by inserting in lieu thereof 'XIX, and section 523' and 'XIX, or section 523', respectively,

"(C) subsection (c) shall be applied by striking out 'and 1903' and inserting in lieu thereof '1903, and section 523' and by substituting a reference to this paragraph of this subsection for the reference to subsections (a) and (b)."

"(4) If the reduction determination is made under this paragraph for a State for a quarter, then—

"(A) subsection (a) shall be applied by taking into account only (i) money payments under plans of the State approved under titles I, IV, X, XIV, and XVI, and (ii) payments under section 523 (not includ-

ing payments for expenditures described in section 524(b)(2)),

"(B) subsection (b) shall be applied by striking out 'XIX' each time it appears and inserting in lieu thereof 'section 523',

"(C) subsection (c) shall be applied by striking out '1903' and inserting in lieu thereof 'section 523' and by substituting a reference to this paragraph of this subsection for the reference to subsections (a) and (b)."

COORDINATION OF TITLE XIX AND THE SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

SEC. 222. (a) Section 1843 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(h)(1) The Secretary shall, at the request of a State made before January 1, 1970, enter into a modification of an agreement entered into with such State pursuant to subsection (a) under which the coverage group described in subsection (b) and specified in such agreement is broadened to include individuals who are eligible to receive medical assistance under the plan of such State approved under title XIX.

"(2) For purposes of this section, an individual shall be treated as eligible to receive medical assistance under the plan of the State approved under title XIX if, for the month in which the modification is entered into under this subsec-

tion or for any month thereafter, he has been determined to be eligible to receive medical assistance under such plan. In the case of any individual who would (but for this subsection) be included from the agreement, subsections (c) and (d) (2) shall be applied as if they referred to the modification under this subsection (in lieu of the agreement under subsection (a)), and subsection (d) (2) (C) shall be applied by substituting 'second month following the first month' for 'first month'."

(b) (1) Section 1843 (d) (3) (A) of such Act is amended by striking out "ineligible for money payments of a kind specified in the agreement" and inserting in lieu thereof the following: "ineligible both for money payments of a kind specified in the agreement and (if there is in effect a modification entered into under subsection (h)) for medical assistance".

(2) Section 1843 (f) of such Act is amended—

(A) by inserting after "or XVI" the following: "or eligible to receive medical assistance under the plan of such State approved under title XIX"; and

(B) by inserting after "and XVI" the following: "and individuals eligible to receive medical assistance under the plan of the State approved under title XIX".

(3) The heading of section 1843 of such Act is amended

by adding at the end thereof the following: "(OR ARE ELIGIBLE FOR MEDICAL ASSISTANCE)".

(c) Section 1903 (b) of such Act is amended by inserting "(1)" after "(b)", and by adding at the end thereof the following new paragraph:

"(2) Notwithstanding the preceding provisions of this section, the amount determined under subsection (a) (1) for any State for any quarter beginning after June 30, 1967, shall not take into account any amounts expended as medical assistance which would not have been so expended if the individuals with respect to whom such amounts were expended were eligible to enroll in the insurance program established by part B of title XVIII and were so enrolled."

(d) Effective with respect to calendar quarters beginning after June 30, 1967, section 1903 (a) (1) of such Act is amended by striking out "and other insurance premiums" and inserting in lieu thereof "and, except in the case of individuals who are eligible to enroll and are not enrolled under part B of title XVIII, other insurance premiums".

(e) (1) Section 1843 (a) of such Act is amended by striking out "1968" and inserting in lieu thereof "1970".

(2) Section 1843 (c) of such Act is amended—

(A) by striking out "and before January 1, 1968"; and

(B) by striking out "thereafter before January 1968"; and inserting in lieu thereof "thereafter".

(3) Section 1843 (d) (2) (D) of such Act is amended by striking out "(not later than January 1, 1968)".

MODIFICATION OF COMPARABILITY PROVISION

SEC. 223. (a) Section 1902 (a) (10) of the Social Security Act is amended—

(1) by inserting "(I)" after "except that in the matter following subparagraph (B), and

(2) by inserting before the semicolon at the end the following ", and (II) the making available of supplementary medical insurance benefits under part B of title XVIII to individuals eligible therefor (either pursuant to an agreement entered into under section 1843 or by reason of the payment of premiums under such title by the State agency on behalf of such individuals), or provisions for meeting part or all of the cost of the deductibles, cost sharing, or similar charges under part B of title XVIII for individuals eligible for benefits under such part, shall not, by reason of this paragraph (10), require the making available of any such benefits, or the making available of services of the same amount, duration, and scope, to any other individuals".

(b) The amendment made by subsection (a) shall apply with respect to calendar quarters beginning after June 30, 1967.

EXTENT OF FEDERAL FINANCIAL PARTICIPATION IN CERTAIN ADMINISTRATIVE EXPENSES

SEC. 224. (a) Section 1903 (a) (2) of the Social Security Act is amended by striking out "of the State agency (or of the local agency administering the State plan in the political subdivision)" and inserting in lieu thereof "of the State agency or any other public agency".

(b) The amendment made by subsection (a) shall apply with respect to expenditures made after June 30, 1967.

ADVISORY COUNCIL

SEC. 225. Title XIX of the Social Security Act is amended by adding at the end thereof the following new section:

"ADVISORY COUNCIL ON MEDICAL ASSISTANCE

"SEC. 1906. For the purpose of advising the Secretary on matters of general policy on the administration of this title (including the relationship of title XVIII) and making recommendation for improvement of such administration, there is hereby created a Medical Assistance Advisory Council which shall consist of twenty-one persons, not otherwise in the employ of the United States, appointed by the Secretary without regard to the civil service laws. The Secretary

shall from time to time appoint one of the members to serve as Chairman. The members shall include representatives of State and local agencies and nongovernmental organizations and groups concerned with health, and of consumers of health services, and a majority of the membership of such council shall consist of representatives of consumers of health services. Each member shall hold office for a term of four years, except that any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term, and except that the terms of office of the members first taking office shall expire, as designated by the Secretary at the time of appointment, five at the end of the first year, five at the end of the second year, five at the end of the third year, and six at the end of the fourth year after the date of appointment. A member shall not be eligible to serve continuously for more than two terms. The Secretary may, at the request of the Council or otherwise, appoint such special advisory professional or technical committees as may be useful in carrying out this title. Members of the Advisory Council and members of any such advisory or technical committee, while attending meetings or conferences thereof or otherwise serving on business of the Advisory Council or of such committee, shall be entitled to receive compensation at rates fixed

by the Secretary, but not exceeding $100 per day, including travel time, and while so serving away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5 of the Administrative Expenses Act of 1946 (5 U.S.C. 73b–2) for persons in the Government service employed intermittently. The Advisory Council shall meet as frequently as the Secretary deems necessary. Upon request of five or more members, it shall be the duty of the Secretary to call a meeting of the Advisory Council."

FREE CHOICE BY INDIVIDUAL ELIGIBLE FOR MEDICAL ASSISTANCE

SEC. 226. (a) Section 1902 (a) of the Social Security Act is amended by—

(1) striking out "and" at the end of paragraph (21);

(2) striking out the period at the end of paragraph (22) and inserting in lieu thereof "; and"; and

(3) by adding after such paragraph (22) the following new paragraph:

"(23) provide that any individual eligible to medical assistance may obtain such assistance from any institution, agency, or person, qualified to perform the service or services required (including an organization which provides such services, or arranges for their availability,

on a prepayment basis) who undertakes to provide him such services."

(b) The amendment made by this section shall apply with respect to calendar quarters beginning after June 30, 1969.

PART 3—CHILD-WELFARE SERVICES AMENDMENTS

FEDERAL SHARE FOR THE COMPENSATION AND TRAINING OF PERSONNEL

SEC. 235. (a) Section 524 (b) is amended by—

(1) striking out "(b)" and inserting "(b) (1)";

(2) redesignating clauses (1) and (2) as clauses (A) and (B), respectively; and

(3) by adding at the end thereof the following new paragraph:

"(2) Notwithstanding the provisions of paragraph (1), the Federal share with respect to expenditures for services provided by the staff of the State public welfare agency or by the local agency participating in the administration of the plan in the political subdivision and for the training of personnel employed or preparing for employment by such State public welfare agency or such local agency shall, for any fiscal year ending after June 30, 1968, be 75 percent of the amount of such expenditures during such fiscal year which are in excess of expenditures for such purposes with

respect to which the non-Federal share is not less than the non-Federal share of expenditures for such purposes in the fiscal year ending June 30, 1967."

(b) Section 522 of such Act is amended by—

(1) inserting "(a)" after "He shall allot";

(2) deleting "and shall allot" and inserting in lieu thereof "(b)"; and

(3) by adding before the period at the end thereof the following: "(c) to each State an amount necessary to meet the Federal share under section 524(b)(2); except that if the total of the amounts required to be allotted under clause (c) to all the States would require the amount allotted under clauses (a) and (b) to all States to be reduced below the sum appropriated under this part for the fiscal year ending June 30, 1967, the Secretary shall, pursuant to such standards as he may prescribe, decrease the amount to be allotted under clause (c) so that the amount to be allotted under clauses (a) and (b) is not less than such appropriated sum."

AUTHORIZATION FOR APPROPRIATIONS

SEC. 236. Section 521 of such Act is amended by striking out "$55,000,000 for the fiscal year ending June 30, 1969, and $60,000,000 for the fiscal year ending June 30, 1970, and each fiscal year thereafter" and inserting in lieu thereof "and for the fiscal year ending June 30, 1969, and

each fiscal year thereafter such sums as Congress may determine".

PROJECTS FOR EXPERIMENTAL AND SPECIAL TYPES OF CHILD-WELFARE SERVICE

SEC. 237. (a) So much of section 526 (a) of the Social Security Act as precedes the semicolon is amended by—

(1) inserting "(1)" after "may determine"; and

(2) inserting "(A)" after "by the Secretary".

(b) So much of section 526 (a) of such Act as follows the semicolon is amended by—

(1) striking out "and for grants by the Secretary" and inserting in lieu thereof "(B) to State or local public agencies responsible for administering, or supervising the administration of, the plan under this part, for projects for the demonstration of the utilization of research (including findings resulting therefrom) in the field of child welfare in order to encourage experimental and special types of welfare services; and (C)"; and

(2) adding before the period at the end thereof the following: "; and (2) for contracts or jointly financed cooperative arrangements with States and public and other organizations and agencies for the conduct of research, special projects, or demonstration projects relating to such matters".

(c) Section 526 (b) of such Act is amended by striking out "grants for special projects" and inserting in lieu thereof "grants or under contracts or cooperative arrangements".

PART 4—MISCELLANEOUS AND TECHNICAL AMENDMENTS

PERMANENT AUTHORITY TO SUPPORT DEMONSTRATION PROJECTS

SEC. 245. Section 1115 of the Social Security Act is amended by—

(a) striking out "$2,000,000" and inserting in lieu thereof "$10,000,000"; and

(b) striking out "1967" and inserting in lieu thereof "1968, and not to exceed $25,000,000 of the aggregate amount appropriated for payments to States under such titles for any fiscal year beginning after June 30, 1968".

PERMITTING PARTIAL PAYMENTS TO STATES

SEC. 246. Section 4, section 404 (a), section 1004, and section 1404 of the Social Security Act are each amended by striking out "further payments will not be made to the State" and inserting in lieu thereof "further payments will not be made to the State (or, in his discretion, that payments will be limited to categories under or parts of the State plan not affected by such failure,".

CONTRACTS FOR COOPERATIVE RESEARCH OR DEMONSTRATION PROJECTS

SEC. 247. Section 1110 (a) (2) of the Social Security Act is amended by striking out "nonprofit".

TITLE III—IMPROVEMENT OF CHILD HEALTH

EARLY CASE FINDING AND TREATMENT OF HANDICAPPING CONDITIONS OF CHILDREN

SEC. 301. (a) (1) Section 511 of the Social Security Act is amended by striking out "$55,000,000 for the fiscal year ending June 30, 1968, $55,000,000 for the fiscal year ending June 30, 1969, and $60,000,000 for the fiscal year ending June 30, 1970, and each fiscal year thereafter" and inserting in lieu thereof "$65,000,000 for the fiscal year ending June 30, 1968, and such sums as may be necessary for succeeding fiscal years".

(2) Section 513 (a) of such Act is amended by striking out "and" before clause (7), by striking out the period at the end of clause (7) and inserting in lieu thereof "; and", and by adding after such clause (7) the following new clause: "(8) effective July 1, 1967, provide for early identification of children in need of health care and services, and for health care and treatment needed to correct or ameliorate defects or chronic conditions discovered thereby,

through provision of such periodic screening and diagnostic services, and such treatment, care, and other measures to correct or ameliorate defects or chronic conditions, as may be provided in regulations of the Secretary."

(b) (1) Section 1905 (a) (4) of such Act is amended by inserting "(A)" after "(4)", and by inserting before the semicolon at the end thereof the following: "(B) effective July 1, 1969, such early and periodic screening and diagnosis of individuals who are eligible under the plan and are under the age of 21 to ascertain their physical or mental defects, and such health care, treatment, and other measures to correct or ameliorate defects and chronic conditions discovered thereby, as may be provided in regulations of the Secretary".

(2) Section 1902 (a) (11) of such Act is amended by inserting "A" after "(11)", and by inserting before the semicolon at the end thereof the following: ", and (B) effective July 1, 1969, provide, to the extent prescribed by the Secretary, for entering into agreements, with any agency, institution, or organization receiving payments for part or all of the cost of plans or projects under part 1, 2, or 4 of title V, (i) providing for utilizing such agency, institution, or organization in furnishing care and services which are available under such plan or project under title V and which are included in the State plan approved under this section and

(ii) making such provision as may be appropriate for reimbursing such agency, institution, or organization for the cost of any such care and services furnished any individual for which payment would otherwise be made to the State with respect to him under section 1903".

(c) Section 514 of such Act is amended by redesignating subsection (d) as subsection (e) and by inserting after subsection (c) the following new subsection:

"(d) See section 504(d) for possible reduction in the amount determined under the preceding provisions of this section."

(d) Section 541 of such Act is amended by adding after subsection (c) (added by section 307 of this Act) the following new subsection:

"(d) Any agency, institution, or organization shall, if and to the extent prescribed by the Secretary, as a condition to receipt of grants under a plan or project under part 1, 2, or 4 of this title, cooperate with the State agency administering or supervising the administration of the State plan approved under title XIX in the provision of care and services, available under such plan or project under this title, for children eligible therefor under such plan approved under title XIX."

DENTAL HEALTH OF CHILDREN

SEC. 302. Part 4 of Title V of the Social Security Act is further amended by adding after section 533 the following new section:

"SPECIAL PROJECT GRANTS FOR DENTAL HEALTH OF CHILDREN

"SEC. 534. (a) In order to promote the dental health of children and youth of school or preschool age, particularly in areas with concentrations of low-income families, there are authorized to be appropriated $5,000,000 for the fiscal year ending June 30, 1968, and such sums as may be necessary for the next four fiscal years, for grants as provided in this section.

"(b) From the sums appropriated pursuant to subsection (a), the Secretary is authorized to make grants to the State health agency of any State and (with the consent of such agency) to the health agency of any political subdivision of the State, and to any other public or nonprofit private agency, institution, or organization, to pay not to exceed 75 per centum of the cost of pilot projects of a comprehensive nature for dental care and services for children and youth of school age or for preschool children. No project shall be eligible for a grant under this section unless it provides that any treatment, correction of defects, or after care provided under the project is available only to children who

would not otherwise receive it because they are from low-income families or for other reasons beyond their control, and unless it includes (subject to the limitation in the foregoing provisions of this sentence) at least such preventive services, treatment, correction of defects, and after care, for such age groups, as may be provided in regulations of the Secretary. Such projects may also include research looking toward the development of new methods of diagnosis or treatment, or demonstration of the utilization of dental personnel with various levels of training.

"(c) In determining the cost of a project and expenditures in carrying out such project from sources other than payments under this section, the reasonable value (as determined by the Secretary) of any goods and services provided in carrying out such project shall be included.

"(d) Payment of grants under this section may be made (after necessary adjustments on account of previously made underpayments or overpayments) in advance or by way of reimbursement, and in such installments and on such conditions, as the Secretary may determine."

SPECIAL MATERNITY AND INFANT CARE PROJECTS

SEC. 303. (a) Subsection (a) of section 531 of the Social Security Act is amended to read as follows:

"(a) In order to help reduce the incidence of mental retardation and other handicapping conditions caused by

complications associated with childbearing and to help reduce infant and maternal mortality, there are authorized to be appropriated $35,000,000 for the fiscal year ending June 30, 1968, and such sums as may be necessary for the next 4 fiscal years, for grants to assist in meeting the cost of projects as provided in this section."

(b) Subsection (b) of such section 531 is amended (A) by striking out "the State health agency of any State and, with the consent of such agency in the case of a project in which such agency is unable or unwilling to participate, to the health agency of any political subdivision of the State," and inserting in lieu thereof "the State health agency and (with the consent of such agency) to the health agency of any political subdivision of the State, and to any other public or nonprofit private agency, institution, or organization," and (B) by striking out "(exclusive of general agency overhead)" and all that follows down to and including the period and inserting in lieu thereof "(exclusive of general agency, institution, or organization overhead) of any project for the provision of necessary health care to—

"(1) prospective mothers (including, after childbirth, health care to mothers and their infants) who have or are likely to have conditions associated with childbearing or are in circumstances which increase the

hazards to the health of the mothers or their infants (including those which may cause physical or mental defects in the infants), or

"(2) to infants during their first year of life who have any condition or are in circumstances which increase the hazards to their health,

but only if the State or local agency determines that the recipient will not otherwise receive necessary health care because he is from a low-income family or for other reasons beyond his control."

(c) Such section 531 is further amended by redesignating subsection (c) as subsection (d) and by adding after subsection (b) the following new subsection:

"(c) In determining the cost of a project and expenditures in carrying out such project from sources other than payments under this section, the reasonable value (as determined by the Secretary) of any goods and services provided in carrying out such project shall be included."

(d) The amendment made by subsection (a) shall apply in the case of appropriations for fiscal years beginning after June 30, 1967. The amendments made by subsection (b) shall apply in the case of grants for projects made after June 30, 1967.

REVISION OF AUTHORIZATION FOR MATERNAL AND CHILD HEALTH SERVICES

SEC. 304. (a) Section 501 of the Social Security Act is amended by striking out "$55,000,000 for the fiscal year ending June 30, 1969, and $60,000,000 for the fiscal year ending June 30, 1970, and each fiscal year thereafter" and inserting in lieu thereof "and such sums as may be necessary for succeeding fiscal years".

(b) Section 504 of such Act is amended by redesignating subsection (d) as subsection (e) and inserting after subsection (c) the following new subsection:

"(d) The total of amount determined under the preceding provisions of this section and the amount determined under section 514 for any fiscal year ending after June 30, 1967, shall be reduced by the amount by which the sum expended from non-Federal sources for maternal and child health services and services for crippled children for such year is less than the sum expended from such sources for such services for the fiscal year ending June 30, 1967. In the case of any such reduction, the Secretary shall determine the portion thereof which shall be applied, and the manner of applying such reduction, to the amounts otherwise payable under this section and section 514."

TRAINING FOR HEALTH CARE OF MOTHERS AND CHILDREN

SEC. 305. (a) Effective with respect to grants made after June 30, 1967, title V of the Social Security Act is further amended by striking out section 516 and by inserting after section 534 (added by section 302 of this Act) the following new section:

"TRAINING OF PERSONNEL

"SEC. 535. (a) There are authorized to be appropriated $13,000,000 for the fiscal year ending June 30, 1968, and such sums as may be necessary for succeeding fiscal years, for grants by the Secretary to public or nonprofit private institutions of higher learning for training personnel for health care and related services for mothers and children, particularly mentally retarded children and children with multiple handicaps.

"(b) Payments of grants under this section may be made (after necessary adjustment on account of previously made underpayments or overpayments) in advance or by way of reimbursement, and in such installments and on such conditions, as the Secretary may determine."

(b) Effective with respect to such grants, the second sentence of section 514(c) of such Act is amended by striking out "or 516".

RESEARCH IN MATERNAL AND CHILD HEALTH SERVICES AND CRIPPLED CHILDREN'S SERVICES

SEC. 306. Section 533 (a) of the Social Security Act is amended by striking out ", not exceeding $8,000,000 for any fiscal year," and by inserting after the period at the end thereof the following new sentences: "The amount appropriated pursuant to the preceding sentence may not exceed $8,000,000 for any fiscal year ending prior to July 1, 1967, and $18,000,000 for the fiscal year ending June 30, 1968. Effective with respect to grants made and arrangements entered into after June 30, 1967, (1) special emphasis shall be accorded to projects which will help in studying the need for, and the feasibility, costs, and effectiveness of, comprehensive health care programs in which maximum use is made of health personnel with varying levels of training, and in studying methods of training for such programs, and (2) grants under this section may also include funds for the training of health personnel for work in such projects."

PROGRAM EVALUATION IN MATERNAL AND CHILD HEALTH AND WELFARE

SEC. 307. Section 541 of the Social Security Act is further amended by adding at the end thereof the following new subsection:

"(c) Such portion of each appropriation for grants under this title as the Secretary may determine, but not exceeding one-half of 1 percent thereof, shall be available for evaluation by the Secretary (directly or by grants or contracts) of the programs for which such appropriations are made and, in the case of allotments from any such appropriation, the amount available for allotments shall be reduced accordingly."

CONFORMING OR TECHNICAL AMENDMENTS

SEC. 308. (a) Section 532 of the Social Security Act is amended by redesignating subsection (c) as subsection (d) and by adding after subsection (b) the following new subsection:

"(c) In determining the cost of a project and expenditures in carrying out such project from sources other than

payments under this section, the reasonable value (as determined by the Secretary) of any goods and services provided in carrying out such project shall be included."

(b) Section 541 (b) of such Act is amended by striking out ", except section 531".

(c) The amendment made by subsection (a) shall apply in the case of grants for projects made after June 30, 1967.

TITLE IV—GENERAL PROVISIONS

SOCIAL WORK MANPOWER AND TRAINING

SEC. 401. Title VII of the Social Security Act is amended by adding at the end thereof the following new section:

"GRANTS FOR EXPANSION AND DEVELOPMENT OF GRADUATE AND UNDERGRADUATE PROGRAMS

"SEC. 707. (a) There are authorized to be appropriated for the fiscal year ending June 30, 1968, $5,000,000 and for each fiscal year thereafter such sums as the Congress may determine for grants by the Secretary to public or nonprofit private colleges and universities and to accredited graduate schools of social work or an association of such schools to meet part of the costs of development, expansion, or improvement of, respectively, undergraduate programs in social work and programs for the graduate training of professional social work personnel, including the costs of compensation of addi-

tional faculty and administrative personnel and minor improvements of existing facilities.

"(b) In considering applications for grants under this section, the Secretary shall take into account the relative need in the States for personnel trained in social work and the effect of the grants thereon.

"(c) Payment of grants under this section may be made (after necessary adjustment on account of previously made overpayments or underpayments) in advance or by way of reimbursement, and on such terms and conditions and in such installments, as the Secretary may determine.

"(d) For purposes of this section—

"(1) The term 'graduate school of social work' means a department, school, division, or other administrative unit, in a public or nonprofit private college or university, which provides, primarily or exclusively, a program of education in social work and allied subjects leading to a graduate degree in social work.

"(2) The term 'accredited' as applied to a graduate school of social work means a school which is accredited by a body or bodies approved for the purpose by the Commissioner of Education or with respect to which there is evidence satisfactory to the Secretary that it will be so accredited within a reasonable time.

"(3) The term 'nonprofit' as applied to any college or

university means one which is a corporation or association, or is owned and operated by one or more corporations or associations, no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual."

MEANING OF SECRETARY

SEC. 402. As used in the amendments made by this title and titles I, II, and III, the term "Secretary" means the Secretary of Health, Education, and Welfare.

TITLE V—TAX TREATMENT OF THE AGED

REPEAL OF RETIREMENT INCOME CREDIT

SEC. 501. Section 37 of the Internal Revenue Code of 1954 (relating to the retirement income credit) is hereby repealed with respect to taxable years beginning after December 31, 1967.

DEFINITION OF ADJUSTED GROSS AND TAXABLE INCOME

SEC. 502. (a) Section 62 of the Internal Revenue Code of 1954 (relating to adjusted gross income defined) is amended by inserting at the end thereof the following new paragraph:

"(9) RETIREMENT INCOME DEDUCTION.—The deduction allowed by section 218."

(b) Section 63 (b) of the Internal Revenue Code of 1954 (relating to taxable income of individuals electing the standard deduction) is amended by striking out "and" at

the end of paragraph (1), by striking out the period at the end of paragraph (2) and inserting in lieu thereof ", and", and by adding at the end thereof the following new paragraph:

"(3) the deduction for the special exemption for individuals aged 65 or more provided in section 154."

(c) Section 170(b)(1) of the Internal Revenue Code of 1954 (relating to limitations on charitable contributions) is amended—

(1) by striking out the period at the end of subparagraph (A) and inserting in lieu thereof: "and without regard to any deduction allowable under section 218 for the taxable year."; and

(2) by striking out the period at the end of the first sentence of subparagraph (B) and inserting in lieu thereof: "and without regard to any deduction allowable under section 218 for the taxable year."

(d) Section 213 of the Internal Revenue Code of 1954 (relating to limitation on deduction for medical, dental, etc., expenses) is amended by striking out "the adjusted gross income" where it appears in subsection (a)(1) and subsection (b) and inserting in lieu thereof: "the adjusted gross income computed without regard to any deduction allowable under section 218 for the taxable year."

INCLUSION OF CERTAIN SOCIAL SECURITY AND RAILROAD RETIREMENT BENEFITS IN INCOME

SEC. 503. (a) (1) Part II of subchapter B of chapter 1 of the Internal Revenue Code of 1954 is amended by adding the following new section at the end thereof:

"SEC. 82. CERTAIN SOCIAL SECURITY AND RAILROAD RETIREMENT BENEFITS.

"Gross income includes—

"(a) Payments received under section 202 (relating to old-age and survivors insurance benefits) or section 228 (relating to benefits at age 72 for certain uninsured individuals) of the Social Security Act, except—

"(1) child's insurance benefits received under section 202 (d) of such Act,

"(2) lump-sum death payments received under section 202 (i) of such Act,

"(3) mother's insurance benefits received under section 202 (g) of such Act,

"(4) benefits received under section 202 (b) or 202 (c) of such Act by a spouse or divorced wife of an individual entitled to disability insurance benefits under section 223 of such Act, and

"(5) benefits received under section 202 (h) of such Act by a parent of an individual entitled to dis-

ability insurance benefits under section 223 of such Act; and

"(b) Payments received under the Railroad Retirement Act of 1935 or the Railroad Retirement Act of 1937, as amended, except—

"(1) payments received by an individual prior to the beginning of the taxable year in which he attains age 65, on account of mental or physical disability,

"(2) payments received by a child (as described in section 5(e)(1)(ii) of the Railroad Retirement Act of 1937, as amended), and

"(3) lump-sum payments received under section 5(f) of the Railroad Retirement Act of 1937, as amended.

"(4) payments received by a widow under section 5(b) of the Railroad Retirement Act of 1937, as amended."

(2) The table of sections for part II of subchapter B of chapter 1 of the Internal Revenue Code of 1954 is amended by inserting the following at the end thereof:

"Sec. 82. Certain Social Security and Railroad Retirement Benefits."

(b) Section 101(b)(2) of the Internal Revenue Code of 1954 (relating to special rules for employees' death

benefits) is amended by inserting after subparagraph (D) the following new subparagraph:

"(E) CERTAIN SOCIAL SECURITY AND RAILROAD RETIREMENT BENEFITS.—Paragraph (1) shall not apply to amounts required to be included in gross income under section 82."

SPECIAL EXEMPTION FOR INDIVIDUALS AGED 65 OR MORE; REPEAL OF ADDITIONAL EXEMPTION; INCREASE IN PERMISSIBLE GROSS INCOME LEVEL OF AGED DEPENDENTS

SEC. 504. (a) Section 151 (c) of the Internal Revenue Code of 1954 (relating to additional exemption for taxpayer or spouse age 65 or more) is hereby repealed with respect to taxable years beginning after December 31, 1967.

(b) Section 151 (e) (1) of the Internal Revenue Code of 1954 (relating to permissible gross income level of aged dependents) is amended by revising subparagraph (A) to read as follows:

"(A) who, prior to the close of the calendar year in which the taxable year of the taxpayer begins—

"(i) has not attained the age of 65 and whose gross income for such calendar year is less than $600, or

"(ii) has attained the age of 65 and whose

gross income for such calendar year is less than $1,200; or"

(c) Part V of subchapter B of chapter 1 of the Internal Revenue Code of 1954 (relating to deductions for personal exemptions) is amended by redesignating section 154 as section 155, and by inserting after section 153 the following new section.

"SEC. 154. SPECIAL EXEMPTION FOR INDIVIDUALS AGED 65 OR MORE.

"(a) GENERAL RULE.—In the case of a taxpayer who has attained the age of 65 before the close of his taxable year, there shall, subject to the limitations in subsection (b), be allowed as a deduction in computing taxable income a special exemption of—

"(1) $2,300 if the taxpayer is single or is married to a spouse who has not attained the age of 65 before the close of the taxable year of the taxpayer, or

"(2) $2,000 if the taxpayer is married to a spouse who has attained the age of 65 before the close of the taxable year of the taxpayer, plus an additional $2,000 for the spouse of the taxpayer if a separate return is made by the taxpayer, and for the calendar year in which the taxable year of the taxpayer begins such spouse has no gross income and is not the dependent of another taxpayer.

"(b) LIMITATION.—

"(1) Except as provided in paragraph (2)—

"(A) in the case of a single person, the exemption to which he is entitled under subsection (a) shall be reduced by the amount by which his adjusted gross income for the taxable year exceeds $5,600.

"(B) in the case of a married person each exemption to which he is entitled under subsection (a) shall be reduced by the amount by which one-half of the combined adjusted gross income of such person and his spouse for the taxable year (computed without regard to any deduction which is allowable under section 218 for the taxable year) exceeds $5,600.

"(2) Paragraph (1) shall not operate to reduce the amount of the exemption or exemptions to which a taxpayer is entitled for a taxable year under subsection (a) below an amount equal to one-third of the social security and railroad retirement benefits (exclusive of supplemental annuities received under section 3 (j) (1) of the Railroad Retirement Act of 1937, as amended), included in such taxpayer's gross income under section 82 for such taxable year.

"(3) For purposes of this section, where a husband

and wife have different taxable years, the adjusted gross income of the spouse is the adjusted gross income of the spouse for the taxable year ending within the taxable year of the taxpayer."

(c) The table of sections for Part V of subchapter B of chapter 1 of the Internal Revenue Code of 1954 is amended by redesignating section 154 as section 155, and by inserting immediately following section 153:

"Sec. 154. Special exemption for individuals aged 65 or more."

RETIREMENT INCOME DEDUCTION

SEC. 505. (a) Part VII of subchapter B of chapter 1 of the Internal Revenue Code of 1954 (relating to additional itemized deductions for individuals) is amended by redesignating section 218 as section 219, and by inserting after section 217 the following new section:

"SEC. 218. RETIREMENT INCOME DEDUCTION.

"(a) GENERAL RULE.—In the case of an individual who has not attained the age of 65 before the close of his taxable year, there shall be allowed as a deduction an amount, if any, equal to the lesser of—

"(1) $1,600, reduced as provided in subsection (b), or

"(2) the sum of—

"(A) any amounts included in his gross in-

come for such taxable year under section 82, plus

"(B) any amounts received as a pension or annuity under a public retirement system (as defined in subsection (d)), to the extent included in his gross income for such taxable year.

"(b) LIMITATION.—

"(1) Except as provided in paragraph (2)—

"(A) in the case of a single person, the limitation set forth in subsection (a) (1) shall be reduced by the amount by which his adjusted gross income for the taxable year (computed without regard to this section) exceeds $5,600;

"(B) in the case of a married person, the limitation set forth in subsection (a) (1) shall be reduced by the amount by which one-half of the combined adjusted gross income of such person and his spouse for the taxable year (computed without regard to this section) exceeds $5,600.

"(2) Paragraph (1) shall not operate to reduce the amount of the deduction to which a taxpayer is entitled for a taxable year under subsection (a) below an amount equal to one-third of the social security and railroad retirement benefits (exclusive of supplemental annuities received under section 3 (j) (1) of the Railroad Retirement Act of 1937, as amended) included in such tax-

payer's gross income under section 82 for such taxable year.

"(3) For purposes of this section, where a husband and wife have different taxable years, the adjusted gross income of the spouse is the adjusted gross income of the spouse for the taxable year ending within the taxable year of the taxpayer.

"(4) For purposes of this section, the rules in section 153 shall be applied in determining marital status.

"(c) In applying subsection (a) with respect to amounts received by a husband or wife which are community income under community property laws applicable to such income, the aggregate amount deductible under subsection (a) from the gross income of such husband and wife shall equal the amount which would be deductible if such amounts did not constitute such community income.

"(d) PUBLIC RETIREMENT SYSTEM DEFINED.—For purposes of this section, the term 'public retirement system' means a pension, annuity, retirement, or similar fund or system established by the United States, a State, a territory, a possession of the United States, any political subdivision of any of the foregoing, or the District of Columbia."

(b) The table of sections for Part VII of subchapter B of chapter 1 of the Internal Revenue Code of 1954 is

amended by redesignating section 218 as section 219 and by inserting immediately following section 217 the following:

"Sec. 218. Retirement Income Deduction."

MISCELLANEOUS AMENDMENTS

SEC. 506. (a) Section 4 (relating to rules for optional tax) is amended by redesignating subsection "(f)" as "(g)" and inserting the following new subsection after subsection (e):

"(f) PERSONS AGED 65 AND OVER.—An individual who has attained the age of 65 before the end of his taxable year may elect to pay the optional tax imposed by section 3 only if the Secretary or his delegate prescribes tables for the computation of such tax which reflect the special exemption provided by section 154 and are constructed in a manner comparable to the tables set forth in section 3."

(b) Section 144 of the Internal Revenue Code of 1954 (relating to election of standard deduction) is amended by inserting at the end thereof the following new subsection:

"(e) INDIVIDUALS AGED 65 OR MORE.—In the case of a taxpayer who has attained the age of 65 before the close of his taxable year and who, for such taxable year, may not elect by reason of section 4(f) to pay the optional tax imposed by section 3—

"(1) subsection (a) shall not apply for such taxable year, and

"(2) the standard deduction shall be allowed if the taxpayer so elects on his return for such taxable year.

The Secretary or his delegate shall by regulations prescribe the manner of signifying such election in the return. If the taxpayer on making his return fails to signify, in the manner so prescribed, his election to take the standard deduction, such failure shall be considered his election not to take the standard deduction."

(c) Section 6012 (a) (1) of the Internal Revenue Code of 1954 (relating to persons required to make returns of income) is amended to read as follows:

"(1) Every individual having for the taxable year a gross income of $600 or more (except that any individual who has attained the age of 65 before the close of his taxable year and who has gross income of $600 or more shall be required to make a return only if his income for the taxable year (combined with his spouse's income, if married) exceeds $2,600.)"

(d) Section 12 of the Railroad Retirement Act of 1937, as amended, is amended by inserting a comma after the word "assignable" and by inserting the following after the word "tax": "(except as provided in section 82 (b) of the Internal Revenue Code of 1954)."

EFFECTIVE DATES

SEC. 507. The amendments made by this title are effective for taxable years beginning after December 31, 1967.

90TH CONGRESS
1ST SESSION

H. R. 5710

A BILL

To amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to provide health insurance to the disabled, to improve the public assistance programs and programs relating to the welfare and health of children, to revise the income tax treatment of the aged, and for other purposes.

By Mr. MILLS

FEBRUARY 20, 1967

Referred to the Committee on Ways and Means

[COMMITTEE PRINT]

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
NINETIETH CONGRESS
FIRST SESSION

SECTION-BY-SECTION ANALYSIS AND EXPLANATION OF PROVISIONS OF

H.R. 5710

THE "SOCIAL SECURITY AMENDMENTS OF 1967"

AS INTRODUCED ON FEBRUARY 20, 1967

PREPARED AND FURNISHED BY

THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

NOTE: This document is printed for informational purposes only, so as to make the material contained therein generally available. Neither the bill nor the analysis and explanation thereof has been considered or endorsed by the Chairman or any Member of the Committee on Ways and Means.

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SECTION-BY-SECTION ANALYSIS OF H.R. 5710 [1]

I. SCOPE OF THE BILL

This bill provides for a number of needed improvements in our social insurance system and in both the public welfare and child-health provisions of the Social Security Act. It also revises the present income tax treatment of the aged.

Title I of the bill covers the old-age, survivors, and disability insurance program and the health insurance program under the Social Security Act. It revises and improves the benefit and coverage provisions, and it also expands the scope of the medicare program while at the same time time makes necessary adjustments in that program to take into account administrative problems which have arisen in the first year of its operation. Consistent with the policies established by Congress in the past, the improvements made by the bill will be fully financed and the programs will continue to be self-supporting and on a sound actuarial basis.

Title II of the bill deals with the public assistance provisions in the Social Security Act. It is designed to increase the adequacy of public assistance payment, to provide work incentives through the establishment of community work and training programs, and to improve and make more equitable the provision for medical assistance. In addition, this title assists in the extension of child-welfare services and authorizes temporary assistance to migratory workers.

Title III deals with the child-health provisions of the Social Security Act. It makes provision for encouraging early findings of defects and chronic illnesses of children and for remedying these defects. It also provides a dental care program for children and makes several other changes designed to protect the health of children and mothers.

Title IV contains general provisions and provides for the establishment of a social work manpower and training program and permits the coordination of grants made under Federal statutes.

Title V deals with the income tax treatment of the aged. It would eliminate the complex features of present law in this area and provide a simple and uniform method of equitably taxing all aged taxpayers.

II. SUMMARY OF THE PROVISIONS OF THE BILL

TITLE I—OLD-AGE, SURVIVORS, DISABILITY, AND HEALTH INSURANCE

PART 1—BENEFITS UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

Section 101. Increase in old-age, survivors, and disability insurance benefits

This section provides a general benefit increase for current and future beneficiaries. Benefits are increased across the board by at

[1] This material has been prepared and furnished by the Department of Health, Education, and Welfare.

least 15 percent, with a minimum benefit of $70, instead of the present $44. The maximum retirement benefit payable under present law for a worker alone is $168, on the basis of average monthly earnings of $550; the maximum retirement benefit under the bill is $288, on the basis of average monthly earnings of $900. Maximum family benefits payable for the future will range from $105 to $540 a month, compared with the present range of $66 to $368. Families already on the rolls will receive at least 15 percent more than at present.

Section 102. Special minimum primary insurance cost

A special minimum benefit would be given for long-service workers. It would be equal to $4 multiplied by the number of years of coverage up to 25, so that a worker with 25 years or more of coverage will receive a benefit of at least $100 a month.

Section 103. Maximum amount of a wife's or husband's insurance benefit

The section provides that the amount of a wife's benefit or a husband's benefit shall not exceed $90. No such limitation appears in present law.

Section 104. Increase in benefits for certain individuals age 72

Under this section there would be an increase from $35 a month to $50 a month the special amount that is paid to certain people age 72 and over who have not worked in covered employment sufficiently long enough to meet the regular insured status requirements, or who had no work covered under social security. This special payment to couples would be increased from $52.50 to $75 a month.

Section 105. Widow's benefits to disabled widows under age 62

This section provides for the payment of a cash benefit to a widow who is disabled, regardless of her age. Under present law, a widow's benefit is payable at age 62 (or at age 60 on a reduced basis). In order to qualify for this benefit, the widow would have to meet the present definition of disability applicable to insured workers. In addition, the onset of her disabilty would have to occur no later than 7 years after her husband died or after the termination of her entitlement to benefits as a mother with dependent children.

Section 106. Increase in amount an individual is permitted to earn without suffering full deductions from benefits

There would be an increase from $1,500 to $1,680 in the amount a beneficiary could earn in a year without suffering a deduction in his social security benefits, and an increase from $125 to $140 in the amount a beneficiary could earn in a month and still get his benefit for that month, regardless of his annual earnings. If earnings exceeded $1,680, $1 in annual benefits would be withheld for each $2 of earnings between $1,680 and $2,880, and for each $1 of earnings over $2,880.

Section 107. Increase of earnings counted for benefit and tax purposes

This section provides for an increase in the maximum amount of earnings taxable and creditable toward social security benefits from the present $6,600 to $7,800 for the years 1968 through 1970, to $9,000 for the years 1971 through 1973, and to $10,800 for years after 1973.

Section 108. Changes in tax schedules

Under this section the tax rate schedule is revised to provide (1) the tax rate for the self-employed for 1969 to 1972 would be 6.8 percent (instead of 6.6 percent): (2) the employee-employer rate would be 9 percent in 1969 to 1972 (instead of 8.8 percent): and (3) the employee-employer rate for 1973 and thereafter would be 10 percent (instead of 9.7 percent).

Section 109. Disability insurance trust fund

This section would increase the percentage of taxable wages appropriated to the disability insurance trust fund (now at 0.70 of 1 percent) to 0.95 of 1 percent and would increase the percentage of self-employment income (now at 0.525 of 1 percent) to 0.7125 of 1 percent.

Section 110. Elimination of provisions denying benefits to individuals because of membership in certain organizations

This would repeal certain provisions of the Social Security Amendments of 1965 and of the Social Security Act relating to members and employees of certain organizations and to persons convicted of certain specified offenses.

PART 2—COVERAGE UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

Section 115. Coverage of agricultural labor

The annual cash wage test for social security coverage on the basis of agricultural labor would be reduced from the present $150 to $50. In addition, the time test would be reduced from 20 days a year to 10 days a year. For this purpose, wages of $50 a year would result in a quarter of coverage to a total of 4 in a year for each $50 of annual covered farm wages (instead of for each $100 as in present law).

Section 116. Transfer of Federal employment credits

This section would permit the crediting as remuneration for employment for social security purposes pay for Federal service covered under the civil service or Foreign Service retirement system, if the worker has no protection under either retirement system at the time of his death, disablement, or retirement. It would also provide for the transfer from the civil service retirement and disability fund and the Foreign Service retirement and disability fund to the social security trust funds amounts equal to the proportionate cost of social security benefits paid in each fiscal year that are attributable to the credits for Federal service, with interest from the date of the benefit payments.

Section 117. Shrimpboat fishermen and truck loaders and unloaders

This would clarify the employee status of shrimpboat fisherman and persons loading and unloading trucks to the extent that it would designate the individual who is to be considered the employer of these individuals. Under present law as interpreted by the courts, there is some question as to who is responsible for paying the employer's share of social security taxes on their earnings, although it is clear that the services of these individuals are covered under the social security system.

PART 3—HEALTH INSURANCE BENEFITS

Section 125. Health insurance for the disabled

Under this section hospital insurance protection would be extended to social security disability beneficiaries under age 65 (including insured workers, adults getting benefits based on childhood disabilities, and disabled widows) and qualified railroad retirement annuitants. It would also make supplementary medical insurance available to these people on the same basis as to the aged.

Section 126. Health insurance payments to Federal facilities

This would delete from present law the provision which prohibits the payments of medicare benefits on behalf of individuals who are furnished covered services by a Federal provider of service.

Section 127. Inclusion of nonroutine podiatrists' services under the supplementary medical insurance program

Under this section podiatrists' services, except for routine foot care which is excluded whether performed by a podiatrist or by a physician, would be included as a covered service under the supplementary medical insurance program. Payment would be made for these services, subject to the deductibles and coinsurance applicable to that program.

Section 128. Increase in membership of the National Medical Review Committee

This section would increase membership in the National Medical Review Committee from nine to 16 members. This committee is established under the medicare program to study the utilization of hospital and other medical care and services for which payment may be made under that program.

Section 129. Depreciation allowance for purposes of determining reasonable cost

This section would define "reasonable cost," under the medicare law, for purpose of paying for covered services furnished by a provider of service, to include depreciation allowances on capital expenditures. A provider would be eligible for such allowances only if he set such payments aside and used them only for proper capital expenditures. The Secretary would be authorized to utilize the services of appropriate State planning agencies to determine under an overall plan, developed by that agency for meeting the health-facility needs of the people in the State, whether a capital expenditure was proper. If a determination was made that funds (whether they were payments for depreciation or otherwise obtained) were used improperly the Secretary could terminate the agreement with the provider of service or withhold certain future payments to the provider of service that might be due under the medicare law.

Section 130. Outpatient hospital and diagnostic specialty benefits for the aged and disabled

This would establish a special part under the medicare program which would provide for the coverage of, and reimbursement for, specialty services furnished to hospital inpatients and services rendered to hospital outpatients. All persons entitled to inpatient hospital services under part A of the program would be eligible for specialty

services provided to hospital inpatients. Eligibility for hospital outpatient services (both outpatient diagnostic services and outpatient therapeutic services) would be restricted to persons enrolled under part B of the program. Specialty services would include diagnostic X-ray services and diagnostic laboratory services furnished by a physician.

Section 131. Elimination of requirement of physician certification in the case of inpatient hospital services at time individual becomes an inpatient

This section would delete the present requirement in the medicare program under which a physician must certify, at the time an individual enters the hospital, that the hospital services are needed on an inpatient basis for such individual's medical treatment.

PART 4—MISCELLANEOUS AND TECHNICAL AMENDMENTS

Section 150. Eligibility of certain children for monthly benefits

This section would provide for the payment of child's benefits, based on the earnings record of a worker who was not the child's parent, to a child who was living with and supported by the worker for at least 1 year before the worker died or at least 5 years before the worker became disabled or retired.

Section 151. Eligibility of an adopted child for monthly benefits

This section would provide an alternative to the present provision under which a child may be considered the adopted child of a deceased worker if the child is adopted by the worker's widow within 2 years of the worker's death. Under this alternative the child would qualify as the worker's child if he was living in the worker's household when the worker died and proceedings for the adoption had begun before the worker died, regardless of whether the adoption was completed within 2 years.

Section 152. Parent's insurance benefits

This section would provide for the payment of parent's insurance benefits to the parents of retired and disabled workers and provide that parent's insurance benefits shall not be paid if they would otherwise (because of the maximum provision in the law) reduce the benefits to the remaining members of the wage earner's family (wife, child, or widow). The benefits for the dependent parents of living workers would be equal to 50 percent of the worker's benefit and would be reduced if taken before age 65.

Section 153. Underpayments

Under this section claims for underpayments of cash benefits would be paid according to the following order of priority: (1) to the surviving spouse who was living with the underpaid beneficiary; (2) to the surviving spouse who was entitled to benefits on the same earnings record as the underpaid beneficiary; (3) to his child; (4) to the legal representative of the estate; and (5) to a relative whom the Secretary determines to be the proper person to accept payment on behalf of the underpaid beneficiary's estate. Also, the section would provide for payment of supplementary medical insurance benefits in cases where the beneficiary dies before reimbursement under the program is

made. This would, in general, follow the priority order for underpayments for cash benefits except that those who paid the medical bill would be given first priority.

Section 154. Simplification of computation of primary insurance amount and quarter of coverage in the case of 1937–51 wages

This section would simplify the present computation process by permitting the Secretary to apply certain presumptions to an individual's total wages prior to 1951. On the basis of these presumptions there would be a maximum utilization of electronic data processing, thus permitting a substantial savings in costs in the administration of the program.

Section 155. Definition of widow, widower, and stepchild

Under present law the relationship of widow, widower, and stepchild depends in some cases on the existence of a marriage of 1 year. This provision would introduce some flexibility into this requirement so that the relationship would be deemed to have been established if death of one of the parties occurred just less than 1 year of the marriage.

Section 156. Extension of time for filing reports of earnings

Under this section the Secretary could grant a reasonable extension of time (but not more than 3 months) for making the formal report of earnings required of beneficiaries whose earnings exceed the amount requiring a deduction from benefits (i.e., $1,680 per year). The present law makes no allowance for any extension of time.

Section 157. Penalties for failure to file timely reports

This section would introduce some flexibility in the imposition of penalties against individuals who fail to file a timely report of an event which causes a deduction in benefits.

Section 158. Limitation in payment retroactive benefits in certain cases

Under present law the Treasury Department is authorized to withhold checks for delivery to a foreign country if that Department determines there is no reasonable assurance that the payee will receive the check. Under this provision, when the restriction is lifted the retroactive payments due for the period during which the restriction was in effect would be limited to not more than 12 months' benefits where the beneficiary had in the meantime died.

Section 159. Statute of limitations for self-employment income

This would permit the Secretary to credit the self-employment income of an individual to his account, even though the individual filed his tax report after the statute of limitation had run, where the Internal Revenue Service had assessed the tax against the individual. Under present law even though there is an assessment and payment of the tax after the statute of limitation has run, the Secretary has no authority to credit the individual with such income for social security benefits.

Section 160. Enrollment under medicare based on an alleged date of attainment of age 65

Where an individual failed to enroll under the medicare program because he was mistaken as to his correct date of birth, the Secretary

would be authorized by this section to enroll the individual on the basis of the documentary evidence he presented when he initially sought to enroll.

Section 161. Services of interns and residents as inpatient hospital services

Under the medicare law, services of an intern or resident are covered as inpatient hospital services (pt. A of the program) when they are rendered under an approved teaching program. Certain physicians have a limited license and are authorized to practice as physicians only in a hospital. Present law covers these services under part B of the program. This section would cover the services of these physicians under part A of the program in the same way as the services of interns and residents are covered.

Section 162. Payment for the purchase of durable medical equipment

This would permit the payment under part B of the medicare program for the purchase of durable medical equipment. Present law permits such payment only with respect to rentals of such equipment.

Section 163. Furnishing consultative service to laboratories

This would permit the Secretary to reimburse a State agency which furnishes consultative service to independent laboratories in the same way as he is authorized to reimburse such an agency when it furnishes such services to other institutions or agencies.

Section 164. Limitation on reduction of 90 days of inpatient hospital services

The present limitation which reduces the number of compensable days of inpatient hospital services where the individual is an inpatient in a psychiatric hospital or in a tuberculosis hospital when he becomes eligible for medicare benefits would be deleted. Under present law, days spent in such an institution immediately before becoming entitled to medicare benefits are deducted from the days of inpatient hospital services available to the individual. This deduction would no longer apply and once the individual becomes eligible for medicare benefits he would be entitled to the 90 days of inpatient hospital services provided for by the law.

Section 165. Medicare benefits to individuals who die in month of attainment of the age 65

Under the medicare law, benefits are paid for services furnished in the month in which the individual attains age 65. If, however, he should die before the day on which he attains that age no benefits are payable. This section would correct that inequity and permit the Secretary to pay the bill for any service furnished during that month even though death occurred before such day.

Section 166. Report of board of trustees to Congress

This section would extend the period for furnishing the report of the board of trustees to the Congress to the first of April from the first of March.

Section 167. Redesignation of old-age insurance benefits

This section would amend title II of the Social Security Act to substitute "retirement" for "old-age" wherever it is used in that title.

TITLE II—PUBLIC WELFARE AMENDMENTS

PART I—PUBLIC ASSISTANCE AMENDMENTS

Section 201. Earnings exemptions of public assistance recipients

This section would make existing earnings exemptions for the aged and the permanently and totally disabled, which are permissive with States at the present time, mandatory on July 1, 1969. (Earnings exemptions for the blind are already mandatory.) It would amend the existing exemption under the aid to families with dependent children program to permit an exemption of $50 monthly earnings for parents and for children over 18 (subject to $150 per month family maximum) effective July 1, 1967. The entire exemption would be mandatory July 1, 1969.

Section 202. Requirement for meeting full need

This section would require, effective July 1, 1969, that States shall meet the full need of eligible individuals as determined under the State's standards (which shall be no lower than those in effect in January 1967). It further provides that standards shall be reviewed annually and to the extent required by the Secretary updated to take account of cost of living increases. It is applicable to the programs of old-age assistance, aid to families with dependent children, aid to the blind, aid to the permanently and totally disabled, and the combined adult program under title XVI.

Section 203. Income in determining eligibility

This would require that, effective July 1, 1969, a State's standards with respect to income used in determining eligibility for cash assistance payments shall be no less than two-thirds of those used for medical assistance. This is applicable to all of the titles under which money payments are made.

Section 204. Federal assistance in meeting the costs of community work and training

This section would modify the plan requirements for aid to families with dependent children, would authorize the Secretary of Labor to provide work and training programs for individuals over the age of 16 who are receiving aid to families with dependent children, would provide for programs to be operated by the States if the Secretary of Labor did not operate a program and found it impractical to do so throughout a State, would provide project grants for persons in need but not meeting other State requirements for aid to families with dependent children, would provide for Federal participation in the cost of supervision, training, and materials under State programs, and would provide for the Department of Health, Education, and Welfare to transfer funds from its public assistance appropriation to the Secretary of Labor to meet the costs of authorized programs operated by him or his delegate.

Plans for aid to families with dependent children would have to include provisions for referral for all appropriate individuals who have attained age 16 to programs existing in the areas in which such individuals live.

A training incentive of not more than $20 per week, paid by the Secretary of Labor, would be disregarded in determining the amount of assistance payable to a family.

Section 205. Federal share of public assistance expenditures

In the case of individuals who are currently certified by a physician to require skilled nursing home care unless appropriate services are provided in other institutions or in their own homes, States would be given the option to receive Federal participation in the full cost of such institutional care or services at the same rate as if they were provided under title XIX. This would make it possible to eliminate use of skilled nursing home care in situations where other services would suffice.

Section 206. Additional Federal payments to meet the non-Federal share of cash expenditures

The Secretary would be authorized to make grants totaling not more than $60 million each year, for the fiscal years ending June 30, 1970, and June 30, 1971, to assist States in meeting the costs of other requirements imposed by these amendments. In making such payments, the Secretary would, among other factors, consider the fiscal ability of the State, its fiscal effort for welfare and related programs, the effect of increases in social security benefits, and the amount of State and local funds required in order to comply with the new provisions.

Section 207. Temporary assistance for migratory workers

The Secretary would be authorized to make projects grants in the amount appropriated by Congress for temporary assistance to individuals who are migratory workers and to members of their families. Such assistance could not be given for a period in excess of 60 days and would be in an amount consistent with what the individuals would receive if they were eligible under a public assistance plan in the State in which they are living.

Section 208. Amendments making permanent certain provisions relating to public assistance

The authorization to make protective payments under the aid to families with dependent children program would be made permanent. Authorization to provide temporary assistance to U.S. citizens returned from other countries would be made permanent. The authorization to make payments of aid to families with dependent children in cases where the parent is unemployed would be made permanent.

PART 2—MEDICAL ASSISTANCE AMENDMENTS

Section 220. Limitation on Federal participation in medical assistance

Federal participation in medical assistance payments would not be available, after December 31, 1967, in payments of medical assistance to individuals and families whose incomes exceed by more than 50 percent the highest income standards used by the State in determining eligibility under the cash assistance program.

Section 221. Determining maintenance of State effort

Several new alternatives would be provided to States. The current expenditure could be measured on the basis of a full fiscal year ending instead of a calendar quarter. Maintenance of effort could be determined on the basis of money payments alone instead of money payments and medical care as at present. Expenditures for child-welfare

services could be included in the determination either in conjunction with money payments and medical assistance or with money payments alone.

Section 222. Coordination of title XIX and supplementary medical insurance program

States could enter into agreements to "buy in" for individuals eligible for supplementary medical insurance benefits under the medicare program at any time prior to January 1, 1970. Such agreements could include medically needed persons as well as cash assistance recipients. Benefits under the program could be payable for the second month following the first month in which the individual is determined to be eligible. Amounts which would be paid under the program for enrolled individuals would not be subject to Federal matching. Provision is made as under existing law for continuation of coverage under the program for persons no longer eligible under the agreements. If the State did not "buy in" for an individual eligible for medical assistance there would be no Federal matching for expenditures for services that would have been covered under the supplementary medical insurance program under the medicare program had the individual been enrolled in such program.

Section 223. Modification of comparability provision

Payment by a State of the monthly premiums for supplementary medical insurance benefits would be made an exception to the requirements of comparability under title XIX and would not require the making available of comparable services to other recipients.

Section 224. Extent of Federal financial participation in certain administrative expenses

Federal participation in the compensation and training of skilled professional medical personnel and supporting staff engaged in the administration of a State plan under title XIX would be at a 75-percent rate without regard to whether such personnel are employees of the single State agency responsible for the administration of title XIX or of some other public agency participating in the administration of the title XIX plan.

Section 225. Advisory council

An advisory council of 21 members to advise the Secretary on matters of general policy and on the administration of medical assistance would be created. Such members, who would hold office for a term of 4 years on a rotating basis, would include representatives of groups concerned with health and consumers of health services. A majority of the membership of the council would consist of representatives of consumers.

Section 226. Free choice by individual eligible for medical assistance

An individual eligible for medical assistance would be free to choose any institution, agency, or person (including a prepayment plan) qualified to perform the services required and who undertakes to provide such services to him.

PART 3—CHILD-WELFARE SERVICES AMENDMENTS

Section 235. Federal share of the compensation and training of personnel

Federal participation at the rate of 75 percent would be available in the cost of child-welfare services personnel and training to the extent that the non-Federal portion of such cost exceeds the amount expended from non-Federal funds for such purposes in the fiscal year ending June 30, 1967. The provision would not result in any State receiving a general grant-in-aid allotment lower than it would have received under existing law.

Section 236. Authorization for appropriations

The existing authorization ceilings for fiscal years ending after June 30, 1968, would be removed so that the authorization for subsequent years would be for such sums as Congress may determine.

Section 237. Projects for experimental and special types of child-welfare services

Section 527 of the Social Security Act authorizing research, demonstration, and training projects would be expanded to authorize projects for the demonstration and the utilization of research. Its objective is to encourage experimental and special types of child-welfare services. Authority for contracts and jointly financed cooperative arrangements would be included in the section.

PART 4—MISCELLANEOUS AND TECHNICAL AMENDMENTS

Section 245. Permanent authority to support demonstration projects

The existing authorization of $2 million to support State agency projects of a pilot demonstration or experimental character would be increased to $10 million for the fiscal year ending June 30, 1968 and $25 million for each fiscal year thereafter.

Section 246. Permitting partial payments to States

Authorization for the Secretary to withhold payments in cases where a State plan is out of conformity for only those parts of the plan that are affected would be extended to titles I, IV, X, and XIV. Such authorization now exists under titles XVI and XIX.

Section 247. Contracts for cooperative research or demonstration projects

Section 1110 authorizing grants and contracts for such projects would be amended in the case of contracts to eliminate the requirement that they be with nonprofit organizations.

TITLE III—IMPROVEMENT OF CHILD HEALTH

Section 301. Early case finding and treatment of handicapping conditions of children

This would increase authorization for crippled children's services (pt. 2 of title V of Social Security Act) as follows:

	Existing	Proposed
Fiscal year 1968	$55,000,000	$65,000,000.
Fiscal year 1969	55,000,000	Such sums as necessary.
Fiscal year 1970 et seq	60,000,000	Do.

It would require, effective July 1, 1967, under crippled children's services program, provision for early identification (through periodic screening and diagnosis) of need for care and services, and provision of care and treatment of defects and chronic conditions. It would also require, effective July 1, 1969, under medical assistance (title XIX of Social Security Act), early and periodic screening, and such treatment and care for defects and chronic conditions of children as is prescribed in regulations, and arrangements with agencies, institutions, and organizations receiving grants under part 1, 2, or 4 of title V of the Social Security Act for utilizing (and paying) them for these services. Also these agencies, institutions, and organizations would be required to cooperate in providing these services to the extent prescribed by the Secretary.

Section 302. Dental health of children

This section would authorize $5 million for fiscal 1968, and necessary sums for next 4 years to pay up to 75 percent of cost of special projects of any public or nonprofit agency, institution, or organization for dental health of school and preschool children, particularly in areas with concentrations of low income. Projects would have to provide at least those services which are prescribed by regulations and would have to limit care to those who would not otherwise receive it. Contributions of goods and services could count toward the non-Federal share of the cost of projects.

Section 303. Special maternity and infant care projects

This would increase authorization as follows:

	Existing	Proposed
Fiscal year 1968	$30,000,000	$35,000,000.
Fiscal years 1969–72	0	Such sums as necessary.

It would make any public or private nonprofit group eligible for grants and would add to eligible projects those in which the hazard is to the health of the infant (whether or not the mother was involved). It would also add reduction of maternal mortality as one of the purposes of this program. The provision would permit the counting of contributions of goods and services toward the non-Federal share of the cost of projects.

Section 304. Revision of maternal and child-health authorization

This section would revise maternal and child health services authorization as follows:

	Existing	Proposed
Fiscal year 1969	$55,000,000	Such sums as necessary.
Fiscal year 1970 et seq	60,000,000	Do.

It would provide for reduction of total of Federal payments to State for such services to the extent State and local funds for these services are reduced over fiscal 1967 State and local funds.

Section 305. Training

It would increase authorization as follows:

	Existing	Proposed
Fiscal year 1968	$10,000,000	$13,000,000.
Fiscal year 1969 et seq	17,000,000	Such sums as necessary.

It would expand the purpose from training of professional personnel for health and related care of crippled children to training of personnel for health care and related services for mothers and children.

Section 306. Research

This section would increase the maximum on authorization for research as follows:

	Existing	Proposed
Fiscal year 1968	$8,000,000	$18,000,000.
Fiscal year 1969 et seq	8,000,000	No statutory limit.

It would provide special emphasis on comprehensive care projects to study use of health personnel with varying levels of training and on studying methods of training personnel for such projects and permit funds to be used also for training personnel for use in such projects.

Section 307. Program evaluation

This section would reserve up to one-half of 1 percent of each appropriation for grants under title V of Social Security Act for program evaluation by the Secretary, directly or through grants or contracts.

Section 308. Conforming amendment

This specifically permits counting of contributions of goods and services toward non-Federal share of cost of comprehensive health care projects for school and preschool children.

TITLE IV—GENERAL PROVISIONS

Section 401. Social work manpower and training

The Secretary would be authorized to make grants to public or nonprofit private colleges and universities and to accredited graduate schools of social work or associations of such schools to meet part of the cost of development, expansion or improvement of graduate and undergraduate programs in the field of social work; $5 million would be authorized for the fiscal year ending June 30, 1968 and such amounts as Congress may determine for each fiscal year thereafter.

Section 402. Meaning of Secretary

For purposes of these amendments the term "Secretary" refers to the Secretary of Health, Education, and Welfare.

TITLE V.—TAX TREATMENT OF THE AGED

Section 501. Repeal of retirement income credit

Section 37 of the Internal Revenue Code which provides for a retirement income credit would be repealed.

Section 502. Definition of adjusted gross and taxable income

This section would make various technical amendments to sections 62, 63, 170, and 213 of the Internal Revenue Code to properly integrate the special exemption provided by section 504 of the bill and the retirement income deduction provided by section 505 of the bill into various provisions of the code concerned with gross income and adjusted gross income.

Section 503. Inclusion of certain social security and railroad retirement benefits in income

This section would add a new section 82 to the Internal Revenue Code providing for the inclusion in gross income of all social security and railroad retirement benefits that are paid as retirement insurance benefits. It would make it clear that special rules for employees death benefits provided by section 101 of the Internal Revenue Code are inapplicable to the retirement benefits included in income pursuant to the new section 82.

Section 504. Special exemption for individuals aged 65 or more; repeal of additional exemption; increase in permissible gross income level of aged dependents

This section would repeal the extra $600 exemption for persons aged 65 or over. Under existing law a person age 65 or over may not be claimed as a dependent of another taxpayer if the aged person's gross income exceeds $600. This section would increase this limitation to $1,200.

It would also add a new section 154 to the Internal Revenue Code providing the basic tax benefit applicable to all taxpayers age 65 or over. It would allow a special exemption of $2,300 to single taxpayers age 65 or over and married couples with one spouse age 65 or over and a special exemption of $4,000 to a married couple where both are age 65 or over. Pursuant to new section 154 these special exemptions are reduced dollar for dollar for income (including social security and railroad retirement benefits) received during the taxable year in excess of $5,600 in the case of a single individual and $11,200 in the case of a married couple. To reflect the retiree's contributions to social security and railroad retirement these special exemptions would in no case be reduced below an amount equal to one-third of the amount of such benefits included in income.

Section 505. Retirement income deduction

A new section 218 of the Internal Revenue Code would be added to provide a retirement income deduction for persons under age 65 who receive social security or railroad retirement benefits that are paid as retirement insurance benefits and for persons under age 65 receiving retirement benefits under a public retirement system. The deduction would be limited to the lesser of (1) the actual amount of such benefits or (2) $1,600. In turn the $1,600 limitation would be reduced dollar for dollar to the extent that income received exceeds

$5,600 in the case of a single individua. or $11,200 in the case of a married couple; but never below one-third of any social security or railroad retirement benefits included in income.

Section 506. Miscellaneous amendments

This section would make miscellaneous technical amendments to sections 4 and 144 of the Internal Revenue Code and would also amend section 12 of the Railroad Retirement Act of 1937 to eliminate the exemption of railroad retirement benefits from tax.

Section 507. Effective dates

The amendments made by this title of the bill would be applicable to taxable years beginning after December 31, 1967.

EXPLANATION OF PROVISIONS OF H.R. 5710 [1]

1. Summary of Major Proposals

The President has recommended improvements in the social security program that would result, in calendar year 1968, when all of the proposals will have gone into effect, in an overall 20-percent increase in benefit payments.

The increase, in terms of additional cash payments, would be the largest increase in benefit payments ever enacted; it would result in additional cash benefit payments of $4.5 billion in calendar year 1968.[2]

The level of living of the 23 million people who are now getting social security benefits would be greatly improved, and 1.4 million aged people among them would be moved out of poverty. In addition, the protection of current workers and their families—about 86 million will work under social security in 1967—would be very significantly improved.

Following is a list of the major proposals that the President has recommended:

(1) A benefit increase amounting to at least 15 percent for all beneficiaries now on the rolls, with a minimum benefit of $70.

This provision would result in additional payments of $3.9 billion in the first 12 months of operation.

(2) A special minimum benefit of $100 for workers with at least 25 years of coverage under social security; the special minimum would be equal to $4 multiplied by the number of years of coverage up to 25.

About 100,000 people would benefit under this provision. About $7 million in additional benefits would be paid in the first 12 months of operation.

(3) An increase from $1,500 to $1,680 in the amount of annual earnings a beneficiary under age 72 can have without having any benefits withheld, and an increase from $125 to $140 in the amount of monthly earnings a person can have and still get a benefit for the month. Under the proposal, as under present law, $1 in benefits would be withheld for each $2 of the first $1,200 of earnings above the annual exempt amount, and $1 in benefits would be withheld for each $1 in earnings thereafter.

About 750,000 people would get additional benefits under the provision. An estimated $185 million would be paid out in additional benefits in the first full year of operation.

(4) Monthly cash benefits for the disabled widow of an insured worker where the widow becomes disabled within 7 years of the worker's death or within 7 years after termination of her entitlement to benefits as a mother.

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[1] This material has been prepared and furnished by the Department of Health, Education, and Welfare.

[2] The several proposals would go into effect at different dates. Therefore, the figures shown below for additional payments under each proposal in the first 12 months of operation do not add up to the total for calendar 1968. Attached is a table showing additional payments under each cash benefit proposal for calendar 1968.

About 70,000 widows would benefit immediately and about $75 million in additional benefits would be paid out in the first 12 months of operation.

(5) Health insurance benefits for disabled beneficiaries—disabled workers, disabled adults getting benefits on the basis of disabilities that have continued since childhood, and disabled widows under age 65.

An estimated additional 1.5 million social security beneficiaries—1.2 million disabled workers, 200,000 people getting disabled child's benefits, 100,000 disabled widows under 65—would be eligible for health insurance benefits. Benefit payments under this proposal in the first year are expected to be $225 million under the hospital insurance program and $100 million under the medical insurance program. (Similar protection would be provided for qualified disabled railroad retirement annuitants.)

(6) Social security credit, through transfers of credit, for Federal employment of workers whose Federal service is subject to the civil service or the foreign service retirement system if benefits are not payable to the workers or their families under such system at the time they retire, become disabled or die.

This change would protect employees who leave Federal service or who die or become disabled during the first 5 years of service.

(7) A change in the present coverage requirements for agricultural workers which would provide coverage for the farmworker if he was paid at least $50 (instead of the present requirement of $150) in a year for farmwork by an employer or worked at least 10 days (instead of the present requirement of 20 days) in a year for that employer.

This proposal would improve the social security coverage of 500,000 agricultural workers, including migratory workers, who in many instances do not meet the coverage requirements in present law.

(8) A new part C would be created in title XVIII of the Social Security Act. Under this part all hospital outpatient services would be covered, subject to the $50 annual deductible and 80 percent coinsurance offered under part B. Also, inpatient diagnostic X-ray and laboratory services provided by physicians would be covered under this part without being subject to any deductible. Only part B enrollees would be covered for the outpatient services; all part A participants would be covered for the physician's inpatient X-ray and laboratory services of part C.

(9) Provision would be made to require the funding of depreciation payments made under medicare; and reimbursement for reasonable costs under medicare would be coordinated with the health planning activities of the States.

(10) No physician certification of medical necessity would be required for short stays in general hospitals; thus unnecessary paperwork would be eliminated.

(11) Medicare payments would be made to Federal facilities to which medicare beneficiaries are admitted.

(12) Coverage of podiatrists' services under the supplementary medical insurance program where the services are of the type now covered if performed by a physician.

(13) An increase from $35 to $50 (from $52.50 to $75 for a couple) in the special payments that were provided under the 1965 amendments and the Tax Adjustment Act of 1966 for certain people age 72

and over who cannot meet the regular work requirements of the program.

The increase in these payments would amount to about $240 million in additional benefit payments during the first 12 months of operation. Of this amount, $215 million would be met from general revenues. (The old-age and survivors insurance trust fund pays for the cost of benefits only for those who have worked for more than half a year under the program.) About 1.2 million people would qualify for some payments or higher payments as a result of this proposal.

(14) A number of technical amendments that are designed to facilitate administration, close minor gaps in protection, and rectify minor anomalies in present law.

(15) An increase in the contribution and benefit base to $10,800, to be reached in three steps—$7,800 in 1968, $9,000 in 1971, and $10,800 in 1974.

(16) Increases in the contribution rates for the cash benefits part of the program. The change scheduled in the employer-employee rate for 1969 under present law (from 3.9 percent each to 4.4 percent each) would be raised by 0.1 percent, to 4.5 percent each. The change scheduled under present law for 1973 and thereafter (to 4.85 percent each) would be raised by 0.15 percent each, to 5.0 percent each.

For the self-employed, the increase scheduled under present law for 1969 (from the present 5.9 to 6.6 percent) would be raised by 0.2 percent and thus would come to 6.8 percent. This rate would remain in effect until 1973, at which time the increase to 7.0 percent scheduled under present law would go into effect.

At the present time, the social security program has a significantly favorable actuarial balance; that is, it is expected that over the long-range future the income to the program will considerably exceed the costs of the program. The benefit improvements recommended by the President will cost about 1½ percent of covered payroll. It is possible to meet about half of the cost of the recommended benefit improvements from the present favorable balance. The remainder of the cost of the proposed changes would be met through the increase in the contribution rates for the cash benefits part of the program and in the maximum amount of annual earnings subject to the tax and used in computing benefits.

The rate increase averaged over the long run would be equivalent to one-fourth of 1 percent of payroll; the earnings base increase is equivalent to one-half of 1 percent of payroll. These two financing recommendations would yield income equal to three-fourths of 1 percent of payroll, which, when combined with the actuarial balance of the present system, would fully meet the cost of the recommendations.

Hospital insurance protection for the disabled could be made available without any increase in the hospital insurance contribution rate becuase of the additional income that would result from the increased contribution and benefit base. Supplementary medical insurance protection would also be made available on the same basis as it is for the aged—that is, on a voluntary basis—with the beneficiary paying a monthly premium of $3 and the Federal Government paying a matching amount.

Monthly social security cash benefits and contributions under present law and under proposal

CONTRIBUTIONS

	For average monthly earnings of $550 and below—									
	$150		$250		$350		$450		$550	
	Present law	Proposal	Present law	Proposal	Present law	Proposal	Present law	Proposal	Present law	Proposal
1967–68	$5.85	$5.85	$9.75	$9.75	$13.65	$13.65	$17.55	$17.55	$21.45	$21.45
1969–72	6.60	6.75	11.00	11.25	15.40	15.75	19.80	20.25	24.20	24.75
1973 and after	7.28	7.50	12.13	12.50	16.98	17.50	21.83	22.50	26.68	27.50
BENEFITS										
Worker age 65 or disabled worker	78.20	90.00	101.70	117.00	124.20	142.90	146.00	167.90	168.00	193.20
Couple age 65 or disabled worker and wife	117.30	135.00	152.60	175.50	186.30	214.40	219.00	251.90	252.00	283.20

Monthly social security cash benefits and contributions under present law and under proposal—For average monthly earnings of $550 or above

CONTRIBUTIONS

	Present law	Proposal			
	$550	$550	$650	$750	$900
1967	$21.45	$21.45	(1)	(2)	(3)
1968	21.45	21.45	$25.35	(2)	(3)
1969–70	24.20	24.75	29.95	(2)	(3)
1971–72	24.20	24.75	29.95	$33.75	(3)
1973	26.68	27.50	32.50	37.50	(3)
1974 and after	26.68	27.50	32.50	37.50	$45.00
BENEFITS					
Worker age 65 or disabled worker	168.00	193.20	221.00	248.00	288.00
Couple age 65 or disabled worker and wife	252.00	283.20	311.00	338.00	378.00

[1] No earnings above $6,600 ($550) counted for contributions or benefits.
[2] No earnings above $7,800 ($650) counted for contributions or benefits.
[3] No earnings above $9,000 ($750) counted for contributions or benefits.

2. Cash Benefit Payments in Calendar Year 1968 Under Various Provisions Included in the Administration's Recommendations

Provision	*Payments [in millions]*
15 percent general benefit increase, with a $70 minimum benefit	$4,001
Special minimum of $100 for workers with at least 25 years of coverage	8
Liberalization of the retirement test—annual $1,680 exempt amount and other changes	140
Cash benefits for disabled widows	71
Increase to $50 ($75 for a couple) in special payments to certain people age 72 and over	225
Benefits for children on the earnings records of retired, disabled, or deceased workers (other than their parents) who had supported them	11
Benefits for parents of retired or disabled workers	15
Total	4,471

3. A General Benefit Increase for Current and Future Beneficiaries

Present law

Monthly benefits range from $44 to $142 for retired workers now on the rolls who began to draw benefits at age 65 or later. The maximum benefit ultimately payable under present law is $168, on the basis of average monthly earnings of $550. This amount is not payable to any person now on the rolls; the highest possible average monthly earnings for a retired beneficiary in 1967 is $430, since he could have had creditable earnings of $6,600 in only 1 year—1966—and earnings must be averaged over at least 5 years in retirement cases if a $6,600 year is to be used.

Proposal

Benefits would be increased across the board by at least 15 percent, with a minimum benefit of $70. The ultimate monthly benefit for a retired worker alone would be increased from $168 to $288. The wife's benefit would be 50 percent of the worker's benefit up to $90.

Effect on current beneficiaries

Monthly benefits would range from $70 to $163.30 for retired workers now on the rolls who began to draw benefits at age 65 or later. (When all of the proposals have gone into effect, in 1968, benefit expenditures will have increased by 20 percent.)

Under the proposal, a worker getting a benefit equal to the average monthly social security benefit now paid to all retired workers—$84 a month—would get a benefit of $96.60, an increase of $12.60. A couple getting a benefit equal to the average benefit now paid to all aged couples—$142 a month—would get a benefit of $163.30, an increase of $21.30.

The $90 limitation on the wife's benefit would not apply to anyone now on the rolls. In fact, no one can get a wife's benefit as high as $90 under present law, either now or in the future.

The increase would be effective with benefits for June 1967. About $3.9 billion will be paid out in additional benefits in the first 12 months of operation.

Effect on current workers (future beneficiaries)

Current workers will of couse pay increased contributions under the President's recommendations. In return they will get substantially improved protection.

A worker aged 50 in 1967 with annual earnings of $6,600, for example, would get a monthly retirement benefit at age 65 of $177.10 under the President's proposals, an increase of $23.10 a month over the amount he would get under present law. If he is married, he and his wife would get monthly benefits at age 65 of $265.70—$34.70 a month more than would be payable under present law. If he died in 1975, his widow and child would receive a benefit of $257.20—$33.60 more than is provided now. And his widow at age 62 would get a monthly benefit of $141.50—$18.50 a month more than under present law. On the other hand, his monthly social security contributions would be $24.75—55 cents more than under present law—in the years 1969 through 1972, and $27.50—82 cents more than under present law—in 1973 and thereafter.

To take another example: A worker aged 35 or less in 1967 with annual earnings of $4,800 would get a retirement benefit at age 65—

or, if he becomes disabled, a disability benefit—of $156.30 under the proposal, as compared with $135.90 under present law. If he were married, he and his wife would get benefits of $234.50, as compared with $203.90 under present law. If the worker died in, say, 1975, at age 43, and left a widow and young child, his survivors would get benefits totaling $234.60 a month, as compared with benefits of $204 under present law. He would ultimately pay 60 cents more a month in social security contributions than he would under present law.

Both of these are examples of people earning at or below the present contribution and benefit base—the maximum amount of earnings taxable and creditable toward benefits under the program. These people will get an increase of 15 percent over present law. Workers whose earnings are above the present base will get a still larger benefit increase. And, of course, they will pay more in contributions.

For example, a worker aged 35 in 1967 with annual earnings of $7,800 would get a monthly retirement benefit at age 65 of $206, an increase of $44 a month over the amount he would get under present law. If this worker died in 1975, his widow and child would receive a benefit of $281.40—$50.40 more than is provided now. And his widow at age 62 would get a monthly benefit of $154.70—$27.60 a month more than under present law. On the other hand, the maximum monthly social security contributions would be $32.50—$5.82 a month more than under present law.

A worker age 50 in 1967 with annual earnings of $10,800 would get a retirement benefit at age 65 of $215 under the proposal, as compared with $154 under present law. If he were married, he and his wife would get benefits of $305, as compared with $231 under present law. If the worker died in 1975 and left a widow age 62 or older, she would get a benefit of $154.70 a month, as compared with a benefit of $123 under present law. He would pay monthly additional social security contributions of $3.90 in 1968, $5.05 in 1969 and 1970, $9.55 in 1971 and 1972, $10.82 in 1973 and $18.32 in 1974 and thereafter.

4. Special Minimum Benefit

Present law

No provision for a special minimum for long-service workers.

Proposal

Under the President's proposals the minimum social security benefit applicable to everyone, now $44, would be increased to $70. In addition, a special minimum benefit will be payable to people who have worked for many years in jobs covered by social security. The special minimum would be equal to $4 multiplied by the number of years of coverage up to 25, so that it would be $100 for a person with 25 or more years of coverage.

Background

The special minimum would recognize the problem of those who have worked under the program for many years at very low wages. At the same time, the proposal would not require paying as much as $100 in benefits to people who were attached to covered employment only occasionally or for short periods and who were not dependent for a living on their earnings in such employment.

Effect of the proposal

Every insured worker retiring at or after age 65 would be paid at least $70, regardless of how long he worked under the program. But anyone with 18 or more years of coverage would get a benefit larger than the regular $70 minimum. A person with 18 years of coverage, for example, would get at least $72; a person with 20 years of coverage, $80; one with 25 or more years of coverage, $100. (In any case where the benefit figured under the regular provisions of the law is higher, the higher amount would, of course, be paid.)

Some 100,000 people would get an additional $7 million in benefits during the first 12 months of operation under this provision.

5. Liberalization of the Retirement Test

Present law

Social security benefits are payable in full if a person's earnings do not exceed $1,500 in a year. If earnings exceed $1,500, $1 in annual benefits is withheld for each $2 of earnings between $1,500 and $2,700 and for each $1 of earnings over $2,700. Regardless of a person's annual earnings, benefits are payable in full for any month in which he neither earns more than $125 in wages nor renders substantial services as a self-employed person.

Proposal

The $1,500 exempt amount would be raised to $1,680, the monthly earnings limit would be raised to $140, and the top of the $1-for-$2 range would be raised to $2,880.

Comparison of present law and proposal

	Present law	Proposal
Annual exempt amount	$1,500	$1,680.
Monthly earnings limit	$125	$140.
$1-for-$2 adjustment	$1,500 to $2,700	$1,680 to $2,880.
$1-for-$1 adjustment	Above $2,700	Above $2,880.

Background

A basic purpose of the social security program is to help prevent dependency by providing cash benefits to a worker and his family when their usual income from work is cut off or reduced because of the worker's disability, retirement, or death. The idea is that since most families are largely dependent on earnings from work, payments that partially replace lost earnings are needed to prevent insecurity and dependency. The retirement test is the device used to determine whether a loss of earnings has occurred. When earnings are not substantially reduced, the worker and his family presumably can get along on those earnings as they did before.

If there were no retirement test in the law, the cost of the program would be increased by 0.70 percent of taxable payroll—$2 billion a year now and more in future years. Most of this $2 billion would go to people who are continuing to work regularly after 65 just as they did at, say, 50 or 55.

A test of retirement has been included in the law ever since monthly benefits first became payable in 1940; it has been modified several times over the years, but, generally speaking, it has always operated

to limit the amount of benefits that a person who works full time at a regular job can get.

Effect of the proposal

About 750,000 people would benefit under the provision. An estimated $185 million would be paid out in additional benefits in the first full year of operations.

6. Benefits for Disabled Widows

Present law

A widow under 60 is without social security protection unless she has young children in her care or unless she has sufficient credit because of her own work to qualify for disability benefits.

Proposal

A severely disabled widow under age 62 would be eligible for unreduced cash benefits if her disability began before her husband's death or before her entitlement to benefits as a mother ended, or within 7 years after either event. This period of 7 years would afford the widow a reasonable opportunity to work long enough to earn sufficient social security coverage to qualify for disability benefits on her own earnings; under the law 5 years are required as a minimum.

Background

Under present law, at age 62 (or age 60 if she chooses to receive a reduced benefit) the widow may be entitled to widow's benefits. The need for benefit protection is at least as great for the younger widow—aged 55, for example—who cannot work and support herself because she is disabled as it is for the able-bodied 62-year-old widow. The proposal would provide benefits for disabled widows under age 62.

The definition of disability in present law—inability to engage in substantial gainful activity because of an impairment that is expected to last at least 12 months—will be applied to determine whether the widow qualifies for benefits on the basis of disability. In addition, other provisions—such as a waiting period before benefits may begin—that are in present law for disabled workers would be extended to disabled widows.

Effect of the proposal

About 70,000 totally disabled widows under age 62 would immediately become eligible for cash benefits. About $75 million in additional benefits would be paid out during the first 12 months of operation under this proposal. These 70,000 disabled widows under age 62, as well as those aged 62–65 and disabled (who are already eligible for cash benefits), will also have protection against health care costs under the provision extending medicare to disabled beneficiaries (see attached sheet on "Extension of Health Insurance Protection to Disabled Beneficiaries"). (Widows aged 65, of course, like other beneficiaries 65 and over, are already covered for health insurance protection.) Under this proposal, insurance protection—cash benefit and medicare protection in the combined events of the disability of a woman and the death of her husband—would be extended to millions of women under age 62 who do not have disability insurance protection on the basis of their own earnings.

7. Extension of Health Insurance Protection to Disabled Beneficiaries

Present law

Present law makes health insurance protection under social security (medicare) available only to persons aged 65 and over.

Proposal

Under the proposal, medicare protection—both hospital insurance and medical insurance—would be provided beginning January 1, 1968, for people who are under 65 but getting social security benefits because they are severely disabled and for widows between the ages of 62 and 65 who are disabled but who are getting benefits as aged widows rather than as disabled widows. Similar protection would be provided for disabled railroad retirement beneficiaries.

Financing

Hospital insurance protection for the disabled would be financed by social security contributions, as it is for the aged. This protection could be made available without any increase in the hospital insurance contribution rate because of the additional income that would result from the increased contribution and benefit base. Supplementary medical insurance protection would also be made available on the same basis as it is for the aged—that is, on a voluntary basis, with the beneficiary paying a monthly premium of $3 and the Federal Government paying a matching amount.

Background

When a worker becomes severely disabled, just as when a worker becomes old, he suffers a sharp drop in income, accompanied by an increase in the cost of health care. According to a survey conducted by the Social Security Administration in 1960, about 1 out of 5 disability beneficiaries under social security received care in short-stay hospitals in the survey year. Excluding hospitalization in long-term institutions, half of those hospitalized were in the hospital for 3 weeks or more. Data for the aged showed one out of six hospitalized in a year and an average stay of 15 days. In addition, totally disabled people, as do the aged, have difficulty obtaining adequate private health insurance.

Effect of the proposal

Protection would be extended to approximately 1.5 million people—including 1.2 million disabled workers, 200,000 adults getting childhood disability benefits, and 100,000 widows under age 65 who are disabled. (See attached sheet, "Benefits for Disabled Widows." Benefit payments under this proposal in the first year after enactment are expected to be $225 million under the hospital insurance program and $100 million under the medical insurance program.

8. Social Security Credit for Federal Employment

Present law

Employment subject to the staff retirement systems for Federal civilian employees is excluded from social security coverage. Since a staff retirement system places primary emphasis on adequate retirement benefits for long-service employees, the exclusion of Federal

employees from social security coverage leaves major gaps in their protection. During the first 5 years of Federal employment, a worker has no survivorship or disability protection under the civil service retirement system. If he leaves after 5 or more years of Federal employment he ceases to have survivorship or disability protection based on his years of Federal service. Of the many workers who leave Federal employment before retirement, only a small minority will receive a retirement benefit based on their Federal service. Many workers with Federal employment are without protection under any system at various times. For most of those Federal workers who retain social security from prior employment or gain it by future employment the level of protection is impaired by the lack of social security credit for the time spent in Federal service.

Proposal

It is proposed to provide social security credit, through transfers of credit, for the Federal employment of workers whose Federal service is subject to the civil service or foreign service retirement system if benefits are not payable to the workers or their families under the staff system at the time they retire, become disabled, or die. (Under a related proposal, provisions would be added to the civil service and foreign service retirement systems to guarantee that workers (and survivors) who qualify under these systems will get benefits—or if also eligible for social security benefits, under the retirement system and social security together—that are at least at the level that would have been payable if their Federal employment had been covered under social security). The cost of the social security benefits provided under the transfer-of-credit plan would be met in part by the Government, as employer, and in part by those employees whose credits would be transferred to social security—amounts equal to social security employee contributions would be withheld from the refunds of their civil service contributions after they leave Federal employment.

Background

Federal personnel in the Federal uniformed services have been covered under social security. Civilian employees of the Federal Government are the only large group that are still excluded from coverage by law. There is considerable mobility of employees between the Federal service and employment covered by social security. In the course of a year 350,000 may enter Federal service and another 350,000 may leave. A study of separations from the civil service retirement system showed that less than 8 percent of employees who leave employment covered by the retirement system retain any protection as a result of their Federal service. Men workers constitute almost 60 percent of people who leave and retain no protection based on their Federal service.

Effect of the proposal

Over the years, millions of people—workers and their dependents—have already incurred loss or impairment of protection because the workers have shifted between Federal employment and employment covered by social security. The proposed transfer of credits from Federal service to social security would prevent these serious gaps in protection from continuing to arise in the future. Adoption of this

proposal, together with the proposed guaranteed level of civil service benefits related to the social security level, would assure that all Federal workers—not just some of them—would have continuing basic protection, based on credit for all of their years of work, that would be comparable to that afforded virtually all other workers through direct social security coverage.

9. Broader Social Security Coverage of Farm Employees

Present law

The earnings of a hired farmworker are covered for social security purposes in regard to his work for a particular employer if he is paid $150 or more in cash wages by that employer during the year or is employed by him or 20 or more days in a year for cash pay on a time basis (per hour, day, week, or month).

Proposal

It is proposed to reduce the annual cash wage test for social security coverage from the present $150 to $50, to reduce the 20-day time test to 10 days, and to give a quarter of coverage, to a total of four in a year, for each $50 (rather than $100 as at present) of annual covered farm wages.

Background

There is a clear need to improve the social security protection of hired farmworkers. Many are excluded from coverage under present law for part or all of their farm wages, and for this reason may not qualify for social security benefits or may get benefits that are low because they do not reflect the worker's earnings from all of his employers.

Effect of the proposal

This change would increase the social security protection of over 500,000 farmworkers who would have all or a larger part of their farm earnings covered. Some of these workers now have all of their non-farm but none or only a part of their farm earnings covered. Others with only farm earnings meet the coverage test with one or more farm employers, but do not meet the test with all their employers in a year.

10. Social Security Contributions of the Self-Employed

Present law

The social security contribution rates paid by the self-employed for the cash-benefits part of the social security program are set at roughly 1½ times the employee rates. Under present law, the rates for the self-employed are scheduled to increase from 5.9 percent in 1967 and 1968 to 6.6 percent in 1969 through 1972, and then to an ultimate rate of 7 percent in 1973 and after. The rate the self-employed pay for hospital insurance is the same as the hospital insurance contribution rate for employees. This rate is scheduled to rise from 0.50 percent in 1967 through 1972 to an ultimate 0.80 percent in 1987 and after.

Proposal

The ultimate contribution rate paid by the self-employed for the OASDI part of the program would remain 7 percent in 1973 and after;

it would no longer be figured as 1½ times the employee rate as under present law. There would, though, be an increase in the rate for the self-employed for the years 1969 through 1972 to 6.8 percent. (There are no changes in the social security contribution rates for hospital insurance.)

11. Outpatient Hospital and Diagnostic Specialty Benefits for the Aged and Disabled

Present law

Under present law, outpatient hospital diagnostic services are covered under the hospital insurance provisions of title XVIII of the Social Security Act (pt. A) and paid for from the hospital insurance trust fund. Outpatient hospital therapeutic services are covered under the medical insurance provisions of that title (pt. B) and paid for from the supplementary medical insurance trust fund. The amount payable for outpatient hospital diagnostic services is 80 percent of their reasonable cost after a $20 deductible for each diagnostic study. Payments toward the $20 deductible count toward the $50 annual part B deductible. The amount payable for other hospital outpatient services, which are covered under part B, is 80 percent of the reasonable cost of such services after the $50 deductible has been met.

Under present law the medical or surgical services of physicians (except residents or interns under certain training programs) are excluded from coverage under part A of the medicare program. Such services, however, including those performed by hospital-based physicians, are covered under part B of the program.

Proposal

Amend title XVIII to establish a new part C which will include provisions for coverage of and reimbursement for inpatient diagnostic X-ray and inpatient laboratory services and all outpatient hospital services. All persons who are eligible for part A benefits will be covered for all the costs of inpatient diagnostic X-ray tests and diagnostic laboratory tests. Only persons enrolled under part B will be eligible for outpatient hospital services and these outpatient services will be the subject to the part B deductible and coinsurance.

The objective of this proposal is to eliminate certain administrative complexities that have arisen under present law.

Background

Hospitals have encountered difficulties in their recordkeeping and billing because of the need to distinguish between outpatient diagnostic services covered under the hospital insurance program and those outpatient services covered under the medical insurance program and the need to determine what part of the bill the patient must pay. Patients have experienced much confusion because of the special outpatient diagnostic deductible and fiscal intermediaries and carriers have experienced complications in charging the appropriate trust fund the proper amount.

A problem also arises under present law from the need for hospitals to establish and break out for purposes of medicare reimbursement the component of laboratory and X-ray services which represents hospital-based physicians' remuneration. The physician component

is covered under the medical insurance program while the rest of the laboratory and X-ray service is covered under hospital insurance. Present law requires a separation and allocation of value to the physician's service for purposes of collecting deductibles and coinsurance and determining the amount payable from the part B fund. In some cases the amount involved is quite small and the collection of the amount payable by the patient especially troublesome.

12. Medicare Payments and Medical Facility Planning

Present law

Under the present provisions of title XVIII, depreciation on buildings and equipment is an allowable cost under the principles of reimbursement for provider costs. Funding of depreciation is not required although an incentive for funding is provided by not treating investment income on funded depreciation as a reduction on allowable interest expense. Also, there is no specific restriction on payment of depreciation related to whether the depreciable items were constructed or purchased in conformance to any type of planning requirements. Similarly, there are no specific restrictions under title XIX with respect to funding depreciation or conforming to planning requirements.

Proposal

The proposal provides that depreciation of plant and equipment will be included in "reasonable cost" only if a provider of services furnished satisfactory assurance that it will (1) set aside and keep separate amounts paid under title XVIII for depreciation, and (2) not utilize the amounts for either capital or noncapital purposes except under conditions approved by State planning agencies. The proposal also provides that the Secretary would make agreements with the appropriate State agencies to utilize their services to determine whether capital expenditures are in accordance with such planning. If expenditures are made that are not in accordance, there would be authority to appropriately reduce reimbursement to the facility making them or to terminate the participation agreement with the facility. Similar provisions would be made under title XIX. The proposal would be effective with respect to payments for services provided after June 30, 1968.

Background

The medicare program has assumed responsibility for the payment of a large portion of hospital and other institutional costs on behalf of older people. It is in the interest of not only the contributors to and the beneficiaries of the program, but to the general public as well, that these payments be made in a manner that tends to encourage maximum efficiency in the provision and use of health facilities, equipment, and services. Unnecessary duplication and inefficient use of health care facilities and equipment is wasteful in terms of public moneys and scarce health personnel and is a significant factor in the accelerating costs of health care. The work of various State and and local planning groups, private health cost prepayment organizations, and others has shown that there is real promise, through area-wide planning programs, for an improvement in the quality of health

care and at the same time improvement in the efficiency with which the services are provided. Moreover, there is widespread agreement among the purchasers of health care and those providing it that financial provision for the replacement, modernization, or expansion of health care facilities and services should be made on a basis consistent with overall community, State, and regional needs. The proposal would coordinate reimbursement under titles XVIII and XIX with the planning activities being carried on by public and private agencies.

13. Elimination of the Requirement of Initial Physician Certification

Present law

Under present law, payment under the health insurance program may be made for inpatient hospital services only if a physician certifies in each case that the services furnished were required to be given on an inpatient basis for an individual's medical treatment, or that an inpatient diagnostic study was medically required. In addition, when these services are furnished over a period of time, the law requires, as a further condition of payment, a physician recertification as to the continuing need for these services.

Proposal

It is proposed to eliminate the requirement that there be a physician's certification for each case admitted to a general hospital. The physician would still be required to provide certification in certain cases, however. Since special conditions are attached to payment for services furnished by psychiatric and tuberculoses hospitals, physician certification for inpatient admission to such institutions is important and meaningful and would be retained. Also retained would be the requirement for a physician's certification after inpatient hospital services have been furnished over a period of time as is now done through a recertification requirement. (The requirement for a physician's certification for outpatient hospital diagnostic services would also be eliminated under the proposal to transfer the coverage of such services to the new pt. C.)

Background

Many physicians are opposed to the concept of physician certification; some few refuse to prepare and sign the required statements. It is argued that the fact that a physician has a patient admitted to the hospital is sufficient evidence of the patient's need for hospital services and that this is fully understood within the medical, hospital, and private health insurance communities. The house of delegates of the American Medical Association has adopted a resolution urging the AMA to work for the repeal of the certification requirements.

Effect of the proposal

Elimination of the initial certification requirement for all general hospital admissions will avoid some unnecessary paperwork and has the potential for resulting in better emphasis on utilization review since what is removed is largely pro forma. The procedure that would be followed to avoid payment for unneeded care would include screening by the administering agencies to isolate those cases in

which the diagnosis and treatment raised questions about the medical necessity, and action would be taken to resolve these questionsl These steps would be taken in addition to those of the hospita. utilization review committees, which generally review admissions on a sample basis.

14. Health Insurance Payments to Federal Facilities

Present law

Present law prohibits payment under the hospital insurance program or the supplementary medical insurance program to any Federal provider of services (except to a provider of services which serves the public generally as a community institution or agency and except for emergency services under the hospital insurance program).

Proposal

This proposal would remove the prohibition against payments to Federal providers of services. It is substantially the same as the proposal submitted by the administration to the Congress in 1966.

Background

Services rendered in State and local hospitals are now covered and it is reasonable that similar services rendered in Federal hospitals should also be covered. If Federal facilities were included under the medicare system, there would be some savings to the general taxpayer, since he would not have to pay through other taxes to meet hospital and doctor expenses of some individuals who are covered by the medicare system and receive care in Federal facilities.

Effect of the proposal

The proposal would lead to a decrease of about $100 million in general revenue expenditures in the first full year.

15. Coverage of Podiatrists' Services Under the Medical Insurance Program

Present law

Under present law, payment may not be made under the medical insurance program for the services of podiatrists.

Proposal

The proposal would cover, under medicare, services rendered by a podiatrist where the service is of a type covered if performed by a physician. In line with the exclusion under present law of such services as routine physical checkups, fitting or changing eyeglasses, examinations for hearing aids, and immunizations, the proposal would exclude routine foot care, such as treatment of corns or calluses and the trimming of nails. This exclusion would apply to routine foot care whether provided by a medical doctor or a podiatrist.

Background

Doctors of podiatry or surgical chiropody are respected members of the health services team and often perform their services in cooperation with medical doctors. In addition, the aged often use the services of podiatrists rather than medical doctors for the care and treatment of foot diseases where either health practitioner may perform adequately.

16. Increase in Special Payments to Certain People Age 72 and Older

Present law

Under the 1965 amendments, special payments ($35 a month for a worker or a widow; $17.50 for a wife) were provided for certain people age 72 and over on the basis of less work than is needed to meet the regular work requirements. The cost of payments under this provision is met out of the OASI trust fund.

Under the Tax Adjustment Act of 1966, special payments of $35 a month ($52.50 for a couple) were provided for certain people age 72 and over who had no work or who had some work but not enough to meet the regular work requirements and did not qualify under the 1965 amendments. Payments under this provision are reduced by the amount of any pension, retirement benefit, or annuity that a person is receiving from any governmental system. In addition, the special payment is suspended for any month for which the beneficiary gets payments under a federally aided public assistance program. The cost of the payments under this provision to people who have never worked or who have earned credit for no more than one-half year's work under social security is met out of general revenues. The cost of the payments under this provision to people with credit for more than one-half year's work under social security is met by the old-age and survivors insurance trust fund.

Proposal

The special payments under both of the special provisions will be increased to $50 ($75 for a couple)—an increase of 43 percent.

Effect of the proposal

About 1.2 million people will qualify for some payments or higher payments as a result of this proposal; $240 million in additional benefits would be paid out during fiscal year 1968; $215 million of this amount will be met from general revenues.

17. Miscellaneous and Technical Amendments

The bill includes a number of technical amendments that are designed to facilitate administration of the program, to close relatively small gaps in the protection it provides, or to rectify certain minor anomalies in the present law. These amendments, with a short description of the purpose of each, are listed below:

(1) *Eligibility of certain children for monthly benefits.*—The bill would provide for the payment of child's benefits, based on the earnings record of a worker who was not the child's parent, to a child who was living with and supported by the worker for at least a year before the worker died or at least 5 years before the worker became disabled or retired. Under this provision about 15,000 people would be affected immediately and $11 million would be paid out in calendar year 1968.

(2) *Eligibility of an adopted child for monthly benefits.*—The bill would provide an alternative to the present provision under which a child may be considered the adopted child of a deceased worker if the child is adopted by the worker's widow within 2 years of the worker's death. Under this alternative the child would qualify as the worker's child if he was living in the worker's household when the worker died and if proceedings for the adoption had begun before the worker died, regardless of whether the adoption was completed within 2 years.

(3) *Parent's insurance benefits.*—The bill would provide for the payment of benefits to the parents of retired and disabled workers. The benefits for the dependent parents of living workers would be residual and would be actuarially reduced if taken before age 65. Under this provision about 30,000 people would be affected immediately and about $15 million would be paid out in the first full year.

The combined cost of the above provisions for paying benefits to children and the provision for parent's benefits is 0.01 percent of payroll.

(4) *Underpayments.*—Provides that claims for underpayments would be paid according to the following order of priority: (1) To the surviving spouse who was living with the underpaid beneficiary, (2) to the surviving spouse who was entitled to benefits on the same earnings record as the underpaid beneficiary, (3) to his child, (4) to the legal representative of the estate, and (5) to the relative who the Secretary determines to be the proper person to receive the payment on behalf of the underpaid beneficiary's estate. Under present law underpayments, with some exceptions, can be made only when there is a legal representative of the estate. Also provides for payment of supplementary medical insurance benefits in cases where the beneficiary dies before reimbursement under the program is made.

(5) *Simplification of computation of benefits based on 1937–50 wages.*—In order to facilitate administration, the bill would revise the benefit-computation provisions so that for benefits based on earnings in years prior to 1951 machine, rather than manual, procedures could be used.

(6) *Shrimpboat fishermen and truck loaders and unloaders.*—The bill would clarify that the workers on fishing boats are generally employees of the boatowners, lessees or operators and that the workers who load and unload trucks are generally employees of the truckowner.

(7) *Definition of widow, widower, and stepchild.*—The bill would change the present 1-year duration of relationship requirement in the definition of widow, widower, and stepchild to enable certain additional survivors to qualify for benefits.

(8) *Extension of time for filing report of earnings.*—The bill would permit the Secretary to grant a beneficiary an extension of time (not to exceed 3 months) for making the report of earnings required under the retirement test.

(9) *Penalties for failure to file timely report.*—The bill would reduce the penalty for a beneficiary's first failure to file a timely report of earnings for purposes of the retirement test where the amount of benefits withheld on account of earnings is less than 1 month's benefits. It would also change the penalties for second and subsequent failures to file timely reports of certain events that are required to be reported so that they are similar to the present penalties for second and subsequent failures to file timely reports of earnings.

(10) *Limitation on payment of retroactive benefits in certain cases.*—The bill would provide that when benefit payments are resumed to people from whom the benefits have been withheld because they resided in a country in which conditions were such that they could not be assured of receiving the full value of the benefit, the accumulated monthly benefits payable on the account of a deceased beneficiary for months after the effective date of the amendment would not exceed the equivalent of 12 months' benefits.

(11) *Statute of limitations for self-employment income.*—The bill would modify the satute of limitations to permit a worker's earnings record to be revised at any time to give social security credit for any self-employment income on which the Internal Revenue Service has assessed social security taxes.

(12) *Increase in membership of the National Medical Review Committee.*—The bill would increase the membership of the National Medical Review Committee from nine to 16 members and the term of office from 3 to 4 years.

(13) *Enrollment under medicare based on an alleged date of attainment of age 65.*—The bill would permit certain persons who are found to have been mistaken about their age to use, for purposes of enrolling under supplementary medical insurance, a date of attainment of age 65 that is later than their actual attainment of age 65.

(14) *Services if interns and residents as inpatient hospital services.*—The bill would amend the definition of "inpatient hospital services" to include the services of certain medical school graduates taking part in prepractice programs.

(15) *Payment for purchase of durable medical equipment.*—The bill would provide explicitly for coverage under the supplementary medical insurance program of the purchase of durable medical equipment under arrangements whereby the equipment becomes the property of the patient after the purchase price has been paid in rent.

(16) *Furnishing consultative services to laboratories.*—The bill would authorize the Secretary to use the services of State agencies to provide consultative services to independent laboratories and to pay for the cost of such services.

(17) *Limitation on reduction of 90 days of inpatient hospital services.*—The bill would amend the provision in present law requiring that in the first spell of illness the 90 days of inpatient hospital services be reduced by any prior days of stay in a psychiatric or tuberculosis hospital so that the reduction will clearly apply only to days of inpatient psychiatric or tuberculosis hospital services.

(18) *Medicare benefits to individuals who die in the month of attainment of age 65.*—The bill would amend the law to make it clear that an individual is entitled to health insurance benefits on the first day of the month in which he would have attained age 65 if he is otherwise entitled but dies in the month of attainment and before the date of attainment.

(19) *Extend deadline for trustees' reports.*—The bill would provide that the trustees of the social security trust funds must submit their reports to Congress no later than April 1 of each year instead of March 1.

(20) *Redesignation of old-age insurance benefits.*—The bill would substitute the term "retirement" for the term "old-age" wherever it appears in the law.

18. Increase in the Contribution and Benefit Base

Present law

The maximum amount of earnings taxable and creditable toward social security benefits—the contribution and benefit base—is now $6,600.

Proposal

The ultimate base in the law would be increased to $10,800, to be reached in three steps—$7,800 in 1968, $9,000 in 1971, and $10,800 in 1974.

Background

An increase in the contribution and benefit base will strengthen the effectiveness of the program.

As earnings levels increase, a larger proportion of workers have earnings above the base, and a smaller proportion of workers get benefit protection related to their full earnings. The $6,600 base, which now covers all the earnings of about 75 percent of covered workers, will cover all the earnings of only about 67 percent of covered workers in 1974. Under the proposed increases in the base, 87 percent of covered workers will have all their earnings covered in 1974. This would still be less than the situation contemplated when the program was enacted in 1935; the $3,000 base provided in the original act would have covered the full earnings of 97 percent of all workers.

Increases in the contribution and benefit base result in savings in the cost of the program as a percentage of payroll. Even though higher benefits are provided on the basis of the additional earnings that are taxed and credited, the cost of providing these higher benefits is less than the additional income produced by raising the base when both the employer and employee contributions are taken into account.

Effect of the proposal

When the contribution and benefit base is increased, workers who earn above the former base will get very much larger benefits than they would if the base had not been increased. A man age 50 in 1968, for example, who earns $7,800 a year until he is 65 will get a benefit of $192.10 at age 65—24 percent higher than he would get if no change were made in present law. If he earns $9,000 a year his benefit will be $204—32 percent higher—and if he earns $10,800 a year his benefit will be $218—41 percent higher. A man age 30 in 1968 has 35 years to go before reaching age 65: If he earns $7,800 a year he will get a benefit of $218 at age 65—31 percent more than if no change were made in present law; if he earns $9,000 a year his benefit will be $241—44 percent higher; and if he earns $10,800 a year his benefit will be $271—62 percent higher.

Thus, the longer a person is able to work and earn at the higher levels that would count toward social security under the proposed increases in the contribution and benefit base, the greater his protection under social security will be. This is true not only with respect to retirement benefits but in disability and survivorship protection as well.

In survivor and disability cases benefits would reflect the higher earnings creditable under the new base fairly quickly. In cases where the worker was quite young when he died or became disabled, the maximum benefit payable following each increase in the base could be payable as early as the first or second year, respectively, after the particular increase becomes effective.

In general, the group of workers who enter the system at age 21 with earnings at or above the $10,800 base, as well as all other workers, would get insurance protection under the program equal to or greater than the value of their contributions.

As a result of the proposed increases in the earnings base, the cost of the changes recommended for the hospital insurance program could be financed under the present schedule of hospital insurance contribution rates. In addition, the savings resulting from the higher base would finance a substantial part of the cost of the changes recommended in the old-age, survivors, and disability insurance program.

19. Financing the President's Proposals

At the present time, the social security program has a significantly favorable actuarial balance; that is, it is expected that over the long-range future the income to the program will considerably exceed the costs of the program.

The benefit improvements recommended by the President will cost about 1½ percent of covered payroll. It is possible to meet about half of the cost of the recommended benefit improvements from this present favorable balance.

The remainder of the cost of the proposed changes would be met through a slight increase, in steps, in the social security contribution rates for the cash benefits part of the program and by increasing the maximum amount of annual earnings subject to the tax and used in computing benefits.

The cash benefit contribution rate of 3.9 percent in the present law would continue through 1968. The scheduled rate increase in 1969 to 4.4 percent would be increased to 4.5 percent. The ultimate rate of 4.85 percent scheduled for 1973 would be increased to 5 percent.

The earnings base on which contributions and benefits are computed would be increased from $6,600 a year at present to $7,800 in 1968, $9,000 in 1971 and $10,800 in 1974.

The rate increase averaged over a long time would be equivalent to one-fourth of 1 percent of payroll; the earnings base increase is equivalent to one-half of 1 percent of payroll. These two financing recommendations would yield income equal to three-fourths of 1 percent of payroll, which, when combined with the actuarial balance of the present system, would fully meet the cost of the recommendations.

Financing social security cash benefits—Percent of payroll

	Level cost of of benefits	Level equivalent of income	Balance
Present program	8.79	9.53	+0.74
Proposals:			
Contribution base	−.50		
Benefit increase	1.36		
Other improvements	.12		
Contribution rates		.25	
Proposed program	9.77	9.78	+.01

Present and proposed OASDI contribution rates

Year	Employee and employer, each		Self-employed	
	Present law [1]	Proposed [2]	Present law [1]	Proposed [2]
	Percent	*Percent*	*Percent*	*Percent*
1967–68	3.9	3.9	5.9	5.9
1969–72	4.4	4.5	6.6	6.8
1973 and after	4.85	5.0	7.0	7.0

[1] $6,600 earning base.
[2] $7,800 earnings base effective 1968 through 1970; $9,000 earnings base effective 1971 through 1973; and $10,800 earnings base effective 1974 and thereafter.

20. Adequate Support for Needy Children

Background

A family of four with an income of $3,100 or less is living in poverty, as defined by the Social Security Administration and the Office of Economic Opportunity. A family at this level or below is considered to be too poor to provide for its basic human needs in the United States today.

More than 3 million children in families dependent on public assistance live below the poverty level. In figuring public assistance payments, each of the 50 States makes its own definition of minimum need. Although a few States define need at or above the poverty level, no State pays as much as that amount.

Moreover, 33 States provide less support for needy children than the standards the States themselves have set as necessary to meet basic human needs. The record for these 33 States is shown in the table below, which shows actual support for needy children as a percentage of the State's own minimum standard:

States	*Percent*
Oregon, California, New Mexico, Idaho	90–99
Colorado, South Dakota, West Virginia, Ohio, Virginia, Wyoming, Washington	80–89
Kentucky, Michigan, Iowa, Utah	70–79
Georgia, Tennessee, Texas, Vermont, Louisiana, Delaware	60–69
Maine, Arkansas, Arizona, Missouri	50–59
Nevada, South Carolina, Indiana, Nebraska	40–49
Alaska, Alabama, Florida	30–39
Mississippi	20–29

In seven States—Alabama, Arkansas, Florida, Georgia, Mississippi, South Carolina, and West Virginia—a family consisting of a mother and three children receiving assistance must live on less than $120 a month.

Low levels of financial aid make it difficult or impossible for dependent families to buy the basic necessities for their children: decent food, clean, warm housing, medical care, clothing. Low levels of aid tend to keep families and children dependent.

The proposal

The President proposes legislation to require the States to meet their own standards of what is needed to support a child by July 1969.

The Social Security Act would be amended to require States to meet minimum need as each State itself defines it (see table attached) in its AFDC program.

States would also be required to bring their standards of need up to date by July 1, 1969, and to update them annually thereafter. Even though about half the States updated their minimum standards this year, most States have not been doing so annually.

The amendment would also require States to maintain their standards of need at a level not less than two-thirds of the income level set for medical assistance eligibility. That is, if a family of four is eligible for medical assistance with an income up to $3,800, for example, then the minimum income standard for AFDC payments could not be less than $2,533.

Aid to families with dependent children: Percent that highest monthly amount payable for basic needs for family of specified composition and living in rented quarters represents of total monthly cost standard for basic needs of such family, by State, January 1965 [1]

State	Family consisting of mother (35), boy (14), girl (9), and girl (4), and living in rented quarters [2]		Percent col. II is of col. I
	Total monthly cost standard for basic needs	Highest monthly amount payable for basic needs [3]	
	(I)	(II)	(III)
Alabama	$177.00	$67.26	38.0
Alaska	376.00	140.00	37.2
Arizona	232.00	134.00	57.8
Arkansas	124.00	71.00	57.3
California	229.40	215.00	93.7
Colorado	173.00	141.62	81.9
Connecticut	230.35	230.35	100.0
Delaware	214.00	149.00	69.6
District of Columbia	166.00	166.00	100.0
Florida	201.00	78.00	38.8
Georgia	181.35	109.00	60.1
Hawaii	197.20	197.20	100.0
Idaho	209.10	201.10	96.2
Illinois	187.36	187.36	100.0
Indiana	223.87	110.00	49.1
Iowa	253.70	190.28	75.0
Kansas	185.09	185.09	100.0
Kentucky	193.00	136.64	70.8
Louisiana	164.75	108.00	65.6
Maine	222.00	124.00	55.9
Maryland	167.50	167.50	100.0
Massachusetts	221.20	221.20	100.0
Michigan	223.00	160.00	71.7
Minnesota	202.27	202.27	100.0
Mississippi	175.62	50.00	28.5
Missouri	188.95	110.00	58.2
Montana	216.75	216.75	100.0
Nebraska	261.50	130.00	49.7
Nevada	259.75	120.00	46.2
New Hampshire	183.00	183.00	100.0
New Jersey	245.80	245.80	100.0
New Mexico	195.50	185.72	95.0
New York	255.65	255.65	100.0
North Carolina	152.50	152.50	100.0
North Dakota	233.00	233.00	100.0
Ohio	165.00	142.50	86.4
Oklahoma	163.00	163.00	100.0
Oregon	198.75	185.24	93.2
Pennsylvania	163.40	163.40	100.0
Puerto Rico	82.26	27.15	33.0
Rhode Island	167.55	167.55	100.0
South Carolina	148.25	72.00	48.6
South Dakota	225.50	180.40	80.0
Tennessee	160.45	100.00	62.3
Texas	153.95	98.00	63.7
Utah	227.40	176.00	77.4
Vermont	213.65	140.00	65.5
Virgin Islands	104.00	104.00	100.0
Virginia	187.00	162.50	86.9
Washington	238.30	209.70	88.0
West Virginia	143.97	122.37	85.0
Wisconsin	225.75	225.75	100.0
Wyoming	229.80	200.00	87.0

[1] Includes data for 53 States; data not available for Guam.

[2] The specified type of family is assumed to need amounts for rent and utilities that are at least as large as the maximum (or other) amounts reported by the State for these items. The family is also assumed to have no income other than assistance.

[3] For the specified type of family, represents the smallest of the following: (1) The amount of the State's usual legal or administrative maximum on money payments to recipients; (2) an amount resulting from the application of a percentage or flat reduction to the amount of determined need, or (3) the amount of the total cost standard for basic needs (for States with usual legal or administrative maximums above the total cost standard for basic needs and for States without such maximums).

EXCERPTS FROM THE MESSAGE ON OLDER AMERICANS DELIVERED BY PRESIDENT JOHNSON JANUARY 23, 1967

(1) *"Despite these improvements in social security, many elderly Americans will continue to depend on public assistance payments for the essentials of life. Yet these welfare programs are far behind the times. While many States have recently improved their eligibility standards for medical assistance, their regular welfare standards are woefully inadequate."*

"In nine States, the average amounts paid for old-age assistance are as low as $50 a month, or less."

Average payments to recipients, October 1966:

Fla	$48.90	Maine	$50.10	Oreg	$47.50
Ga	47.85	Miss	39.20	S.C	41.30
Ind	49.00	Nebr	46.20	W. Va	44.75

(2) *"Twenty-seven States do not even meet their own minimum standards for welfare payments."*

Twenty-four States [1] were meeting less than their minimum standards (100 percent of basic need) according to the latest biennial report (January 1965). Figures for 1967 are not available but would probably reflect changes in some States.

State	Total monthly cost standard for basic needs	Percent of full need met by maximum payment to recipient
Alabama	$117.85	63.6 ($75.00)
Alaska	221.00	49.8 (110.00)
Arizona	107.00	79.4 (85.00)
Arkansas	83.00	88.0 (73.00)
Delaware	104.00	96.2 (100.00)
Florida	111.00	63.1 (70.00)
Georgia	81.10	86.3 (70.00)
Indiana	107.00	65.4 (70.00)
Lentucky	84.00	94.8 (79.63)
Louisiana	123.00	66.7 (82.00)
Michigan	108.00	83.3 (90.00)
Minnesota	96.20	73.8 (71.00)
Mississippi	90.32	55.4 (50.00)
Missouri	89.00	78.7 (70.00)
Nebraska	98.50	76.1 (75.00)
New Mexico	107.00	91.1 (97.50)
South Carolina	75.55	92.7 (70.00)
South Dakota	101.90	99.0 (100.90)
Tennessee	78.00	96.2 (75.00)
Utah	100.75	81.4 (82.00)
Vermont	117.00	68.4 (80.00)
West Virginia	62.69	85.0 (53.29)
Wisconsin	99.30	75.5 (75.00)
Wyoming	132.00	75.8 (100.00)

(3) *"The Federal Old-Age Assistance Act allows the States to provide special incentives to encourage older persons on welfare to seek employment. But almost half the States have not taken advantage of this provision."*

Twenty-six States have made some provision for exempting earnings: Persons 65 years and older can keep a maximum of $50 of the first $80 earned per month without having their assistance checks reduced.

[1] In addition, three States have maximums that do not exceed basic needs by as much as $12 and thus cannot meet most special needs (Colorado, New Hampshire, Oklahoma).

Above provision in effect in 12 States:[2]

Arkansas	Georgia	Massachusetts
California	Hawaii	Ohio
Delaware	Kentucky	Oklahoma
Florida	Louisiana	Wisconsin

Optional provision in effect (can keep a maximum of $30 of the first $50 earned per month without having their assistance checks reduced): 14 States:[2]

Illinois	Nevada	Vermont
Kansas	New Hampshire	Virginia (disregards only first $10 a month)
Maryland	North Dakota	
Missouri	Oregon	
Montana	Pennsylvania	Washington
Nebraska		

(4) *"To make vitally needed changes in public assistance laws, I recommend legislation to provided that—*

"State welfare agencies be required to raise cash payments to welfare recipients to the level the State itself sets as the minimum for subsistence;"

The States listed previously (in item 2) would have to remove their limitations on payments and/or eliminate percentage reductions which have been applied to assistance payments.

(5) *"State agencies be required to bring these minimum standards up to date annually:"*

About half the States have updated their minimum standards this year—but do not do so annually.

(6) *"Each State maintain its welfare subsistence standards at not less than two-thirds the level set for medical assistance:"*

For example, if an aged person living alone on an income of $2,400 a year would be eligible for coverage under the State's medical assistance program, the State's standard for public assistance payments to aged persons living alone would have to be at least $1,600 a year (two-thirds of $2,400).

(7) *"State welfare programs be required to establish a work-incentive provision for old-age assistance recipients:"*

Twenty-six States do make such a provision for old-age assistance recipients. (See item 3, above.)

21. Child Welfare Services

Children are among the most tragic victims of the tensions of modern life. An estimated 10,000 are brutally mistreated—some even killed—by parents each year. Thousands of others are being reared in broken homes in which they receive too little care because parents are mentally ill or retarded, or in trouble themselves.

Over one-half million children benefit each year from the services of professional child welfare workers with public agencies. Whenever possible, these workers enable children to stay in their own homes. They do this by counseling families on their problems, arranging for visiting housekeepers, training mothers in homemaking and child rearing, providing day care for children whose mothers must work, and in other ways.

[2] As reported Sept. 30, 1966.

When home care is impossible, child welfare workers arrange for foster or adoptive homes. They arrange special care for physically and mentally handicapped children, and help youngsters who have been discharged from institutions.

The problem

There are not enough child welfare services to meet the need:

Children in more than 1,000 counties have no child welfare services available; other counties have too few workers.

In some large cities, abandoned babies remain in hospitals because of the lack of home-finding services.

Many children are in institutions only because there is no one to locate their parents or find suitable foster homes.

Legislative proposal

The President's proposal would authorize the Federal Government to pay States 75 percent of the cost of employing and training additional child welfare personnel, the same percentage it now pays for public assistance services in public welfare agencies. The additional Federal aid would enable States and communities to provide more help to more children who need better care and protection.

22. National Dental Health Program for Children

Background and purpose

Dental decay attacks 97 percent of the children in this country by age 5 or 6. By age 15, the average child has 11 permanent teeth damaged or destroyed. Periodontal disease, which usually begins in childhood, becomes the major oral health problem and the principal cause of tooth loss in adults.

Of all children between the ages of 5 and 14, 45 percent have never seen a dentist. Among poor children, this figure is 65 percent; among nonwhite children, more than 70 percent. Poor children have five times as many decayed teeth as children from well-to-do families.

Because these conditions have cumulative destructive effects, the only hope of solving the national dental problem lies in preventing and treating dental diseases during childhood, when they are most effectively managed.

A full-scale dental program for children could prevent a repetition of the current pattern of neglect and within a generation could reduce the dental problem to manageable proportions. However, the critical shortage of dentists makes it impossible to establish a full-scale program immediately. To meet the need, the Nation will need to develop new systems of dental care and to train large numbers of auxiliary dental personnel to assist dentists.

The program

The proposed dental health program will emphasize several activities: a pilot program of dental care for needy children, training of auxiliary dental manpower, model dental clinics, and expanded research.

As a prelude to a full-scale national program, a 5-year pilot program will be conducted. This program, beginning in 1968, will provide dental care for 100,000 needy first-grade children in 10 selected communities and will continue to provide them with care over a 5-year period. The program will demonstrate the effectiveness of continued care beginning at an early age. It will provide information on the incidence of dental diseases; the dental manpower required for

initial care as compared with maintenance care; and the costs of providing such care. An important aspect of the program will be the provision of opportunities to train dental auxiliaries of all types and to develop improved training methods.

The purpose of the model dental clinics to be developed will be to explore the possibilities of expanding community dental care.

The expanded research in dental care will emphasize all aspects of applied research, including new types of materials and equipment, new types of services in the delivery of dental care, and dental health education for the public.

The total cost of the proposed program is estimated at $5 million for the first year.

23. Expanded Comprehensive Health Service Programs For Children in Low-Income Areas

Background

One-third of the preschool children who need treatment for eye difficulties do not see a doctor; 3 million children who need glasses today do not have them. One out of every four 18-year-olds is rejected by Selective Service for orthopedic or hearing defects that could have been prevented or corrected through proper medical attention in earlier years. Forty-five percent of the children in the United States between the ages of 5 and 14 have never seen a dentist, although tooth decay attacks 97 percent of all children by age 5 or 6.

These and other conditions affecting children and youth can be prevented or lessened if they are detected early enough and if treatment is provided.

Among poor children, the number of conditions that remain untreated is far greater than among the children of well-to-do families. In low-income areas, 6 out of every 10 children who suffer from one or more chronic conditions are not receiving any treatment.

Program

Under the 1965 Social Security Amendments, a program of special project grants for comprehensive health care for preschool and school-age children in low-income areas was authorized. These grants are administered by the Children's Bureau. They support up to 75 percent of the cost of projects which provide a broad range of screening, diagnostic, and preventive health services, corrective treatment, and dental health services for children and youth from 1 to 18 who live in low-income areas and would not otherwise receive such care because of economic or other reasons.

At the beginning of 1967, there were 28 such projects serving children in low-income areas in 18 cities and 31 counties, located in 17 States and the District of Columbia. About 1½ million children under 18 live in the deprived areas served by these comprehensive health care projects.

Expansion of services

The comprehensive health service projects are having a marked beneficial effect in the areas they are serving. Appropriations for this program were increased from $15 million in fiscal year 1966, the first year of the program, to $35 million in fiscal year 1967.

In order to expand the program to additional areas—as one aspect of the Nation's total efforts to provide more adequate health care for children—an appropriation of $40 million is proposed for fiscal 1968, the full amount authorized in the present law.

24. Increased Benefits for Children Under Social Security

At the beginning of this year, nearly 3.2 million children and young people were receiving child benefits under social security because their parents are retired, disabled, or deceased. Of this total, some 2.8 million children under age 18 were getting about $138 million and another 0.4 million young people—full-time students between the ages of 18 and 22—were getting about $24 million in benefits.

Under President Johnson's proposal for a 15-percent across-the-board increase in social security benefits, with a minimum benefit for a retired worker of $70, an additional $350 million in benefits would be paid to children and young people in the first full year. In addition, the social security survivorship protection that is now available to more than 95 out of 100 mothers and young children in the event of the family breadwinner's death would be substantially increased. This survivorship protection would be increased not only because of the general benefit increase but also because, under the proposed increases in the amount of annual earnings that is counted for social security contributions and for benefits, higher benefits based on higher earnings would be payable to the survivors of current workers who earn more than $6,600, the maximum amount that can be counted for benefits under present law.

President Johnson has also recommended two changes in the law which would provide social security benefits for children who are not now eligible for them. Under one of these proposed amendments, children who were dependent on workers other than their parents—their grandparents, for example—would be able to qualify for benefits based on the social security earnings record of the relative on whom they were dependent. Benefits would be payable to a child on the earnings record of a worker other than his parent if the child was related to the worker and the child had been living with and supported by the worker.

Under the other proposed change, benefits would be payable on a deceased worker's earnings record to a child adopted by the surviving spouse if, before the worker's death, adoption proceedings had been initiated or the child had been placed in the worker's home for adoption but the actual adoption was not completed within 2 years after his death. Under the present law, benefits can only be paid if the child is adopted by the surviving spouse within 2 years after the worker's death.

These two proposed amendments to the social security law would result in the payment of $10 million in benefits in the first year to 15,000 children who cannot now receive them.

25. Pilot Projects To Find and Test Improved Methods of Meeting Health Needs of Children

Background

To bring the full benefits of health and medical care to all children, under present procedures, would overtax not only the existing supply of health and medical personnel but all who could conceivably by trained by traditional methods.

Consequently, ways must be found to use skilled personnel more effectively and to train them more rapidly.

Proposals

In the pilot projects proposed by the President, there would be an opportunity to devise, test, and evaluate various ways of enabling the

supply of health personnel to meet the increased demand that would result if all children were provided with optimum health care and medical treatment and if adequate prenatal care were insured so that every child would have the best possible opportunity of being born healthy.

Systems for delivering health services: team combinations of pediatricians, nurses, and auxiliary staff; specialized training to equip nurses and others for duties they do not customarily perform—these are illustrative of approaches that would be developed and evaluated.

From these projects should come practical measures which can be used in communities throughout the Nation to obtain the manpower they need and to use this manpower in ways that will assure that every American child will grow up with the full measure of health that medical science can offer.

Estimated cost of the pilot projects is $10 million.

In addition, it is proposed that $3 million be added to other health professions educational assistance programs in order to aid the Nation's medical schools to train more obstetricians, pediatricians, and family physicians and to assist in the training of other health personnel for services to children.

26. Work Incentive Program

Present law

Under 1965 legislation States can permit children to earn up to $50 a month per child (but not more than $150 a month by the children in any one family) without having the family's public assistance check reduced. However, no such allowance can now be made for the earnings of adults.

Under the legislation, 19 States and the District of Columbia do not reduce this family's assistance check when children earn small sums of money. These States are:

Arkansas [1]	Hawaii	Massachusetts
California	Illinois	Ohio
Colorado	Kentucky	Oklahoma
Delaware	Louisiana	South Dakota
Florida	Maine	Vermont
Georgia	Maryland	Virginia
		Wisconsin

[1] Maximum of $85 on earnings of children in one family.

Proposed law

The President's proposal would allow adults or children in these families to earn a maximum of $50 a month each, and permit a combined family earnings total of $150 a month, with no reduction in the assistance check. The estimated Federal cost of the proposal is $25 million for 1968.

27. Finding and Treating Health Problems of Needy Children Under Medical Assistance (Title XIX) Program

Background

Twenty-five States are now operating approved medical assistance programs under title XIX of the Social Security Act which was included in the 1965 Social Security Amendments.

Of these 25 States, eight limit their benefits to children whose families receive public assistance; 17 States also include children in

other low-income families provided a parent is dead, disabled, or absent; 11 of the 25 States will also pay for medical care for any child whose parents cannot afford to pay for the treatment he needs.

All States with title XIX programs must, by July 1, 1967, pay for four types of services for children: hospitalization, outpatient hospital care, physicians' services, and laboratory tests and X-rays. Most of the States cover some additional medical needs since, under this program, services provided to the aged must also be available to children.

Although only seven States specifically provide for preventive care, which could cover periodic health examinations and the correction of any handicapping conditions found, it is probable that some other States include this under their present plans. In general, however, States tend to pay only for treatment of conditions that are of such concern to the parents that they are actively seeking medical attention for the child. It is indicative of the limitations of present services that, even under title XIX, only 16 of the 25 States with title XIX programs will pay for eyeglasses and only 20 will pay for dental care.

Inadequacy of present expenditures for medical assistance for needy children

Families with dependent children comprise over half the people who receive public assistance, but only a small proportion of the public assistance funds spent for medical care have benefited these families.

In calendar year 1965, the year before title XIX went into effect, almost $1½ billion in State and Federal funds (including $602 million in Federal funds) went for medical care. However, only about $165 million of this amount (including $16½ million in Federal funds) went into the program of aid to families with dependent children (AFDC) which served more than 1.1 million needy families with about 3.3 million children. In other words, while families receiving public assistance under the AFDC program comprised over 50 percent of all public assistance recipients, only 11 percent of the public assistance funds spent for medical care benefited these children and their parents.

As recently as September 1966, four States (Arizona, Delaware, Mississippi, and South Carolina) made no provision for medical care for dependent children.

Proposals

To help meet the medical needs of children of low-income families more adequately in fiscal year 1968, it is estimated that $221 million will be made available as the Federal share of title XIX programs that will be used for children. The availability of these Federal funds is expected to generate total expenditures of approximately $417 million in Federal, State, and local funds for this purpose.

In addition, it is proposed that title XIX be amended to require, effective July 1, 1969, that States operating title XIX programs provide early and periodic screening of infants and children, and treatment and care for defects and chronic conditions found.

These steps—together with the proposed increase of $15 million in the authorization for "Crippled Children's Services" and the requirement, effective July 1, 1967, that such services include periodic screening and diagnosis—will greatly strengthen the Nation's program to assure the good health of children and the early identification and treatment of defects and chronic conditions.

○

[COMMITTEE PRINT]

BRIEF SUMMARY OF MAJOR RECOMMENDATIONS PRESENTED IN ORAL AND WRITTEN STATEMENTS DURING PUBLIC HEARINGS ON PROVISIONS OF H.R. 5710, SOCIAL SECURITY AMENDMENTS OF 1967, AND BRIEF SUMMARY OF PROVISIONS OF H.R. 5710

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES

90th Congress, 1st Session

JUNE 9, 1967

(HEARINGS—MARCH 1, 2, 3, 6, 7, 8, 9, 10, 13, 20, 21, 22, 23, APRIL 4, 5, 6, and 11, 1967)

(Staff Analysis Prepared for the Committee on Ways and Means)

WASHINGTON : 1967

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EDITOR'S NOTE.—Due to the voluminous oral and written testimony on H.R. 5710 and related proposals, in order for any summary to be useful as such, it is necessary to broadly categorize positions of organizations and individuals. In so doing, it should be understood that it is not possible to include all of the qualifications or conditions with which such organizations and/or individuals may have accompanied such position on each issue. Nevertheless, an objective attempt has been made to present fairly the position of each witness.

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SUMMARY OF MAJOR SOCIAL SECURITY PROVISIONS OF H.R. 5710, SOCIAL SECURITY AMENDMENTS OF 1967

OASDHI Amendments

I. OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

A. Changes in benefits

1. Benefits would be increased by at least 15 percent, with a minimum benefit of $70 a month. Under present law benefits are from $44 to $142 a month for retired or disabled workers now receiving benefits. Under the provisions of H.R. 5710 these amounts would be increased to $70 and $163.30. The average social security benefit now paid to all retired workers, $84 a month, would be increased to $96.60. The average benefit now paid to all aged couples, $142 a month, would be increased to $163.30. Under this provision an additional $3.9 billion in benefits would be paid in the first year. (Sec. 101.)

Provision is made in the bill to increase the amount of earnings which would be subject to social security taxes. The amount of earnings to be considered in computing benefits would be increased accordingly. Under present law a person can pay taxes on—and also collect benefits on—annual earnings of $6,600. Under H.R. 5710 the contribution and benefit base would be increased to $7,800 in 1968; $9,000 in 1971, and $10,800 in 1974. (Sec. 107.)

The table on page 72 shows generally how present and future beneficiaries would be affected by the proposed amendments.

2. Provision is made for minimum benefits for persons who have worked many years in jobs covered by social security. The minimum would be equal to $4 multiplied by the number of years of coverage up to 25. (Sec. 102.) With the $70 minimum the provision would not affect anyone with less than 18 years of coverage; a person with 18 years of coverage would get at least $72, and a person with 20 years would get at least $80. A person with 25 or more years of coverage would receive $100.

Under this provision about 100,000 people would receive an additional $7 million in benefits in the first 12 months.

3. It is proposed to increase the amount of special payments now given to certain people age 72 and over to $50 for a worker or a widow, or $75 for a couple. The present amounts are $35 and $52.50. (Sec. 104.)

Special payments are made to certain people who have less covered work than is needed to meet the regular work requirements. These are paid for out of the OASI trust fund. Special payments are also made to certain people who have never worked or who have earned credit for no more than 9 months of work under social security. These are paid for out of general revenues.

It is estimated that about 1.2 million people would qualify for some payments or higher payments under this proposal, amounting to

$240 million in benefits during fiscal year 1968; $215 million of this amount would be paid from general revenues.

4. Under H.R. 5710, $90 would be the maximum amount payable for a wife's or husband's insurance benefit. This would have no immediate effect but would operate in the future. (Sec. 103.)

5. Unreduced cash benefits would be payable to a severely disabled widow under age 62 if her disability began before her husband's death, or before her entitlement to benefits as a mother ended, or within 7 years after either event. (Sec. 105.) At present, a disabled widow under age 60 is without any social security protection unless she has young children in her care or unless she has sufficient credit because of her own work to qualify for disability benefits.

It is estimated that about 70,000 disabled widows under age 62 would become eligible for cash benefits, amounting to $75 million during the first 12 months the proposal would be in effect.

B. Changes in coverage

1. Under the proposals the earnings of a hired farm employee would be covered for social security purposes if they amounted to $50 a year from an employer, or if the employer hired the worker for 10 or more days a year for cash pay on a time basis. (Sec. 115.) At present the earnings must amount to $150 and the time to 20 days.

Estimates indicate that this would increase the social security protection of more than 500,000 farmworkers who would have all or a larger part of their farm earnings covered.

2. Provision would be made for social security credit, through transfers of credit, for persons whose Federal employment comes under the civil service or foreign service retirement systems if benefits are not payable to the workers or their families under these systems at the time they retire, become disabled, or die. (Sec. 116.) At present, employment subject to these retirement systems is excluded from social security coverage.

This provision would affect those people who shift employment between the Federal Government and employment covered by social security. Under H.R. 5710 the cost of the benefits would be met partly by the Government, as employer, and partly by those employees whose credits would be transferred to social security.

3. The bill would clarify the coverage provisions for workers on fishing boats and for truck loaders and unloaders by designating who is to be considered their employer and therefore responsible for paying the employer's share of social security taxes. (Sec. 117.)

C. Change in retirement test

The bill provides for an increase from $1,500 to $1,680 in the amount of annual earnings a beneficiary under age 72 can have without having any benefits withheld. Provision is made for an increase from $125 to $140 in the amount of monthly earnings a person can have and still get a benefit for the month. As in present law, the bill provides that $1 in benefits be withheld for each $2 of the first $1,200 of earnings above the exempt amount, and $1 in benefits for each $1 in earnings above that amount. (Sec. 106.)

It is estimated that about 750,000 people would get increased benefits as a result of this provision, amounting to $185 million in the first year.

II. HEALTH INSURANCE

A. Changes in benefits

1. Benefits under medicare—both hospital insurance benefits and medical insurance benefits—would be extended to persons under 65 who are receiving social security benefits because they are disabled, and to disabled widows between the ages of 62 and 65 who are getting benefits as aged widows rather than as disabled widows. Disabled beneficiaries under railroad retirement would also be eligible for medicare benefits. (Sec. 125.)

It is estimated that under this change benefits would be made available to about 1.5 million people. This would include 1.2 million disabled workers, 200,000 adults who were disabled before reaching age 18, and 100,000 disabled widows under age 65. Estimated benefits would be $225 million for hospital insurance and $100 million for medical insurance in the first year.

2. The bill provides for medicare coverage of services of podiatrists if the services are of a type covered when performed by a physician. Coverge of routine foot care would be excluded. (Sec. 127.)

3. The bill would establish a new part C under the benefit provisions of the medicare program. The change is intended to simplify the administration of the program. Under the bill, outpatient services, including diagnostic services, would be included in the new part C. Benefits for outpatient services would be payable for persons enrolled in the supplementary medical insurance program (part B) of medicare. They would be subject to the $50 deductible and the 80 percent coinsurance provisions of part B.

Diagnostic specialty services, including services of pathologists and radiologists, for inpatients would also be included under part C. Benefits for these services would be payable for all persons eligible for hospital insurance benefits (part A) under medicare. Benefit payments for these services would cover full reasonable charges. At present these services are covered under part B, supplementary medical insurance. (Sec. 130.)

B. Provision for depreciation in definition of reasonable cost

H.R. 5710 provides that depreciation of plant and equipment is to be included in "reasonable cost" for purposes of reimbursement under medicare only if a provider of services furnishes assurance that it will (1) set aside and keep separate amounts received under title XVIII for depreciation, (2) not use the amounts for noncapital expenditures except under conditions approved by the State planning agency in accordance with regulations of the Secretary of Health, Education, and Welfare, and (3) use the amounts for capital expenditure only when it conforms to the overall plan developed, in accordance with regulations by the Secretary, by the State planning agency. Under present law funding of depreciation is not required and there is no specific restriction on payment of depreciation in cases where construction or purchases are not in accordance with State and community development plans. The Secretary of Health, Education, and Welfare would be given authority to terminate an agreement or reduce future payments when improper capital expenditures have been made. Similar provisions would apply under title XIX. (Sec. 129.)

C. Elimination of physician certification requirement

H.R. 5710 would eliminate the requirement that there be a physician's certification for each case admitted to a general hospital. It would not eliminate the requirement for certification for admission to psychiatric and tuberculosis hospitals, or for certification after inpatient hospital services have been furnished over a period of time. (Sec. 131.)

D. Services of hospital employees under medicare

The bill would include under hospital insurance benefits those services which are performed by hospital employees authorized by the State to practice as physicians only in a hospital. This is principally designed to include services performed by foreign physicians. (Sec. 161.)

E. Purchase of durable medical equipment under medicare

The bill would provide for the purchase of certain durable medical equipment under the medical insurance program, under regulation prescribed by the Secretary. The intention is that such equipment would be purchased if this would be cheaper than rental. (Sec. 162.)

F. Increase in membership of the National Medical Review Committee

Membership on the review committee would be increased from nine to 16 and the term of office would be increased from 3 to 4 years. (Sec. 128.)

G. Payments to Federal facilities

The proposed amendments would eliminate the prohibition against payments to Federal facilities for services provided to persons eligible for medicare benefits. (Sec. 126.)

H. Reduction of inpatient hospital services because of treatment in psychiatric or tuberculosis hospitals

Under present legislation the days a person spends in a psychiatric or tuberculosis hospital just before he becomes entitled to medicare benefits are deducted from the days of inpatient hospital services to which he is entitled. The bill would eliminate this deduction, making the person eligible for the full 90 days of inpatient hospital services in a general hospital provided under medicare. (Sec. 164.)

III. MISCELLANEOUS PROVISIONS

A. Allocation to disability trust fund

H.R. 5710 would increase the allocation of social security taxes to the disability trust fund from 0.70 percent of payroll for employees and employers to 0.85 percent for 1968 and to 0.95 for 1969 and the years thereafter. For the self-employed the allocation would also be increased slightly. It is estimated that this increase in allocation would eliminate the present deficit in the disability trust fund. (Sec. 109.)

B. Benefits regardless of membership in certain organizations

The bill would eliminate the denial of medicare benefits to persons who are members of organizations required to register under the Internal Security Act of 1950 as a Communist-action, Communist-front, or Communist-infiltrated organization, or who have been

convicted of offenses involving espionage, sabotage, treason, or subversive activities. It would also repeal the provision of the Social Security Act which allows a court in sentencing such persons to include as a penalty the elimination of earnings credits for social security benefits. It would repeal the provision which excludes coverage of employment for the above-mentioned organizations required to register under the Internal Security Act of 1950. (Sec. 110.)

C. Definition of "child" in benefit eligibility requirements

The bill would provide for the payment of child's benefits based on the earnings of a person who was not the child's parent if the child was living with and supported by the person for at least 1 year before the person died, or at least 5 years before he became disabled or retired. It is estimated that about 15,000 children would be affected immediately, and the first year cost would be $11 million. (Sec. 150.)

D. Eligibility of adopted child for benefits

A child adopted by the surviving spouse would be considered the legally adopted child of a deceased worker if adoption proceedings began before the worker died, even though the adoption did not take place within 2 years after the worker died, as is now required. (Sec. 151.)

E. Benefits for dependent parents

Provision would be made for the payment of benefits to the dependent parents of retired and disabled workers. These benefits could not, however, reduce the benefits to the worker's wife, child, or widow. Benefits for dependent parents of living workers would be 50 percent of the worker's benefit and would be reduced if taken before age 65. The benefit would also be limited to the difference between the maximum amount a family could receive and the total amount payable to other beneficiaries. It is estimated that this provision would affect about 30,000 people immediately, and that about $15 million would be paid in the first year. (Sec. 152.)

F. Underpayments

The bill provides that any payments due a beneficiary at the time he dies are to be paid according to the following priority: to the surviving spouse who was living with the beneficiary at the time of his death, to the surviving spouse who was entitled to benefits on the same earnings record as the underpaid beneficiary, to a child or children, to the legal representative of the estate, to a relative determined by the Secretary to be the proper person to accept payment on behalf of the estate. Under present law a cash benefit payment equal to 1 month's benefit or less can be paid to the surviving spouse. If the amount due is larger, or there is no spouse, payment can be made only to the legal representative of the estate.

The bill would also provide for reimbursement in cases where a supplementary medical insurance beneficiary has died and his bills have been paid, but they have not been reimbursed by medicare. In this case benefits would be paid according to the following priority: person who paid the bills, legal representative of the estate, widow, child or children, other relative of the deceased beneficiary. When a beneficiary dies and the medical bills have not been paid, benefits under supplementary medical insurance could be paid to the person

who provided services if he agrees that the reasonable charge is the full charge for the services. (Sec. 153.)

G. Computation of benefits based on 1937–50 wages

The bill would permit the Secretary to apply certain presumptions to a person's total wages prior to 1951. This is intended to facilitate administration by eliminating certain manual operations which are now necessary, and permitting greater use of electronic data processing equipment. (Sec. 154.)

H. Definition of widow, stepchild, and widower

Under the bill the duration of relationship requirement in the definition of widow, stepchild, and widower would be reduced from 1 year to 11 months. (Sec. 155.)

I. Extension of time in filing reports of earnings

Provision would be made for the Secretary to grant an extension of time—not to exceed 3 months—for a person to make the formal report of earnings required of beneficiaries whose earnings exceed the amount above which there must be a reduction of benefits. (Sec. 156.)

J. Penalties for failure to file timely reports

There would be a reduction in the penalty for the first failure to file an annual report of earnings for purposes of the retirement test where the amount of benefits withheld for a year was less than the amount of 1 month's benefit. The present penalty of 1 month's benefit would be changed to the amount of benefits withheld, but not less than $10. (Sec. 157.)

K. Limitation on payment of retroactive benefits in certain cases

The bill provides that if a person dies who has not received benefit payments because of Treasury regulations which prevent payments in certain countries where there is no assurance that beneficiaries will receive their full benefits, the accumulated monthly benefits payable on his account would not exceed the equivalent of the last 12 months' benefits. (Sec. 158.)

L. Use of word "retirement" instead of "old-age" in title II

H.R. 5710 would amend title II of the Social Security Act to provide for the use of the word "retirement" instead of "old-age" throughout the title. (Sec. 167.)

IV. FINANCING OF PROPOSED CHANGES IN OLD-AGE, SURVIVORS, DISABILITY, AND HEALTH INSURANCE

It is estimated that the old-age, survivors, and disability insurance changes proposed in H.R. 5710 would cost about 1½ percent of covered payroll on a long-term basis. This amount is to be raised in three ways.

1. There would be an increase in the tax rate. The present tax on both employees and employers of 3.9 percent would continue through 1968. The scheduled rate increase in 1969 to 4.4 percent would be increased to 4.5 percent. The ultimate rate of 4.85 percent scheduled for 1973 would be increased to 5 percent. For the self-employed the present rate of 5.9 percent would continue through 1968. The scheduled rate increase in 1969 to 6.6 percent would be

increased to 6.8 percent. The ultimate rate scheduled for 1973 would be 7, which is the amount specified in existing law. This rate increase averaged over 75 years is estimated to be equivalent to one-fourth of 1 percent of payroll. (Sec. 108.)

2. There would be an increase in the contribution and benefit base. This base under present law is $6,600 a year. Under H.R. 5710 the amount of income subject to social security taxes (and used for computing benefits) would increase to $7,800 in 1968, $9,000 in 1971, and $10,800 in 1974. It is estimated that this increase would yield one-half of 1 percent of payroll in net savings to the system. (Sec. 107.)

3. The remaining one-half of the cost of the changes is to be covered by the present favorable actuarial balance in the old-age and survivors trust fund. According to actuarial studies, the income of the program will exceed the costs of the present program over the long-range future.

The costs of H.R. 5710 to the hospital insurance system would equal 0.15 percent of payroll over a 25-year period. The increase in the contribution and benefit base which is provided by the bill would, under current estimates, more than finance these additional costs. No increase in the hospital insurance tax is involved.

PUBLIC WELFARE

I. AMENDMENTS RELATING TO PUBLIC ASSISTANCE PAYMENTS

A. Earnings exemptions

H.R. 5710 would require the States to provide in their State plans for earnings exemptions for recipients of old-age assistance and aid to the permanently and totally disabled, as is now required for the blind. The exemptions are optional under existing law. This provision would become effective July 1, 1969. In the aid to families with dependent children programs, the States would be permitted to disregard up to $50 a month in earnings of a dependent child and of a relative claiming assistance, but not more than $150 a month in earnings of dependent children and relatives in the same home. At present no exemption is allowed for relatives. This would be effective July 1, 1967. The above exemption provision would become mandatory for the States on July 1, 1969. (Sec. 201).

B. Requirement for States to meet standards of full need

The bill would require that State plans provide for meeting full need as determined under the State's own standard of assistance for persons eligible for old-age assistance, aid to families with dependent children, aid to the blind, aid to the permanently and totally disabled, and the combined adult program of title XVI. These standards could be no lower than those in effect on January 1, 1967. The standards would have to be reviewed annually and, to the extent prescribed by the Secretary of Health, Education, and Welfare, up-dated to take into account changes in living costs. The requirement for meeting full need would be effective July 1, 1969. (Sec. 202.)

C. Determination of need for money payments related to determination of the medically needy

The amendments would require that a State consider an individual (or family) eligible for assistance under old-age assistance, aid to

families with dependent children, aid to the blind, aid to the permanently and totally disabled, or under the combined adult program of title XVI if his income is less than two-thirds of the income level set by the State in determining who is medically needy under the medical assistance program of title XIX. (Sec. 203.)

D. Federal payments to assist States in complying with new requirements for public assistance payments

The bill provides for an authorization of $60 million for 2 fiscal years (July 1, 1969, to June 30, 1971) to assist the States in meeting the provisions of the amendments relating to the public assistance programs of old-age assistance, aid to the blind, aid to families with dependent children, aid to the permanently and totally disabled, and the combined adult program of title XVI. The Secretary of Health, Education, and Welfare would be authorized to determine whether to make payments to a State, and the amount of the payment, considering "such factors as he deems relevant." These factors would include the relative fiscal ability of the State, the fiscal effort being made for welfare and related programs, the effect of increases in social security benefits on the need for assistance expenditures, and the amount of the additional funds required from non-Federal sources in order to comply with the new requirements and the relation to prior expenditures from such sources. (Sec. 206.)

E. Partial Federal payments in case of noncompliance

Under present law the Secretary of Health, Education, and Welfare is to terminate payments to the State if the State is in noncompliance with the requirements of title I, IV, X, or XIV. Under the bill, instead of completely terminating payments, he could limit payments to categories under or parts of the State plan not affected by failure to comply. (Sec. 246.)

II. COMMUNITY WORK AND TRAINING PROGRAMS

H.R. 5710 provides for Federal participation in the costs of two work and training programs. Under present legislation States have been encouraged to establish their own community work and training programs by the provision in the Social Security Act which allows for Federal matching in cash assistance payments to recipients age 18 or over of aid to families with dependent children who are engaged in such work and training programs. The Federal Government, however, cannot participate in the costs of materials, supplies and supervision.

The bill calls for the establishment by the Secretary of Labor of community work and training programs for recipients of aid to families with dependent children. The purpose of such programs would be to prepare for, or restore to, employability appropriate recipients age 16 or over. The Secretary of Labor would be authorized to make agreements with public or private agencies or organizations to carry out such programs. Provision is made for up to 90 percent Federal financial participation in the programs for the costs of training, supervision, materials, administration and other items as authorized by the Secretary of Labor. The Secretary could exceed this percentage if he determined that this was necessary. In developing policies for programs the Secretary of Labor would consult with the Secretary of Health, Education, and Welfare.

The bill authorizes an appropriation of "such sums as may be necessary" for the purposes of the above provisions, and states that the Secretary of Health, Education, and Welfare is to transfer the amounts needed by the Secretary of Labor in carrying them out.

If the Secretary of Labor did not maintain a community work and training program anywhere in a State and had certified that it was not practicable for him to do so, then the State, after July 1, 1968, would be required to provide in its State plan for the establishment of such a program for recipients of aid to families with dependent children who have reached age 16.

Federal participation in the costs of training, supervision, materials, and other specified services could not exceed 90 percent, unless the Secretary of Health, Education, and Welfare determined that this was necessary. The State could make contracts with employers, organizations, agencies, or institutions to furnish the services and items specified under the bill.

The authorization for appropriation for these State programs is combined with the authorization for programs established by the Secretary of Labor.

Under the programs established by the Secretary of Labor, recipients could receive incentive payments of not more than $20 a week. State plans establishing programs could also provide for incentive payments of not more than $20. In any case, payments up to this amount would have to be disregarded by the State in determining eligibility for aid to families with dependent children.

The bill would require, also, that State plans for aid to families with dependent children provide for entering into agreements with the Secretary of Labor for referral of appropriate recipients age 16 and above to the community work and training programs established by him.

The Secretary of Health, Education, and Welfare would also be authorized to make grants to public agencies, organizations, and institutions for experimental or pilot projects relating to community work and training which might assist in better carrying out the purposes of the programs. (Sec. 204.)

III. AMENDMENTS RELATING TO TITLE XIX OF THE SOCIAL SECURITY ACT: MEDICAL ASSISTANCE

A. Limitation of Federal payments to States under title XIX

H.R. 5710 would prohibit Federal sharing in any expenditures for medical assistance for individuals or families whose income exceeded by more than 50 percent the highest income standards used by the State in determining eligibility for cash payments under old-age assistance, aid to the blind, aid to the permanently and totally disabled, aid to families with dependent children, or aid under the combined adult program of title XVI. In computing income there would have to be excluded any costs incurred for medical care or any other type of remedial care recognized under State law. (Sec. 220.)

B. Provision for States to buy-in to part B of medicare

Under the bill, States could enter into an agreement allowing them to buy-in to the supplementary medical insurance program (part B of medicare) for persons age 65 or over who are deemed medically

needy under title XIX. At present they can buy-in only for those persons age 65 or over who are receiving cash assistance payments. The date by which a State could buy-in for eligible individuals would be extended to January 1, 1970.

In addition, the bill provides that the Federal Government would not supply matching funds for expenditures under title XIX which would have been paid under supplementary medical insurance (part B of medicare) for persons who were eligible for such insurance, but were not enrolled. (Sec. 222.)

C. Requirement for comparability

Under present law States must provide comparable medical services to all groups included in the title XIX medical assistance program. H.R. 5710, which provides that States can buy-in to the supplementary medical insurance program under medicare for the medically needy aged, would also specify that such buying-in would be an exception to the requirement that comparable medical services be provided to all groups. (Sec. 223.)

D. Federal participation in expenses of administration

Under present law provision is made for a 75-percent Federal share in the expenditures for skilled medical personnel and supporting staff of the single State agency engaged in administering title XIX. This is broadened under the bill to include any other public agency engaged in the administration of title XIX, for example, a State health agency administering the medical care part of the program, where the health agency is the "other public agency." (Sec. 224.)

E. Creation of Medical Assistance Advisory Council

The bill would create an Advisory Council of 21 persons to advise the Secretary of Health, Education, and Welfare on matters of general policy on the administration of title XIX and to make recommendations for improvement in the administration of the title. The members, a majority of whom would represent consumers of health services, would be appointed by the Secretary for a 4-year term. (Sec. 225.)

F. Free choice in obtaining services under title XIX

The requirement is included in the bill that, effective July 1, 1969, persons eligible for medical assistance be able to obtain it from any institution, agency, or person qualified to perform the service or services required, including an organization which provides such services, or arranges their availabilityon a prepayment basis. (Sec. 226.)

G. Screening, diagnosis, and treatment of children

Title XIX would be amended, effective July 1, 1969, to provide for periodic screening, diagnosis, and treatment of persons under age 21 who are eligible for medical assistance in order to ascertain their physical or mental defects and give the treatment necessary to correct or ameliorate defects and chronic conditions. (Sec. 301.)

H. Agreements under title XIX for projects under title V of the Social Security Act: Maternal and child welfare

Title XIX would be amended to require State plans for medical assistance to provide for agreements with agencies receiving payments

for plans or projects related to maternal and child welfare to (1) use the services of the agencies and (2) provide for their reimbursement. (Sec. 301.)

IV. AMENDMENTS TO TITLE V OF THE SOCIAL SECURITY ACT: GRANTS TO STATES FOR MATERNAL AND CHILD WELFARE

A. Part 1 of title V: Maternal and child health services

The bill would change the authorization for such services from specific amounts to "such sums as may be necessary." At present there is authorized $55 million for the fiscal year ending June 30, 1969, and $60 million for the years thereafter.

Provision is also made for the reduction of Federal pyaments for these services if expenditures from State and local funds for maternal and child health services and crippled children's services are reduced below the amount for 1967. (Sec. 304.)

B. Part 2: Services for crippled children

The bill increases the authorization for services to $65 million for the fiscal year ending June 30, 1968, and authorizes "such sums as may be necessary for succeeding fiscal years." The present authorization is for $55 million for 1968 and 1969, and $60 million for 1970 and the years thereafter.

The bill requires that State plans must provide for periodic screening and diagnostic services to identify children in need of health care and services and for the health care and treatment needed to correct or ameliorate defects or chronic conditions.

Provision is made for the reduction of Federal payments for crippled children's services if expenditures from State and local funds for maternal and child health services and crippled children's services are reduced below the amount for 1967. (Sec. 301.)

C. Part 3: Child-welfare services

H.R. 5710 would authorize an appropriation for these services of "such sums as Congress may determine" for fiscal year ending June 30, 1969, and for years thereafter. The present authorization is for $55 million for the fiscal year ending June 30, 1969, and $60 million for 1970 and the years thereafter. (Sec. 236.)

The bill provides that when State expenditures for staff and staff training increase above the expenditures for fiscal year 1967, the Federal share of the additional expenditures will be 75 percent. (Sec. 235.)

Under the bill the Secretary of Health, Education, and Welfare could make grants to State or local public agencies for projects which would use the results of research in the field of child welfare. He could also make contracts or arrangements with States and public and other organizations and agencies for the conduct of research or demonstration projects in the field of child welfare. (Sec. 237.)

D. Part 4: Grants for special maternity and infant care projects, for projects for health of school and preschool children, and for research projects

1. Projects for maternity and infant care.—There would be an increase in the authorization for special project grants for maternity and infant care to $35 million for the fiscal year ending June 30, 1968,

and for "such sums as may be necessary for the next 4 fiscal years." The present annual authorization, due to expire in 1968, is for $30 million. The statement of purpose would be broadened by including, along with mental retardation, "other handicapping conditions," and by adding the purpose of reducing infant and maternal mortality.

The Secretary of Health, Education, and Welfare would be authorized to make grants for projects to public or nonprofit private agencies, institutions, or organizations, as well as to State health agencies. These projects could be for the provision of health care to prospective mothers and to mothers and infants where there may be hazards to the health of the mothers or their infants, and to infants during the first year who have any condition or are in circumstances which increase the hazards to their health. It must be determined by the State or local agency, however, that the recipient would not otherwise receive the necessary care because of low income or other reasons beyond his control. (Sec. 303.)

2. Projects for dental health of children.—The bill would add a new section to part 4 of title V which would provide for special project grants for the dental health of children, particularly those in areas with concentrations of low-income families. The authorization would be $5 million for the fiscal year ending June 30, 1968, and "such sums as may be necessary for the next 4 fiscal years."

The Secretary of Health, Education, and Welfare would be authorized to make grants to the State health agency, the health agency of any political subdivision of the State, and to any other public or nonprofit private agency to pay up to 75 percent of the cost of pilot projects of a comprehensive nature for dental care of children. Such care would have to be limited to children who would not otherwise receive it because of low income or other reasons beyond their control. There could also be research projects in the field of dental care. (Sec. 302.)

3. Personnel training grants.—Provision would be made for an authorization of $13 million for the fiscal year ending June 30, 1968, and such sums as may be necessary for succeeding fiscal years for grants to public or nonprofit private institutions of higher learning for training personnel for health care and related services for mothers and children, particularly mentally retarded children and children with multiple handicaps. (Sec. 305.)

4. Research grants, maternal and child health and crippled children's services.—The bill provides for an increase in the authorization for research in maternal and child health services and crippled children's services from $8 million annually to $18 million for 1968, and removes the statutory limit on succeeding authorizations. Grants would be awarded for projects which study the need for and feasibility of comprehensive health care programs which make maximum use of health personnel with varying levels of training. Grants could also be made for training of personnel for work in such projects. (Sec. 306.)

E. Evaluation

Title V would be further amended to provide that one-half of 1 percent of each appropriation would be available for evaluation by the Secretary of Health, Education, and Welfare of the programs under the title. (Sec. 307.)

V. MISCELLANEOUS PROVISIONS

A. Grants for the development of social work training programs

The bill would add a new authorization to title VII of the Social Security Act for the appropriation of $5 million for 1968 and "such sums thereafter as Congress may determine" for grants to public or nonprofit private colleges and universities to meet part of the cost of development, expansion, or improvement of undergraduate and graduate programs for the training of social work personnel. (Sec. 401.)

B. Authorization for demonstration projects

Under the bill the present authorization of $2 million for certain demonstration projects would be increased to $10 million for 1968 and $25 million thereafter. Grants would be given to States to assist in promoting the objectives of title I, IV, X, XIV, XVI, or XIX. (Sec. 245.)

C. Temporary assistance for migratory workers

H.R. 5710 would authorize grants to State or local agencies for pilot or demonstration projects for the provision of temporary assistance to migratory workers and their families. Such assistance would be limited to a 60-day period, and would be limited to those ineligible for public assistance. Authorization would be for "such sums as may be necessary." (Sec. 207.)

D. Making permanent the program for aid to dependent children of unemployed parents and other programs in public assistance

Under present law the provision which provides for aid to dependent children of unemployed parents under public assistance is due to expire June 30, 1967. H.R. 5710 would make this provision permanent. It would also make permanent existing temporary provisions for protective payments under aid to families with dependent children, and for foster care in nonprofit private institutions. It would make permanent the program of assistance to citizens returned from foreign countries under particular circumstances. (Sec. 208.)

E. State option for type of Federal matching in certain cases

States would have the option of receiving a Federal share based on the Federal percentage of the medical assistance program (title XIX) rather than of the cash public assistance programs (title I, X, XIV, or XVI), without regard to maximum amounts per recipient, for payments made to recipients certified by a physician to need special living arrangements, without which they would require care in skilled nursing homes. This provision is meant to encourage the use of appropriate facilities other than skilled nursing homes when this is possible. (Sec. 205.)

Monthly social security cash benefits under present law and under proposal

Averge monthly earnings	Retired or disabled worker [1]		Retired or disabled worker and wife [1]		Widow age 62 or over, sole survivor		Young widow and 1 child	
	Present	Proposed	Present	Proposed	Present	Proposed	Present	Proposed
Minimum benefit	$44.00	$70.00	$66.00	$105.00	$44.00	$70.00	$66.00	$105.00
$100	63.20	72.70	94.80	109.10	52.20	70.00	94.80	109.10
$150	78.20	90.00	117.30	135.00	64.60	74.30	117.40	135.00
$200	89.90	103.40	135.90	155.10	74.20	85.40	135.00	155.20
$250	101.70	117.00	152.60	175.50	84.00	96.60	152.60	175.60
$300	112.40	129.30	168.60	194.00	92.80	106.70	168.60	194.00
$350	124.20	142.90	186.30	214.40	102.50	117.90	186.40	214.40
$400	135.90	156.30	203.90	234.50	112.20	129.00	204.00	234.60
$450	146.00	167.90	219.00	251.90	120.50	138.60	219.00	252.00
$500	157.00	180.60	235.50	270.60	129.60	149.00	235.60	271.00
$550 [2]	168.00	193.20	252.00	283.20	138.60	159.40	252.00	289.80
$650	168.00	221.00	252.00	311.00	138.60	182.40	252.00	331.60
$750	168.00	248.00	252.00	338.00	138.60	204.60	252.00	372.00
$900	168.00	288.00	252.00	378.00	138.60	237.60	252.00	432.00

[1] Assumes that retired worker and wife are age 65 or over when benefits start.
[2] Maximum possible under present law.

Source: Prepared by the Department of Health, Education, and Welfare.

[For summary of provisions of, and positions taken on, Title V of H.R 5710, relating to the tax treatment of the elderly, see page 75.]

SUMMARY OF POSITIONS TAKEN IN ORAL AND WRITTEN TESTIMONY DURING PUBLIC HEARINGS ON H.R. 5710, SOCIAL SECURITY AMENDMENTS OF 1967

[Page numbers indicated hereafter reflect the pages at which the testimony appears in the four volumes of the printed hearings]

I. Positions taken in testimony which relate to specific provisions of H.R. 5710

A. Title I—Old-Age, Survivors, Disability, and Health Insurance

1. Part 1—Benefits Under the Old-Age, Survivors, and Disability Insurance Program

SECTION 101. INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

Favor provision in the bill for 15 percent benefit increase with $70 minimum:

	Page
American Association of Homes for the Aging	1003
American Association of Retired Persons, National Retired Teachers Association	1247
American Association of Workers for the Blind	2243
American Federation of Teachers	1483
American Foundation for the Blind, Inc	2241
American Home Economics Association	2399
American Nurses' Association	2227
Arkansas Department of Public Welfare	1788
Arkawy, Norman M., lawyer, Rye, N.Y	2437
Blinded Veterans Association	2225
Bureau of Salesmen's National Associations	2111
Clement, Kenneth W., M.D., Cleveland, Ohio	1380
Commissioner, New York City Department of Welfare	1832
Council for Christian Social Action	1274
Council of Jewish Federations and Welfare Funds, Inc	2239
Department of Social Welfare, General Board of Christian Social Concerns, Methodist Church	1272
Fraser, Hon. Donald M., Member of Congress	1155
McKenna, Mrs. Kathryn S., Regional Supervisor, Office for Children and Youth, Department of Public Welfare, Scranton, Pa	2395
Maryland Nurses Association	2230
Members' Council, Senior Citizens, Inc., Nashville, Tenn	2377
National Association for Retarded Children	2230
National Association of Retired Civil Employees	1616
National Association of Social Workers and College of Social Workers of Puerto Rico	2360
National Child Welfare Commission of the American Legion	2214
National Consumers League	2118
National Council of Churches of Christ in the U.S.A	1268
National Council of Senior Citizens	1356
National Federation of Settlements and Neighborhood Centers, New York, N.Y	2399
National League of Senior Citizens, California League of Senior Citizens	1624
National Urban League	1297
Paralyzed Veterans of America	2224
Physicians Forum	1142
Representatives of Four Senior Citizens Clubs, New York, N.Y	1881

Favor provision in the bill for 15 percent benefit increase with $70 minimum—Continued

	Page
Retired Officers Association	2214
Rhode Island State Circle, Daughters of Isabella	2419
Senior Citizens Central Association, Philadelphia, Pa	2377
Stratton, Hon. Samuel S., Member of Congress	1951
Tenzer, Hon. Herbert, Member of Congress	1908
Townsend Foundation	2019
Welfare Planning Council, Lackawanna County, Pa	2404
Wickenden, Elizabeth, National Social Welfare Assembly, Inc. and other organizations	1563
Zablocki, Hon. Clement J., Member of Congress	559

Favor benefit increase, but prefer increase greater than that in the bill:

AFL–CIO (favors 50 percent, but regards bill "as a substantial down-payment"; favors proposed minimum)	571
Amalgamated Meat Cutters & Butcher Workmen of North America	600
Bingham, Hon. Jonathan B., Member of Congress (favors the most liberal benefit levels that can be secured—50 percent as in H.R. 264, or, failing that, the President's proposals, as in H.R. 7354)	1902
Carter, Hon. Tim Lee, Member of Congress (favors 20 percent with $70 minimum, as in H.R. 357)	1983
Citizens' Crusade Against Poverty (favors 50 percent with $100 minimum as in S. 1009)	2235
Community Council of Greater New York	2011
International Ladies' Garment Workers' Union (favors "as a step forward to a 50 percent increase")	2131
National Association of Social Workers	1697
National Conference of Catholic Charities (favors 50 percent)	1819
New York City Central Labor Council AFL–CIO, New York Hotel & Motel Trades Council AFL–CIO, New York Labor-Management Council of Health and Welfare Plans, Inc. (favor increase in excess of 20 percent as step toward 50 percent)	1627
Pepper, Hon. Claude, Member of Congress (favors 20 percent across-the-board with $75 minimum as in H.R. 7378)	1965
Reuss, Hon. Henry S., Member of Congress (favors 20 percent across-the-board with $70 minimum)	1556
Senior Citizens Golden Ring Council (favors 20 percent)	1075
United Auto Workers (favors 50 percent)	1420

Oppose benefit increase in the bill, but suggest lower amounts:

American Farm Bureau Federation (oppose any increase involving tax increase or use of general revenues)	2114
American Hotel & Motel Association (8 percent) as in H.R. 31	2135
American Life Convention & Life Insurance Association of America (Increase of about 7 to 7½ percent "might be justified")	1210
American Retail Federation (favors benefit increase within 8 percent "which can be accomplished without any increase in taxes beyond those already scheduled")	2117
Berry, Hon. E. Y. Member of Congress (8 percent)	1164
Boland, Hon. Edward P., Member of Congress (10 percent, as in H.R. 3043)	1981
Chamber of Commerce (8 percent, adjusted downward to take into account the medical care element of cost of living already covered by medicare)	1328
Commerce & Industry Association of New York, Inc. (limit to rise in cost of living, scaled down to take into account the cost of health and medical care)	1842
Council of State Chambers of Commerce (would not oppose 8-percent increase)	1306
Hall, Hon. Durward G., Member of Congress (8 percent)	1197
Horton, Hon. Frank, Member of Congress (10 percent)	1773
International Association of Health Underwriters	2453
Investors League, Inc. (8 percent retroactive to January 1, 1967, without increase in taxes)	2263

Oppose benefit increase in the bill, but suggest lower amounts—Continued

Page

Machinery and Allied Products Institute (favors a one-time cost-of-living increase) 2098
National Association of Life Underwriters (reasonable increase to maintain the purchasing power of cash benefits) 1229
National Retail Merchants Association (8 percent, without increase in tax rate or tax base) 2117
National Restaurant Association (8 percent—amount which can be financed without increase in tax or wage base) 2137
National Small Business Association (8 percent) 2090
Schwengel, Hon. Fred, Member of Congress (8 percent) 1906

Favor higher minimum than specified in the bill:

Citizens' Crusade Against Poverty ($100 as in S. 1009) 2235
Dow, Hon. John G., Member of Congress ($100 minimum as in H.R. 7161) 1893
Hanan, Rubin Morris, president, Alabama League of Aging Citizens, Inc. ($100 minimum) 2378
International Brotherhood of Teamsters ($100 minimum for individual) 2129
National Association of Social Workers ($100 minimum for single individual, $150 for a couple) 1697
National Council of Senior Citizens ($150 minimum for an individual, $250 for a couple) 1356
National Farmers Union ($100 minimum for an individual, $150 for a couple) 1283
Pepper, Hon. Claude, Member of Congress ($75 minimum) as in H.R. 7378 1965
Schafer, Joseph A., CPA, Philadelphia, Pa. ($100 minimum, "no increase in maximum") 1543
Sixty Now, Inc. ($100 minimum for single individual, $250 if dependents) 2373
Townsend Foundation ($125 minimum) 2019
United Auto Workers ($100 for worker retiring at age 65 and for disabled worker, $150 for elderly couple, both age 65 or over) 1420

Oppose $70 minimum in the bill and suggest lower alternative:

American Life Convention and Life Insurance Association of America ("a more consistent approach would be to increase . . . to perhaps $50") 1210
Chamber of Commerce (favors increase in minimum proportionate to other increases) 1328
Council of State Chambers of Commerce (no minimum beyond 8 percent) 1306

Oppose benefit increases:

Casanova, C. David, Columbus, Ohio 2442
Green, Louie B., CPA, Green, McReynolds, & Sherrell, Longview, Tex 2254
Illinois Manufacturers' Association 2121
National Association of Manufacturers 2085
National Federation of Independent Business 2140
Ohio State Medical Association 1683

Favor cost-of-living or other automatic benefit increase mechanism:

AFL–CIO (favor cost-of-living, but prefer adjustment of benefits to measure of active workers' earnings) 571
American Foundation for the Blind, Inc. (formula based on Consumers Price Index) 2241
American Hotel and Motel Association (cost-of-living as in H.R. 31) 2135
Berry, Hon. E. Y., Member of Congress (cost-of-living financed by automatic tax increases when necessary) 1164
Bingham, Hon. Jonathan B., Member of Congress (cost-of-living, as in H.R. 264 or H.R. 7354) 1902

Favor cost-of-living or other automatic benefit increase mechanism—Continued

Page

Blinded Veterans Association (formula based on Consumers Price Index) 2225
Burton, Hon. Phillip, Member of Congress (cost-of-living financed by general revenues) 1927
Casanova, C. David, Columbus, Ohio (cost-of-living) 2442
Community Council of Greater New York (cost-of-living or increased national productivity) 2011
Hall, Hon. Durward G., Member of Congress (automatic increases when the cost-of-living increases 3 percent or more) 1197
Horton, Hon. Frank, Member of Congress (benefit increases based on increases in the national standard of living as in H.R. 6983) 1773
International Association of Health Underwriters (cost-of-living) 2453
International Ladies Garment Workers Union (cost-of-living and productivity) 1231
Investors League, Inc. (cost-of-living) 2263
National Association for the Advancement of Colored People (cost-of-living) 2234
National Child Welfare Commission of the American Legion (cost-of-living) 2214
National Council on the Aging (automatic increases with increases in GNP) 2372
National Restaurant Association (cost-of-living) 2137
New York City Central Labor Council AFL–CIO, New York Hotel & Motel Trades Council AFL–CIO, New York Labor-Management Council of Health and Welfare Plans, Inc. (cost-of-living) 1627
Pepper, Hon. Claude, Member of Congress (automatic increases when cost-of-living increases by 3 percent or more as in H.R. 7378) 1965
Reuss, Hon, Henry S., Member of Congress (cost-of-living) 1556
St Germain, Hon. Fernand J., Member of Congress (cost-of-living) 1207
Schafer, Joseph A., CPA, Philadelphia, Pa. (cost-of-living) 1543
Schwengel, Hon. Fred, Member of Congress (automatic increases when the cost-of-living increases 3 percent or more) 1906
Sixty Now, Inc. (cost-of-living) 2373
Tenzer, Hon. Herbert, Member of Congress (cost-of-living) 1908
Townsend Foundation (per capita income) 2019
United Auto Workers of America (benefit increases based on increases in wages) 1420

Oppose automatic cost-of-living increases:

American Retail Federation 2117
Commerce & Industry Association of New York, Inc 1842
Council of State Chambers of Commerce 1306
National Association of Manufacturers 2085
National Council of Senior Citizens 1356

Favor giving highest priority in benefit increases to beneficiaries at lowest level of benefit:

Commissioner, New York City Department of Welfare 1832
New York City Central Labor Council AFL–CIO, New York & Motel Trades Council AFL–CIO, New York Labor-Management Council of Health and Welfare Plans, Inc 1627

Favors benefit increase—unspecified amount:

Alabama Department of Pensions and Security 2369

Favors provision for 25 percent annual increase in all benefits payable to individuals age 70 or over until a maximum primary benefit of $200 a month is realized, as in H.R. 7677:

Bevill, Hon. Tom, Member of Congress 2075

Does not oppose benefit increases in the bill:

Liberty Lobby 1626

SECTION 102. SPECIAL MINIMUM BENEFIT FOR LONG-TERM WORKERS

Favor provision in the bill: Page

AFL–CIO 571
American Association of Homes for the Aging 1003
American Life Convention and Life Insurance Association of America 1210
Arkansas Department of Public Welfare 1788
Boland, Hon. Edward P., Member of Congress ($100, as in H.R. 3043) 1981
Clement, Kenneth W., M.D., Cleveland, Ohio 1380
Council for Christian Social Action 1274
Department of Social Welfare, General Board of Christian Social Concerns, Methodist Church 1272
Members' Council, Senior Citizens, Inc., Nashville, Tenn 2377
National Consumers League 2118
National Council of Churches of Christ in the USA 1268
National Council of Senior Citizens ($150 minimum, $250 for a couple) 1356
National Farmers Union ($100 minimum, $150 for a couple, for everybody) 1283
National Urban League 1297
Paralyzed Veterans of America 2224
Reuss, Hon. Henry S., Member of Congress 1556
Tenzer, Hon. Herbert, Member of Congress 1908

Oppose provision in the bill:

Chamber of Commerce 1328
Council of State Chambers of Commerce 1306
National Association of Manufacturers 2085
National Federation of Independent Business 2140
National Small Business Association 2090
Schafer, Joseph A. CPA, Philadelphia, Pa 1543

SECTION 103. WIFE'S OR HUSBAND'S BENEFIT LIMITED TO $90

Favor provision in the bill:

National Urban League 1297

Oppose provision in the bill:

Chamber of Commerce 1328

SECTION 104. INCREASE IN BENEFITS FOR PERSONS BLANKETED-IN AT AGE 72

Favor provision in the bill:

American Association of Homes for the Aging 1003
Arkansas Department of Public Welfare 1788
Department of Social Welfare, General Board of Christian Social Concerns, Methodist Church 1272
National Consumers League 2118
Members' Council, Senior Citizens, Inc., Nashville, Tenn 2377
National Council of Churches of Christ in the USA 1268
National Urban League 1297
Reuss, Hon. Henry S., Member of Congress 1556
United Auto Workers of America 1420

Favor higher amount than that specified in the bill:

Chamber of Commerce (same minimum benefit as under regular system, financed out of social security trust funds) 1328
Dow, Hon. John G., Member of Congress ($70 minimum, $35 for wife, as in H.R. 7163) 1893
National Council of Senior Citizens ($150 minimum, $250 for a couple) 1356
National Farmers Union ($100 minimum, $150 for a couple) 1283
Schafer, Joseph A., CPA, Philadelphia, Pa. ($100 minimum) 1543

Favors provision in bill, but would further permit former State and local public employees over age 72 to receive the benefits: Page
Fraser, Hon. Donald M., Member of Congress 1155

Favors blanketing-in at age 70 all who are not otherwise receiving social security, at full minimum, financed by general revenues:
Burton, Hon. Phillip, Member of Congress 1927

Favors blanketing-in at age 70 with $70 minimum:
American Association of Retired Persons, National Retired Teachers Association 1247

Favors removal of provision which reduces special payments to those age 72 by amount of public pension or benefit, as in H.R. 7378:
Pepper, Hon. Claude, Member of Congress 1965

Favors removal of prohibition against simultaneous payments of old age assistance and special social security benefits to persons age 72 and over:
Alabama Department of Pensions and Security 2369

Opposes provision in the bill:
Council of State Chambers of Commerce 1306
National Small Business Association 2090

Favor removal of exclusion of Puerto Rico from present benefits:
National Association of Social Workers and College of Social Workers of Puerto Rico 2360
Puerto Rico Medical Association 1630
Polanco-Abreu, Hon. Santiago, Resident Commissioner of Puerto Rico 1930

SECTION 105. BENEFITS FOR DISABLED WIDOWS UNDER AGE 62

Favor provision in the bill:
American Association of Workers for the Blind 2243
American Foundation for the Blind, Inc 2241
American Life Convention and Life Insurance Association of America 1210
Arkansas Department of Public Welfare 1788
Blinded Veterans Association 2225
Community Council of Greater New York 2011
Department of Social Welfare, General Board of Christian Social Concerns, Methodist Church 1272
National Consumers League 2118
National Council of Churches of Christ in the U.S.A 1268
National Farmers Union 1283
National Urban League 1297
Pepper, Hon. Claude, Member of Congress 1965
Reuss, Hon. Henry S., Member of Congress 1556
United Auto Workers of America 1420
Wickenden, Elizabeth, National Social Welfare Assembly, Inc. and other organizations 1563

Favors, but would include disabled wives as in H.R. 1985:
Dingell, Hon. John D., Member of Congress 1896

SECTION 106. INCREASE IN EXEMPT AMOUNT FROM $1,500 TO $1,680 UNDER THE RETIREMENT TEST

Favor provision in the bill: Page

American Life Convention and Life Insurance Association of America 1210
American Nurses' Association 2227
Arkansas Department of Public Welfare 1788
Community Council of Greater New York 2011
Council for Christian Social Action 1274
National Association for Retarded Children 2230
National Conference of Catholic Charities 1819
National Consumers League 2118
National Council of Churches of Christ in the USA 1268
National Urban League 1297
New York City Central Labor Council AFL–CIO, New York Hotel and Motel Trades Council AFL–CIO, New York Labor-Management Council of Health and Welfare Plans, Inc 1627
Retired Officers Association 2214

Favor higher exempt amount than is in the bill:

American Association of Retired Persons, National Retired Teachers Association ($200 a month) 1247
American Council of the Blind (no special amount mentioned) 1999
Anderson, Hon. John B., Member of Congress (about $3,000 annually—H.R. 6099) 1769
Bevill, Hon. Tom, Member of Congress ($2,000 as in H.R. 7677) 2075
Boland, Hon. Edward P., Member of Congress ($1,800, as in H.R. 3043) 1981
Bureau of Salesmen's National Associations (would support proposals such as S. 466—$2,400) 2111
Collins, John A., Cambridge, Mass. ($1,800) 2436
Horton, Hon. Frank, Member of Congress ($7,000; count income from all sources as in H.R. 6983) 1773
National Association of Social Workers ($1,800, raise limit on $1 withheld for each $2 of earnings to $3,000) 1697
National Farmers Union ($2,400) 1283
National Grange ($3,000 per couple as in H.R. 7279) 2116
National Restaurant Association (equivalent to the 28 percent increase in the Federal minimum wage) 2137
Reuss, Hon. Henry S., Member of Congress ($2,000, raise limit on $1 withheld for each $2 of earnings to $3,200) 1556
Ryan, Hon. William F., Member of Congress ($300 a month) 1202
Stratton, Hon. Samuel S., Member of Congress (favors own bill, H.R. 6403, to raise ceiling to $2,400 "without the complicated procedures of deducting certain benefits for certain earnings beyond a particular earning level") 1951
Tenzer, Hon. Herbert, Member of Congress ($2,400) 1908
Zablocki, Hon. Clement J., Member of Congress ($2,000, raise limit on $1 withheld for each $2 of earnings to $3,000) 559

Favors provision to disregard medical expenses under the retirement test as in H.R. 1241:

Ryan, Hon. William F., Member of Congress 1202

Favors, in principle, the liberalization of the retirement test:

National Retail Merchants Association 2117

Favors the principle of liberalizing the retirement test above $1,500:

American Retail Federation 2117

Favors enactment or broadening of the provision:

National Federation of Independent Business 2140

Favors own bill, H.R. 3759, to increase earnings limitation to $3,600 for widows with children: Page
Ford, Hon. Gerald R., Member of Congress 1267

Favors removal of earnings test with respect to widows with minor children:
National Association of Counties 1779

Favors legislation allowing widows to earn $1,500 for themselves and for each child:
Feldman, Mrs. John, Silver Spring, Md 2435

Believes the proposal in the bill to increase allowable earnings, "is no cause for alarm, but we would oppose any drastic rise in the earnings allowance":
AFL-CIO 571

Favor elimination of the retirement test:
American Farm Bureau Federation 2114
Dow, Hon. John G., Member of Congress 1893
Green, Louie B., CPA, Green, McReynolds & Sherrell, Longview, Tex 2254
Investors League, Inc 2263
Kupferman, Hon. Theodore R., Member of Congress 1411
National Federation of Independent Business 2140
Pepper, Hon. Claude, Member of Congress (as in H.R. 7378) 1965

Opposes provision in the bill:
Commerce and Industry Association of New York 1842

SECTION 107. INCREASE IN CONTRIBUTION AND BENEFIT BASE

Favor provision in the bill:
Arkansas Department of Public Welfare 1788
Askawy, Norman M., lawyer, Rye, N.Y. 2437
Bureau of Salesmen's National Associations 2111
International Ladies' Garment Workers' Union 2131
National Association of Retired Civil Employees 1616
National Association of Social Workers 1697
National Conference of Catholic Charts 1819
National Council of Senior Citizens 1283
National Urban League 1297

Favor greater increase in the contribution and benefit base:
AFL-CIO ("proper goal" at present income levels should be $15,000) 571
Crothers, Morris K., M.D., State representative, Oregon (prefers ultimate $10,800 immediately or in smaller steps, if the change is adopted) 1760
Dow, Hon. John G., Member of Congress ("higher thousands of dollars") 1893
National Association of Social Workers ($15,000 over the next several years) 1697
National Farmers Union ($15,000 as quickly as possible) 1283
Sixty Now, Inc. (to $10,000) 2373
United Auto Workers ($15,000 by broad annual steps) 1420

Favors increase in taxable income to $7,800 beginning next year to finance benefits of H.R. 3043:
Boland, Hon. Edward P, Member of Congress 1981

Oppose increase in contribution and benefit base: Page
American Hotel & Motel Association 2135
American Life Convention and Life Insurance Association of America 1210
Chamber of Commerce 1328
Commerce and Industry Association of New York 1842
Council of State Chambers of Commerce 1306
Hall, Hon. Durward G., Member of Congress 1197
Illinois Manufacturers' Association 2121
Liberty Lobby 1626
Loucks, William D., Jr., lawyer, New York, N.Y 2433
National Association of Life Underwriters 1229
National Association of Manufacturers 2085
National Federation of Independent Business 2140
National Restaurant Association 2137
National Retail Merchants Association 2116
National Small Business Association 2090
Reuss, Hon. Henry S., Member of Congress 1556
Schafer, Joseph A., CPA, Philadelphia, Pa 1543

SECTION 108. CHANGES IN THE TAX SCHEDULES

Favors provision in the bill:
Arkansas Department of Public Welfare 1788
Nationa Association of Life Underwriters (rather than increase in earnings base) 1229
National Conference of Catholic Charities 1819
National Council of Senior Citizens 1356

Oppose provision for increase in the tax rate:
American Hotel & Motel Association 2135
Commerce & Industry Association of New York 1842
Hall, Hon. Durward G., Member of Congress 1197
Illinois Manufacturers' Association 2121
Liberty Lobby (increases in tax and earnings base would be "even more inflationary than the appropriation of funds from general revenues to cover the increase in benefits") 1626
National Association of Manufacturers 2085
National Farmers Union 1283
National Restaurant Association 2137
National Retail Merchants Association 2117
National Small Business Association 2090
Reuss, Hon. Henry S., Member of Congress 1556
Schafer, Joseph A., CPA, Philadelphia, Pa 1543
Sixty Now, Inc. (favors 5 percent employer-employee rate, 8 percent self-employment rate) 2373
Townsend Foundation (favors 1 percent gross income tax on business) 2019
Wood, Clifford M., CPA, Bay Minette, Ala 2438

SECTION 109. DISABILITY INSURANCE TRUST FUND

Favors provision in the bill:
Chamber of Commerce (no allocation above amount necessary to make up deficit) 1328

SECTION 110. ELIMINATION OF PROVISIONS DENYING BENEFITS TO INDIVIDUALS BECAUSE OF MEMBERSHIP IN CERTAIN ORGANIZATIONS

Favor provision in the bill:
Arkansas Department of Public Welfare 1788
Council for Christian Social Action 1274
National Farmers Union 1283

Opposes repeal of legislation "denying medicare benefits to members of Communist groups":

Page

Liberty Lobby 2121

2. Part 2—Coverage Under the Old-Age, Survivors, and Disability Insurance Program

SECTION 115. EXTENSION OF COVER AGE OF AGRICULTURAL WORKERS

Favor provision in the bill:

AFL-CIO 571
American Life Convention and Life Insurance Association of America 1210
Arkansas Department of Public Welfare 1788
Chamber of Commerce 1328
Community Council of Greater New York 2011
Council for Christian Social Action 1274
Department of Social Welfare, General Board of Christian Social Concerns, Methodist Church 1272
National Consumers League 2118
National Council of Churches of Christ in the USA 1268
National Farmers Union 1283
Reuss, Hon. Henry S., Member of Congress 1556
United Auto Workers 1420
Wickenden, Elizabeth, National Social Welfare Assembly, Inc. and other organizations 1563

Opposes provision in the bill:

American Farm Bureau Federation 2114

SECTION 116. TRANSFER OF FEDERAL EMPLOYMENT CREDITS

Favor provision in the bill:

American Federation of Government Employees 1607
American Nurses' Association 2227
Arkansas Department of Public Welfare 1788
Department of Social Welfare, General Board of Christian Social Concerns, Methodist Church 1272
Government Employees' Council, AFL-CIO 2261
National Federation of Federal Employees 2256
National Postal Union 1613
National Rural Letter Carriers' Association 2257
Reuss, Hon. Henry S., Member of Congress 1556
United Auto Workers 1420

Favor voluntary social security coverage for Federal employees:

Affiliated Government Organizations (as in H.R. 3771) 1619
American Federation of Government Employees (as in H.R. 3771) 1607
Matsunaga, Hon. Spark M., Member of Congress (as in H.R. 4497) 1551
Murphy, Hon. John M., Member of Congress (as in H.R. 990) 1409
National Federation of Federal Employees 2256
National Postal Union (as in H.R. 3771) 1613
Social Security Lodge No. 1760, American Federation of Government Employees (as in H.R. 3771) 2258

Favors making social security the basic Federal plan; civil service would supplement it as private plans now do (as in H.R. 1240):

Ryan, Hon. William F., Member of Congress 1202

Favors full coverage of Federal employment under social security:

Chamber of Commerce 1328

Favors "expansion to cover all public and railroad retirement systems":

Page
National Farmers Union 1283

Opposes including under the transfer of credit provision those Federal employees with more than 5 years' creditable service:

National Federation of Federal Employees 2256

Opposes any connection between Federal retirement system and social security:

National Association of Postal Supervisors 1264

Opposes provision permitting transfer of credits only if the person is not eligible for Federal retirement benefits; opposes date limitation of June 30, 1966, favors January 1, 1937, or January 1, 1950:

Dick, Judah, lawyer, New York, N.Y. 1540

SECTION 117. COVERAGE STATUS OF SHRIMPBOAT FISHERMEN AND TRUCK LOADERS AND UNLOADERS

No testimony.

3. Part 3—Health Insurance Benefits

SECTION 125. HEALTH INSURANCE FOR THE DISABLED

Favor provision in bill:

AFL–CIO 571
Alabama Department of Pensions and Security 2369
American Association of Workers for the Blind 2243
American Foundation for the Blind, Inc. 2241
American Council of the Blind 1999
American Nurses' Association 2227
Blinded Veterans Association 2225
Boland, Hon. Edward P., Member of Congress 1981
Clement, Kenneth W., M.D., Cleveland, Ohio 1380
Community Council of Greater New York 2011
Dingell, Hon. John D., Member of Congress 1896
Fraser, Hon. Donald M., Member of Congress 1155
Members' Council, Senior Citizens, Inc., Nashville, Tennessee 2377
National Association for Retarded Children 2230
National Association of Social Workers 1697
National Consumers League 2118
National Council of Churches of Christ in the U.S.A. 1268
National Council of Senior Citizens 1356
National Farmers Union 1283
Paralyzed Veterans of America 2224
Pepper, Hon. Claude, Member of Congress 1965
Physicians Forum 1142
Senior Citizens Golden Ring Council 1075
Wickenden, Elizabeth, National Social Welfare Assembly and other organizations 1563

Oppose provision in the bill:

American Medical Association 1651
Chamber of Commerce 1328
Commerce and Industry Association of New York 1842
Council of State Chambers of Commerce 1306
Health Insurance Association of America 937
International Association of Health Underwriters 2453
National Association of Blue Shield Plans 529
National Association of Life Underwriters 1229
Ohio State Medical Association 1683

Favor provision in the bill, but would cover all social security beneficiaries:

	Page
National Association of Social Workers	1697
National Association of Social Workers and College of Social Workers of Puerto Rico	2360
New York City Central Labor Council AFL–CIO, New York Hotel & Motel Trades Council AFL–CIO, New York Labor-Management Council of Health and Welfare Plans, Inc	1627
Townsend Foundation	2019
United Auto Workers (and for wives at any age)	1420

Favors medicare coverage for survivor beneficiaries:

Senior Citizens Golden Ring Council	1075

Opposes provision in the bill, but if accepted would recommend "that it be done by coordinating private and public financing rather than a competitive, overlapping approach":

American Mutual Insurance Alliance	1645

Opposes provision in the bill, would recommend either (1) greater cash benefits, (2) benefits under title XIX, or (3) a special, separate program along the lines of the Federal employees program:

Blue Cross Association	477

SECTION 126. REMOVAL OF RESTRICTION ON HEALTH INSURANCE PAYMENTS TO FEDERAL FACILITIES

Favor provision in the bill:

Arkansas Department of Public Welfare	1788
Dingell, Hon. John D., Member of Congress	1896

Favors provision in the bill if Federal facilities have to follow same rules:

American College of Radiology	1808

Favors provision in the bill, but recommends that Federal hospitals meet physician certification and utilization review requirements:

Clement, Kenneth W., M.D., Cleveland, Ohio	1380

Oppose provision in the bill:

American Legion	2222
American Medical Association	1651
American Hospital Association	687
Burton, Hon. Phillip, Member of Congress	1927
Commerce & Industry Association of New York	1842
National Farmers Union	1283
Ohio State Medical Association	1683

Opposes provision in the bill, recommends joint study by the American Hospital Association and the Government on problems the proposal would create for local planning:

Blue Cross Association	477

SECTION 127. PAYMENT FOR PODIATRISTS' SERVICES UNDER THE SUPPLEMENTARY MEDICAL INSURANCE PROGRAM—PART B OF TITLE XVIII

Favor provision in the bill: Page

American Association of Homes for the Aging 1009
American College of Foot Orthopedists 2351
American Podiatry Association (urges podiatrists be included under definition of physician) 1137
Arkansas Department of Public Welfare 1788
Clement, Kenneth W., M.D., Cleveland, Ohio (but would cover routine foot care where condition has been diagonsed by an M.D.) 1380
Dingell, Hon. John D., Member of Congress 1896
Health Insurance Association of America 937
Hochreiter, Franklyn C., Executive Secretary of Baltimore City Commission on Problems of the Aging 2359
National Council of Senior Citizens 1356
National Farmers Union 1283
Pepper, Hon. Claude, Member of Congress 1965
Physicians Forum 1142

Favors provision in the bill, and recommends including additional services, e.g., nutritionists and dietitians:

American Public Health Association 1129

Oppose provision in the bill:

American Medical Association 1651
Commerce & Industry Association of New York 1842
Ohio State Medical Association 1683

SECTION 128. INCREASE IN THE MEMBERSHIP OF THE NATIONAL MEDICAL REVIEW COMMITTEE

Favor provision in the bill:

American Medical Association 1651
Dingell, Hon. John D., Member of Congress 1896
National Association of Blue Shield Plans 529
National Farmers Union 1283

Favors including nurses on the National Medical Review Committee:

American Nurses' Association 2227

Proposes "more meaningful representation" by privately practicing physicians:

Ohio State Medical Association 1683

SECTION 129. DEPRECIATION ALLOWANCE AND HEALTH FACILITIES PLANNING

Favor provision in the bill:

AFL-CIO 571
Clement, Kenneth W., M.D., Cleveland, Ohio 1380
Dingell, Hon. John D., Member of Congress 1896
Wickenden, Elizabeth, National Social Welfare Assembly and other organizations 1563

Favors provision in the bill, but would allow depreciation only if hospital is taking steps to reduce hospital costs:

National Farmers Union 1283

Favors provision in the bill with two modifications—(1) retain the depreciation allowance in the medicare trust fund until needed for approved capital responsible for total health facility planning:

Page
American Public Health Association 1129

Oppose provision in the bill:

Alabama Hospital Association 2281
American Medical Association 1651
Catholic Hospital Association (favors legislation to require replacement cost depreciation) 2271
Federation of American Hospitals 771
Foster, Charles L. Jr., administrator, Knapp Memorial Methodist Hospital, Weslaco, Tex 2284
Fuqua, Karey, administrator, Southwestern Clinic Hospital, Inc., Lawton, Okla 2283
Hackett, Charles J., administrator, Hempstead General Hospital, Hempstead, N.Y 2282
Hannah, James F., assistant administrator, comptroller, the Cooper Hospital, Camden, N.J 2079
Hinderer, Harold, Daughters of Charity of St. Vincent de Paul, St. Louis Province 2248
Jennings American Legion Hospital, Inc., Jennings, La 770
Jorgenson, G., M.D., Bellevue Maternity Hospital, Schenectady, N.Y 2282
Kaiser Foundation Health Plan, Inc 780
Knowles, John H., M.D., general director, Massachusetts General Hospital 2280
Louisiana Hospital Association, New Orleans District 2283
Ohio State Medical Association 1683

Opposes provision in the bill—recommends study of broader proposals—beyond scope of medicare:

Blue Cross Association 477

Oppose application of proposal to facilities built with private funds:

American Nursing Home Association 787
Massachusetts Federation of Nursing Homes, Inc 1059
Wisconsin Association of Nursing Homes, Inc 2286

Recommends that (1) control over depreciation funds be limited to new facilities and the expansion of existing facilities, (2) requirement that approval be given for replacement of equipment and other expenses within normal area of operations be removed, (3) provisions which would control depreciation funds received from other sources be removed, (4) regional and local planning bodies be recognized, and (5) appeal mechanism be established for disallowed hospital proposals for capital spending:

American Hospital Association 2281

Favors using local health planning agencies established under the Comprehensive Health Planning Act of 1966 to determine the conditions under which a local hospital should spend its depreciation funds rather than a State planning agency; health planning bodies should be appointed by, or be responsible to, local elected officials:

National Association of Counties 1779

SECTION 130. OUTPATIENT HOSPITAL AND DIAGNOSTIC SPECIALTY BENEFITS—NEW PART C

Favor provision in the bill: Page

AFL-CIO 571
American Academy of Orthopaedic Surgeons 2350
Arkansas Department of Public Welfare 1788
College of American Pathologists 1115
Dingell, Hon. John D., Member of Congress 1896
National Farmers Union 1283
Physicians Forum 1142
Schweiker, Hon. Richard S., Member of Congress 564
United Steel Workers of America, Local Union 1211 641
Wickenden, Elizabeth, National Social Welfare Assembly and other organizations 1563

Favor provision in the bill, but would cover all hospital-based physician services under the hospital insurance program (part A):

American Public Health Association 1129
Senior Citizens Golden Ring Council 1075
United Auto Workers 1420

Favor provision in the bill, but would make effective date not before January 1, 1968:

Commercial insurance companies participating in medicare 449

Recommends coverage of radiologists and pathologists under hospital insurance program (part A), elimination of $50 deductible and 20 percent coinsurance for inpatient diagnostic X-ray and laboratory services, adding coverage of inpatient radiology therapy under hospital insurance program (part A), elimination of $20 deductible and 20 percent coinsurance and 20-day period for outpatient diagnostic benefits, and placement of all hospital outpatient services under the hospital insurance program (part A) subject to no deductible but subject to higher coinsurance than 20 percent:

American Hospital Association 2281

Favors placing the services of hospital-based physicians under the hospital insurance program (part A), or placing on a voluntary basis between hospitals and specialists whether services to be covered under part A or under the supplementary medical insurance program (part B):

Alabama Hospital Association 2281

Favors reimbursement to hospitals on a uniform basis for hospital-based services whether service is charged against part A or part B:

Byers, Lyle W., executive director, Eye and Ear Hospital, Pittsburgh, Pa 2284

Favors attempt to separate what comes under hospital insurance and supplementary medical insurance:

Alabama Department of Pensions and Security 2369

Stated no position on provision in the bill:

National Association of Blue Shield Plans 529

Oppose provisions in the bill:

American College of Radiology 1808
American Medical Association 1651
Ohio State Medical Association 1683

Opposes that part of provision in the bill which would include the services of radiologists as inpatient hospital services:

Page

Kansas Chapter, American College of Radiology, Kansas Radiological Society 2341

Opposes provision in the bill, favors covering outpatient benefits under the hospital insurance program:

Community Council of Greater New York 2011

Opposes provision in the bill—would modify as follows: (1) put all hospital outpatient services under part A, with 50 percent coinsurance, a maximum payment of $20 for related series of services and a minimum payment of $2, (2) where hospital bills for the services cover all physicians' services under part A, pay them on a reasonable charge basis, and (3) where physician bills directly for his services, cover under part B:

Blue Cross Association 477

Favors combining outpatient diagnostic and therapeutic provisions under the hospital insurance program:

Alabama Hospital Association 2281

Recommends elimination or modification of the provision of present law under which payments of hospital-based specialists are split between the hospital insurance program and the supplementary medical insurance program:

American Association of Hospital Accountants, Southwestern Pennsylvania Chapter 2251

Opposes H.R. 5751, which would cover the services of anesthesiologists furnished to hospital inpatients under the hospital insurance program (part A):

American Society of Anesthesiologists, Inc 1809

Favors including payments to hospital-based physicians under part A, hospital insurance, not new part C:

National Association of Social Workers 1697

SECTION 131. ELIMINATION OF PHYSICIAN CERTIFICATION REQUIREMENT FOR HOSPITALIZATION

Favor provision in the bill:

American Hospital Association 2281
American Medical Association (would also eliminate recertification requirements) 1651
Arkansas Department of Public Welfare 1788
Commerce and Industry Association of New York 1842
Dingell, Hon. John D., Member of Congress 1896
Louisiana Hospital Association, New Orleans District 2283
Massachusetts Medical Society 2301
National Association of Blue Shield Plans 529
Ohio State Medical Association (would also eliminate recertification requirements) 1683
Schweiker, Hon. Richard S., Member of Congress 564

Favor provision in the bill, but would require that recertification not be made before the 20th day of hospitalization:

American College of Radiology 1808
Blue Cross Association 477

Favor provision in the bill, but would apply also to admission to an extended care facility:

Page
American Nursing Home Association 787
Wisconsin Association of Nursing Homes, Inc 2286

Favors provision in the bill, but recommends that certification for admission to extended care facilities and for the need for home health benefits be eliminated:

Commerical insurance companies participating in medicare 449

Opposes provision in the bill:

National Farmers Union 1283
Patients' Aid Society, Inc 2338

Favors (1) elimination of recertification requirements and (2) elimination of certification for need for outpatient services:

Alabama Hospital Association 2281

4. Part 4—Miscellaneous and Technical Amendments

SECTION 150. BENEFITS FOR A CHILD DEPENDENT ON A WORKER WHO IS NOT HIS PARENT

Favor provision in the bill:

Arkansas Department of Public Welfare 1788
National Council of Churches of Christ in the USA 2268
National Farmers Union 1283

SECTION 151. BENEFITS FOR A CHILD ADOPTED AFTER A WORKER'S DEATH

Favor provision in the bill:

Arkansas Department of Public Welfare 1788
National Council of Churches of Christ in the USA 1268
National Farmers Union 1283

SECTION 152. BENEFITS FOR DEPENDENT PARENTS OR RETIRED OR DISABLED WORKERS

Favor provision in the bill:

National Council of Churches of Christ in the USA 1268
National Farmers Union 1283
New York League of Business and Professional Women, Inc 2381
Pepper, Hon. Claude, Member of Congress 1965

Favors, and would pay benefits to dependent even though not one of the relatives specified in the law:

Ryan, Hon. William F., Member of Congress 1202

SECTION 153. UNDERPAYMENTS

Favors provision in the bill:

Commercial insurance companies participating in medicare 449

Favors H.R. 7378 to pay benefits due a deceased beneficiary "without redtape" when amount due is less than $1,000:

Pepper, Hon. Claude, Member of Congress 1965

SECTION 154. SIMPLIFICATION OF COMPUTATION OF PRIMARY INSURANCE AMOUNT AND QUARTER OF COVERAGE IN THE CASE OF 1937–1950 WAGES

No testimony.

SECTION 155. DEFINITION OF WIDOW, WIDOWER, AND STEPCHILD

No testimony.

SECTION 156. EXTENSION OF TIME FOR FILING REPORT OF EARNINGS

No testimony.

SECTION 157. PENALTIES FOR FAILURE TO FILE TIMELY REPORTS

No testimony.

SECTION 158. LIMITATION ON PAYMENT OF RETROACTIVE BENEFITS IN CERTAIN CASES

No testimony.

SECTION 159. STATUTE OF LIMITATIONS FOR SELF-EMPLOYMENT INCOME

Favors provision in the bill:

	Page
American Nurses' Association	2227

SECTION 160. ENROLLMENT UNDER MEDICARE BASED ON AN ALLEGED DATE OF ATTAINMENT OF AGE 65

Favors provision in the bill:

National Farmers Union	1283

SECTION 161. COVERAGE OF LIMITED LICENSED PHYSICIANS UNDER PART A OF MEDICARE RATHER THAN PART B

Favor provision in the bill:

American Academy of Orthopaedic Surgeons	2350
Blue Cross Association	477
Commercial insurance companies participating in medicare	1202
National Farmers Union	1283

Opposes provision in the bill:

American Medical Association	1651

SECTION 162. PAYMENT FOR THE PURCHASE OF DURABLE MEDICAL EQUIPMENT

Favor provision in the bill:

	Page
American College of Radiology	1808
American Medical Association	1651
Commercial insurance companies participating in medicare (would also allow carrier to use its judgment on whether purchase or rental should be paid for)	1202
National Association of Blue Shield Plans	529
National Farmers Union	1283
National Tuberculosis Association	2237

SECTION 163. PAYMENTS TO STATE AGENCIES FOR FURNISHING CONSULTATIVE SERVICES TO LABORATORIES

Favor provision in the bill:

	Page
American Medical Association	1651
Association of State and Territorial Health Officers	2263
National Farmers Union	1283

SECTION 164. LIMITATION ON REDUCTION OF 90 DAYS OF IN-PATIENT HOSPITAL SERVICES

Favors provision in the bill:

National Farmers Union	1283

Favor elimination of entire provision which counts days in a mental or tuberculosis hospital against 90 day coverage of hospitalization:

American Medical Association	1651
Blue Cross Association	477
National Tuberculosis Association (for tuberculosis hospitals only)	2237

SECTION 165. MEDICARE BENEFITS TO INDIVIDUALS WHO DIE IN MONTH OF ATTAINING AGE 65

Favors provision in the bill:

National Farmers Union	1283

SECTION 166. REPORT OF BOARD OF TRUSTEES TO CONGRESS

No testimony.

SECTION 167. REDESIGNATION OF OLD-AGE INSURANCE BENEFITS AS RETIREMENT BENEFITS

Favors provision in the bill:

National Farmers Union	1283

Opposes provision in the bill:

Ohio State Medical Association	1683

B. Title II—Public Welfare Amendments

1. Part 1—Public Assistance Amendments

SECTION 201. MAKING MANDATORY EARNINGS EXEMPTIONS UNDER PUBLIC ASSISTANCE

Favor provision in the bill:

AFL–CIO	1170
Arkansas Department of Public Welfare	1788
Burton, Hon. Phillip, Member of Congress	1927
Council for Christian Social Action	1274
Department of Social Welfare, General Board of Christian Social Concerns, Methodist Church	1272
Health and Welfare Associations of Allegheny County, Pa	2417
National Association of Counties	1779
National Association of Social Workers	1697
National Child Welfare Commission of the American Legion	2214
National Conference of Catholic Charities	1819

Favor provision in the bill—Continued Page
National Council of Churches of Christ in the U.S.A. 1268
National Council of State Public Welfare Administrators, American Public Welfare Association 831
National Urban League 1297
Welfare Alliance of District of Columbia 2055

Opposes provision in the bill:
Chamber of Commerce 1328

Favor earnings exemptions, but would make the amount higher:
American Council of the Blind 1999
Commissioner, New York City Department of Welfare 1832
National Association for Retarded Children 2230

Favors earnings exemptions, but would make amounts same as under work training programs:
Child Welfare League of America 1984

Questions whether equity does not require that members in an AFDC family should be permitted the same income exemption on earnings in nonpoverty program employment as is now provided for those employed in Economic Opportunity Act financed projects:
National Association of Social Workers 1697

Favors an orderly plan that will permit States to exempt reasonable amounts of income and resources that control eligibility for, and grants from, public assistance and other allied programs:
Illinois State Chamber of Commerce 1865

Favors earnings exemptions, but would prefer exemption of $85 plus half of all earned above $85:
Fraser, Hon. Donald M., Member of Congress 1155

Favors including in the public assistance titles the amount of permissive and mandatory exemptions from any and all sources which are to be disregarded in determing eligibility for public assistance:
Alabama Department of Pensions and Security 2369

Favors extension of disregard of income to adults under AFDC, but believes greater incentive would result if local agencies could be more flexible in disregarding income of adults with larger families; urges consideration of legislation that would make it possible for earnings to be disregarded until the family income was equivalent to the defined poverty level:
Burns, Eugene F., director, Cuyahoga Co. (Ohio) Welfare Department 2059

SECTION 202. REQUIREMENT FOR STATES TO MEET FULL NEED

Favor provision in the bill:
AFL–CIO 571
American Association of Homes for the Aging 1003
American Association of Workers for the Blind 2243
American Foundation for the Blind, Inc 2241
American Home Economics Association 2399
Child Welfare League of America 1984

Favor provision in the bill—Continued

Page

Citizens' Crusade Against Poverty 2235
Community Service Society, Department of Public Affairs, New York, N.Y. 2364
Council for Christian Social Action 1274
Department of Social Welfare, General Board of Christian Social Concerns, Methodist Church 1272
Health and Welfare Associations of Allegheny County, Pa. 2417
Members' Council, Senior Citizens, Inc., Nashville, Tenn. 2377
National Child Welfare Commission of the American Legion 2214
National Conference of Catholic Charities 1819
National Consumers League 2118
National Council of Churches of Christ in the USA 1268
National Council of State Public Welfare Administrators, American Public Welfare Association 831
National Urban League 1297
Welfare Alliance of District of Columbia 2055
Wickenden, Elizabeth, National Social Welfare Assembly, Inc., and other organizations 1563

Oppose provision in the bill:

Chamber of Commerce 1328
Liberty Lobby 1626
Polanco-Abreu, Hon. Santiago, Resident Commissioner of Puerto Rico 1930
Puerto Rico Medical Association 1630

Other positions:

Alabama Department of Pensions and Security ("We are concerned about the ability of low-income States to finance the proposed requirement of meeting full need . . .") 2369
American Council of the Blind (favors, but would require Federal standards of $1,500 for single person and $3,000 for family of four; would specifically include Puerto Rico and other possessions) 1999
Burns, Eugene F., director, Cuyahoga County (Ohio) Welfare Department (favors, but would also recommend a Federal minimum standard and additional Federal funds to meet this standard) 2059
Council of Jewish Federations and Welfare Funds, Inc. (favors minimum Federal standards for all in actual need regardless of other circumstances) 2239
Council for Christian Social Action (favors national minimum standard) 1274
Crothers, Morris K., M.D. State Representative, Oregon (favors provision, but urges Federal matching for new amounts spent by the States) 1760
Illinois Department of Children and Family Services (favors provision, but urges greater Federal funds) 1529
Illinois State Chamber of Commerce (opposes provision, but would revise to permit lower standards when cost of living drops) 1865
National Association of Counties (any Federal requirement should have corresponding increases in Federal financing) 1779
National Association of Social Workers (favors provision, but urges establishment of national floor varied to recognize regional cost-of-living differences) 1697

SECTION 203. RELATING CASH ASSISTANCE INCOME STANDARD TO MEDICAL ASSISTANCE STANDARD

Favor provision in the bill:

Health Insurance Association of America 937
National Child Welfare Commission of the American Legion 2214
National Conference of Catholic Charities 1819
National Urban League 1297
Welfare Alliance of District of Columbia 2055

Oppose provision in the bill:

Page
Chamber of Commerce 1328
Polanco-Abreu, Hon. Santiago, Resident Commissioner of Puerto Rico 1930
Puerto Rico Medical Association 1630
Wickenden, Elizabeth, National Social Welfare Assembly, Inc., and other organizations 1563

SECTION 204. FEDERAL ASSISTANCE IN COMMUNITY WORK AND TRAINING PROGRAMS

Favor provision in the bill:

American Parents Committee, Inc 2005
Commissioner, New York City Department of Welfare 1832
Council for Christian Social Action 1274
Health and Welfare Association of Allegheny County, Pa 2417
National Association of Counties 1779
National Council of Churches of Christ in the USA 1268
National Farmers Union 1283
National Urban League 1297
Ohio State Medical Association 1683
Welfare Alliance of the District of Columbia 2055
U.S. Conference of City Health Officers, U.S. Conference of Mayors 2082

Favors, if dollar ceiling on Puerto Rico is eliminated and modification in matching system is made:

National Association of Social Workers and College of Social Workers of Puerto Rico 2360
Polanco-Abreu, Hon. Santiago, Resident Commissioner of Puerto Rico 1930

Other positions:

Alabama Department of Pensions and Security (would like to see the public welfare agency utilize such projects administered by another agency instead of administering them itself) 2369
Burns, Eugene F., director, Cuyahoga County (Ohio) Welfare Department (favors principle, but feels program should be left in HEW) 2059
Besse, Ralph M., chairman, Cleveland Inner City Action Committee (opposes change in administrative structure) 2066
Illinois State Chamber of Commerce (opposes provision that "appears to require the Department of Public Aid to secure approval from the Department of Labor to institute education and training programs.") 1865
Locher, Ralph S, mayor, Cleveland, Ohio (opposes change in administrative structure) 2066
National Council of State Public Welfare Administrators, American Public Welfare Association (would alternatively expand sec. 409 and remove provisions regarding Department of Labor) 831
New England Public Welfare Administrators (oppose provisions involving the Department of Labor) 2080
Ramsey County Welfare Board, County Welfare Department, St. Paul, Minn. (opposes work and training programs under the Department of Labor, as specified in provision) 2426
Stanton, James V, president, city council, Cleveland, Ohio (opposes change in administrative structure) 2066
Vincent, L. L., commissioner, West Virginia Department of Welfare (opposes transfer of responsibility to Secretary of Labor) 2420
Wickenden, Elizabeth, National Social Welfare Assembly, Inc., and other organizations (favors expanded programs, but "the provisions with respect to cooperation with the Labor Department seem unduly complex and should also . . . be optional") 1563

SECTION 205. FEDERAL MEDICAL ASSISTANCE SHARE IN CASE OF CERTAIN PUBLIC ASSISTANCE EXPENDITURES

Favor provision in the bill: Page

American Association of Homes for the Aging 1003
American Medical Association (but would eliminate physician certification requirement) 1651
National Council of State Public Welfare Administrators, American Public Welfare Association 831
National Urban League 1297

Favor, but would require vendor payment method:

American Nursing Home Association 787
Wisconsin Association of Nursing Homes, Inc 2286

Favors, but would amend so that physician need not certify that skilled nursing care would otherwise be needed, only that special living arrangements are necessary:

Crothers, Morris K., M.D., State Representative, Oregon 1760

Favor elimination of ceiling on Federal payments for Puerto Rico so this provision can be effective for Puerto Rico:

National Association of Social Workers and College of Social Workers of Puerto Rico 2360
Polanco-Abreu, Hon. Santiago, Resident Commissioner of Puerto Rico 1930
Puerto Rico Medical Association 1630

Favors, but recommends mandatory Federal standards to insure that the States make effective and efficient use of funds allocated for nursing home and medical care payments:

Burns, Eugene F, director, Cuyahoga County (Ohio) Welfare Department 2059

SECTION 206. FEDERAL PAYMENT TO MEET COST OF NEW CASH ASSISTANCE REQUIREMENTS

Favor provision in the bill:

National Urban League 1297
Welfare Alliance of District of Columbia 2055
Wickenden, Elizabeth, National Social Welfare Assembly, Inc., and other organizations (favors, but would increase amounts authorized and would provide an allotment formula related to per capita income of States) 1563

Considers provision for $60 million "grossly inadequate":

Puerto Rico Medical Association 1630

SECTION 207. TEMPORARY ASSISTANCE FOR MIGRATORY WORKERS

Favor provision in the bill:

AFL-CIO 571
National Association of Social Workers (favors, but urges that residence requirements under public assistance be removed, with project grants to help the State to do so) 1697
National Child Welfare Commission of the American Legion (favors and would extend time limit beyond 60 days) 2214
National Consumers League 2118
National Council of State Public Welfare Administrators, American Public Welfare Association 831
National Urban League 1297
Ohio State Medical Association 1683

SECTION 208. AMENDMENTS MAKING PERMANENT CERTAIN PROVISIONS RELATING TO PUBLIC ASSISTANCE

Favor provision in the bill:

	Page
American Parents Committee, Inc	2005
Burton, Hon. Phillip, Member of Congress	1927
Council of Jewish Federation and Welfare Funds, Inc	2239
Health and Welfare Association of Allegheny County, Pa	2417
National Association of Counties	1779
National Council of Churches of Christ in the USA	1268
National Urban League	1297

Favor provision in the bill and would make the provision of AFDC payments to families with unemployed fathers mandatory on the States:

AFL–CIO	571
Child Welfare League of America	1984
Commissioner, New York City Department of Welfare (would extend principle to assistance cases in which employed father's income does not meet PA standards)	1832
Community Service Society, Department of Public Affairs, New York N.Y	2364
Department of Social Welfare, General Board of Christian Social Concerns, Methodist Church	1272
National Association of Social Workers (would make mandatory July 1, 1969)	1697
National Conference of Catholic Charities	1819
Welfare Alliance of District of Columbia	2055
Wickenden, Elizabeth, National Social Welfare Assembly, Inc., and other organizations	1563

2. Part 2—Medical Assistance Amendments

SECTION 220. LIMITATION ON FEDERAL PARTICIPATION IN MEDICAL ASSISTANCE

Favor provision in the bill:

American Medical Association (favors concept)	1651
American Life Convention & Life Insurance Association of America (favors consideration of provisions with dollar limits on Federal participation)	1210
Blue Cross Association (favors using the cash system which has the most recipients)	477
Commerce & Industry Association of New York (also urges reconsideration of H.R. 18225, 89th Congress, and suggestions submitted by the association to committee members during 1966)	1842
Crothers, Morris K., M.D., State Representative, Oregon	1760
Greater Syracuse Chamber of Commerce	2125
Health Insurance Association of America (favors in combination with sec. 203)	937
International Association of Health Underwriters	2453
National Association of Blue Shield Plans	529
National Association of Life Underwriters (favors "reasonable limitations")	1229
National Council of State Public Welfare Administrators—American Public Welfare Association	831
Stratton, Hon. Samuel S., Member of Congress (but does not go far enough)	1951

Oppose provision in the bill:

AFL–CIO	571
Child Welfare League of America	1984
Community Council of Greater New York (opposes any change in title XIX until DHEW has studied and made recommendations)	2011

Oppose provision in the bill—Continued

Page

Community Service Society, Department of Public Affairs, New York, N.Y. 2364
Council of Jewish Federations and Welfare Funds, Inc. 2239
International Ladies' Garment Workers Union (suggests minimum rather than maximum standards) 2131
National Association of Social Workers 1697
National Association of Social Workers and College of Social Workers of Puerto Rico 2360
National Council of Senior Citizens 1356
National Urban League 1297
New York Central Labor Council AFL–CIO, New York Hotel & Motel Trades Council AFL–CIO, New York Labor-Management Council of Health and Welfare Plans, Inc. 1627
Physicians Forum ("premature") 1142
United Auto Workers 1420
Wickenden, Elizabeth, National Social Welfare Assembly, Inc., and other organizations 1563

Oppose, urge that if the provision is passed it exclude Puerto Rico:

Polanco-Abreu, Hon. Santiago, Resident Commissioner of Puerto Rico 1930
Puerto Rico Medical Association 1630

Other statements:

Board of Supervisors, Montgomery County, N.Y. (favors repeal of medicaid and a more realistic method of providing medical assistance 1959
Chamber of Commerce (favors some limit on principle, but takes no position on specific provision) 1328
Association of New York State Physicians & Dentists, Inc. (favors ceiling on total Federal contributions under title XIX, thus forcing a prorating of the appropriation; favors making the maximum cash dollar allotted to the welfare recipient as the base for indigency. From that point to 150 percent favors coinsurance through subsidization by Federal and State governments and the insured) 1727
Syracuse Manufacturers Association (favors "proper changes," including deductibles and coinsurance, to limit application of title XIX) 2124
Texas Academy of General Practice (favors setting realistic interpretation of medical need) 2304

Supports measures which would establish tighter guidelines:

National Association of Manufacturers 2085

SECTION 221. DETERMINING MAINTENANCE OF STATE EFFORT

Endorses principle of wide variety of alternatives in determining maintenance of State effort, but "We really to not see the necessity" for the State effort requirement:

Alabama Department of Pensions and Security 2369

SECTION 222. COORDINATION OF TITLE XIX AND THE SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

Favor provision in the bill:

American Medical Association 1651
Blue Cross Association (favors, but would remove provision denying Federal assistance for part B coverage if eligible person is not enrolled under part B) 477
Puerto Rico Medical Association 1630

Favors exemption of Puerto Rico from this section:

Polanco-Abreu, Hon. Santiago, Resident Commissioner of Puerto Rico ..... Page 1930

SECTION 223. EXCLUSION OF PART B BENEFITS UNDER COMPARABILITY PROVISION

Favors provision in the bill:

American Medical Association (if there is comparability between five basic services in title XIX and counterparts in part B of title XVIII) 1651
Crothers, Morris K., M.D., State Representative, Oregon 1760
National Association of Blue Shield Plans 529

Oppose provision in the bill:

AFL-CIO 571
American Public Health Association 1137
Association of State and Territorial Health Officers 2263
Child Welfare League of America 1984
Eliot, Martha M., professor of maternal and child health emerita, Harvard University School of Public Health 2265
Freymann, John G., general director, Boston Hospital for Women 2279
Schmidt, William M., professor of maternal and child health and head of department, Harvard University School of Public Health 2269

SECTION 224. ALLOWANCE FOR FEDERAL FINANCIAL PARTICIPATION IN CERTAIN STATE ADMINISTRATIVE EXPENSES

Favor provision in the bill:

American Medical Association 1651
American Public Health Association 1129
Association of State and Territorial Health Officers 2082
Blue Cross Association 477
National Association of Social Workers 1697

Favors equalized Federal participation for professional services regardless of State administrative arrangements:

AFL-CIO 571

SECTION 225. CREATION OF MEDICAL ASSISTANCE ADVISORY COUNCIL

Favor provision in the bill:

AFL-CIO 571
American Medical Association 1651
Blue Cross Association 477
National Conference of Catholic Charities 1819
New York Board of Trade 1755
Physicians Forum 1142

Favors, but questions whether there are enough members to include representatives from all appropriate professions and services:

National Council of State Public Welfare Administrators, American Public Welfare Association 831

Favors merging sec. 225 on advisory council for medical assistance (title XIX) with sec. 128 on the increase in the membership of the review committee (title XVIII) to provide for a combined Advisory Council on Personal Health Services; would select consumer representatives from the major segments of the community:

National Association of Social Workers 1697

Favors, but suggests two changes: (1) add representation from private medicine, (2) remove requirement that majority come from consumers:

Page

Ohio State Medical Association ... 1683

Favors, but would require representation from local health officials:

U.S. Conference of City Health Officers, U.S. Conference of Mayors ... 2082

SECTION 226. FREE CHOICE BY INDIVIDUAL ELIGIBLE FOR ASSISTANCE

Favor provision in the bill:

American Medical Association ... 1651
Association of New York State Physicians and Dentists, Inc ... 1727
Massachusetts Medical Society ... 2301
National Association of Blue Shield Plans ... 529
National Association of Social Workers ... 1697
New York Board of Trade ... 1755
Puerto Rico Hospital Association ... 2273
Puerto Rico Medical Association ... 1630
Texas Academy of General Practice ... 2304

Favors study to determine whether free choice provision would be feasible in Puerto Rico by 1975; favors gradual increase in Federal matching from present 55–45 to 83–17:

Polanco-Abreu, Hon., Santiago, Resident Commissioner of Puerto Rico ... 1930

Favors exception for Puerto Rico and a change in matching formula to 83 percent:

National Association of Social Workers and College of Social Workers of Puerto Rico ... 2360

3. Part 3—Child-Welfare Services Amendments

SECTION 235. FEDERAL SHARE FOR TRAINING PERSONNEL

Favor provision in the bill:

American Parents Committee Inc ... 2005
Arkansas Department of Public Welfare ... 1788
Association of Medical School Pediatric Department of Chairmen and American Academy of Pediatrics ... 1171
Council for Christian Social Action ... 1274
National Association for Retarded Children ... 2230
National Association of Social Workers and College of Social Workers of Puerto Rico ... 2360
National Urban League ... 1297

Favors, but recommends formula for Federal, State, and local payments which would permit all local contributions to be matched with State and Federal funds:

Burns, Eugene F., director, Cuyahoga County (Ohio) Welfare Department ... 2059

SECTION 236. AUTHORIZATION FOR APPROPRIATIONS

Favor provision in the bill:

Association of State and Territorial Health Officers ... 2263
National Association for Retarded Children ... 2230
National Association of Social Workers and College of Social Workers of Puerto Rico ... 2360
National Urban League ... 1297
Wickenden, Elizabeth, National Social Welfare Assembly and other organizations ... 1563

SECTION 237. PROJECTS FOR EXPERIMENTAL AND SPECIAL TYPES OF CHILD-WELFARE SERVICES

Favor provision in the bill:

	Page
Association of Medical School Pediatric Department Chairmen and American Academy of Pediatrics	1171
National Association of Social Workers and College of Social Workers of Puerto Rico	2360
National Urban League	1297

Favor H.R. 1977, Burke, rather than provisions of part 3:

Alabama Department of Pensions and Security	2369
Board of County Commissioners, Lackawanna County, Pa	2396
Child Welfare League of America (but would modify to allow purchase of services from nonprofit agencies)	1984
Citizens Advisory Committee, Bureau of Children's Services, Lackawanna Co., Pa	2395
Colorado Congress of Parents and Teachers	2397
Commissioner, New York City Department of Welfare	1832
Community Council of Greater New York (and H.R. 5429)	2011
Community Service Society, Department of Public Affairs, New York, N.Y	2364
Community Welfare Planning Association, Houston, Tex	2396
Family Counseling and Children's Services, Waco, Tex	2384
Harmon, Maurice A., commissioner, Department of Child Welfare, Frankfort, Ky	2392
Hobson, Raleigh C., director, State Department of Public Welfare, Baltimore, Md	2393
Jewish Counseling and Service Agency, Essex County, N.J	2397
Juvenile Welfare Board of Pinellas County, Fla	2386
Machen, Hon. Hervey G., Member of Congress	1555
Maryland Conference of Social Welfare	2394
McGaughey, John R., director, Division of Guardianship, Massachusetts Department of Public Welfare	2043
McKenna, Mrs., Kathryn S., regional supervisor, Office for Children and Youth, Department of Public Welfare, Scranton, Pa	2395
Mulford, Robert M., general secretary, Massachusetts Society for the Prevention of Cruelty to Children	2394
National Association of Counties	1779
National Committee for the Day Care of Children	1622
National Conference of Catholic Charities (but would amend to provide for freedom of choice in child welfare services)	1819
National Congress of Parents and Teachers, Chicago, Ill	2384
National Council on Crime and Delinquency	2383
National Council of State Public Welfare Administrators—American Public Welfare Association (and H.R. 5429)	831
New England Association of Child Care Personnel	2386
Oregon State Public Welfare Commission	1191
Welfare Planning Council, Lackawanna County, Pa	2404
Wickenden, Elizabeth, National Social Welfare Assembly, Inc., and other organizations	1563
Winking, Cyril H., director, Illinois Department of Children and Family Services	1529
Wright, Samuel D., Member of Assembly, New York	2398

Favors own bill, H.R. 6942, to expand child welfare services (like H.R. 1977):

Matsunaga, Hon. Spark M., Member of Congress	1551

Favors own bill, H.R. 5758, to expand child welfare services (like H.R. 1977):

Boland, Hon. Edward P., Member of Congress	1981

Favors own bill, H.R. 3585, to expand child welfare services (like H.R. 1977):

Farbstein, Hon. Leonard, Member of Congress	1918

Favor proposal to provide Federal matching for all child welfare services at a 75-percent rate: Page
American Parents Committee, Inc. 2005
Child Welfare League of America 1984
Council of Jewish Federations and Welfare Funds, Inc. 2239
National Association of Social Workers 1697
National Association of Counties 1779
National Child Welfare Commission of the American Legion 2214
National Committee for the Day Care of Children 1622
Wickenden, Elizabeth, National Social Welfare Assembly, Inc., and other organizations 1563

Favor increase in Federal share of cost of child welfare services:
Commissioner, New York City Department of Welfare 1832
Fraser, Hon. Donald M., Member of Congress 1155

Favors same consideration for urban children as for rural under the programs of the Children's Bureau, more favorable Federal matching, and open-end appropriation:
Commission on Children, State of Illinois 2416

Favors provisions like those in H.R. 3969, King of California, to to provide for Federal matching of foster care costs in the State, including personnel costs, but would remove dollar ceilings in H.R. 3969:
Child Welfare League of America 1984

Favor expanded day care services:
Transylvania County Department of Public Welfare (Pennsylvania) 2403
National Committee for the Day Care of Children, Inc. 1622

Favors, but would provide Federal matching for all personnel costs, State and local, in child welfare agencies to assure that auxiliary staff are covered:
Child Welfare League of America 1984

Favors open-ended rather than annual authorization:
Commissioner, New York City Department of Welfare 1832

Favors H.R. 3969 to provide 50-percent Federal matching up to $45 a month for each child living under foster care, in a foster family home or child care institution:
National Association of Counties 1779

Endorses intention of H.R. 5710 to provide greater Federal assistance to children in foster homes; should be made clear to include shelter care for dependent and neglected children within the meaning of the term foster homes and child care institutions:
Community Council of Social Services, Ogden, Utah 2400

Favors provision to amend title V to provide for appropriation for grants to licensed, nonprofit private agencies for the construction of experimental group care facilities:
Carey, Hon. Hugh L., Member of Congress 1912

4. Part 4—Miscellaneous and Technical Amendments

SECTION 245. PERMANENT AUTHORITY TO SUPPORT DEMONSTRATION PROJECTS

Favor provision in the bill:

	Page
Commissioner, New York City Department of Welfare	1832
National Council of Churches of Christ in the USA	1268
National Council of State Public Welfare Administrators, American Public Welfare Association	831

SECTION 246. PERMITTING PARTIAL PAYMENT TO STATES

No testimony.

SECTION 247. CONTRACTS FOR COOPERATIVE RESEARCH OR DEMONSTRATION PROJECTS

No testimony.

C. Title III—Improvement of Child Health

Testified as generally favoring all sections of the title:

American Medical Association	1651
American Nurses' Association	2227
Arkansas Department of Public Welfare	1788
Beasley, Joseph D., M.D., director, Population and Family Studies Unit, Division of Maternal and Child Health, Tulane University School of Medicine	1508
Behlen, Frieda J., associate professor of education, director, occupational therapy program, New York University School of Education	2403
Clement, Kenneth W., M.D., Cleveland, Ohio	1380
Cook, Charles D., M.D., professor of pediatrics and chairman, Department of Pediatrics, Yale University School of Medicine	2398
Council for Christian Social Action	1274
Council of the Society for Pediatric Research	1192
District of Columbia Occupational Therapy Association	2354
Florida Occupational Therapy Association	2354
Haggerty, Robert J., M.D., Rochester, N.Y	1192
Kovac, George, president, Eastern Pennsylvania Occupational Therapy Association	2356
McKenna, Mrs. Kathryn S., regional supervisor, Office for Children and Youth, Department of Public Welfare, Scranton, Pa	2395
Maryland Occupational Therapy Association	2355
Missouri Occupational Therapy Association	2355
National Association for the Advancement of Colored People	2234
National Association of Social Workers and College of Social Workers of Puerto Rico	2360
National Council of State Public Welfare Administrators, American Public Welfare Association	831
National Child Welfare Commission of the American Legion (especially supports sec. 302)	2214
National Farmers Union	1283
National Urban League	1297
New York State Occupational Therapy Association	2356
Planned Parenthood-World Population (would expand)	1501
Southern California Occupational Therapy Association	2354
United Cerebral Palsy Associations, Inc. (especially supports sec. 303)	2236
U.S. Conference of City Health Officers, U.S. Conference of Mayors	2082
Welfare Planning Council, Lackawanna County, Pennsylvania	2404

SECTION 301. EARLY CASE FINDING AND TREATMENT OF HANDICAPPING CONDITIONS OF CHILDREN

Favor provision in the bill:

	Page
AFL-CIO	571
American Academy of Orthopedic Surgeons	2350
American Parents Committee, Inc	2005
American Physical Therapy Association	2353
Association of Medical School Pediatric Department Chairmen and American Academy of Pediatrics	1171
National Association for Retarded Children	2230
Physicians Forum	1142

Favor changing name of program to "Services for Handicapped Children," providing as much in Federal funds as States can match, requiring States to serve children with all potentially handicapping conditions:

American Association of Workers for the Blind	2243
American Foundation for the Blind, Inc	2241
Blinded Veterans Association	2225

Favor including the caretakers of eligible children in the program:

Eliot, Martha M., professor of maternal and child health emerita, Harvard University School of Public Health	2265
Schmidt, William M., professor of maternal and child health and head of department, Harvard University School of Public Health	2269

Favor sec. 301(b)(2) and sec. 301(d) in the bill:

Eliot, Martha M., professor of maternal and child health emerita, Harvard University School of Public Health	2265
Schmidt, William M., professor of maternal and child health and head of department, Harvard University School of Public Health	2269

Favor changing language of 301(a)(2), page 139, line 23—insert after "chronic" the words "or other adverse" so that the line would read: "ameliorate defects, or chronic or other adverse conditions discovered thereby"; page 140, line 1—strike out word "periodic" and insert instead the following: "increased and improved case finding methods, including, but not limited to"; page 140, line 3—insert after "chronic" the words "or other adverse":

Eliot, Martha M., professor of maternal and child health emerita, Harvard University School of Public Health	2265
Schmidt, William M., professor of maternal and child health and head of department, Harvard University School of Public Health	2269

Favors, and suggests a coordination requirement in secs. 301, 303 and 306 with State health facilities planning agency:

American Public Health Association	1129

Favors including all types of disability and all parts of a State in State plans for the crippled children's program:

National Association for Retarded Children	2230

Favor authorization for grants for "integrated" maternity and infant care projects and children and youth projects:

Eliot, Martha M., professor of maternal and child health emerita, Harvard University School of Public Health	2265
Schmidt, William M., professor of maternal and child health and head of department, Harvard University School of Public Health	2269

SECTION 302. DENTAL HEALTH OF CHILDREN

Favor provision in the bill:

	Page
AFL-CIO	571
American Dental Association	1062
American Parents Committee, Inc	2005
American Public Health Association (recommends dental health program in the Public Health Service as the administering agency)	1129
Association of Medical School Pediatric Department Chairmen and American Academy of Pediatrics	1171
Crothers, Morris K., M.D., State Representative, Oregon	1760
Eliot, Martha M., professor of maternal and child health emerita, Harvard University School of Public Health	2265
Mergele, Marvin E., D.D.S., Houston, Tex	1074
National Association for Retarded Children	2230
Pepper, Hon. Claude, Member of Congress	1965
Physicians Forum	1142

SECTION 303. SPECIAL MATERNITY AND INFANT CARE PROJECTS

Favor provision in the bill:

AFL-CIO	571
American Academy of Orthopaedic Surgeons	2350
American Home Economics Association	2399
American Parents Committee, Inc	2005
American Public Health Association	1129
Association of Medical School Pediatric Department Chairmen and American Academy of Pediatrics	1171
Freymann, John G., general director, Boston Hospital for Women	2279
National Association for Retarded Children	2230
Physicians Forum	1142
Prystowsky, Harry, professor and chairman, Department of Obstetrics and Gynecology, University of Florida School of Medicine, and president, Association of University Professors of Obstetrics and Gynecology	2430
Schmidt, William M., professor of maternal and child health and head of department, Harvard University School of Public Health	2269

Favors, but would increase authorization to $45 million:

Beasley, Joseph D., M.D., director, Population and Family Studies Unit, Division of Maternal and Child Health, Tulane University, School of Medicine	1508

Favors, but believes authorization should be increased to $40 million for 1969 and sums as necessary thereafter; urges consideration of an additional $5 million for a specific program to expand family planning:

Planned Parenthood-World Population	1501

Favors, but would amend sec. 532(b) of title V of the Social Security Act to revise and bring into conformity the definition of agencies, institutions, or organizations eligible to receive grants for children and youth projects:

Eliot, Martha M., professor of maternal and child health emerita, Harvard University School of Public Health	2265
Schmidt, William M., professor of maternal and child health and head of department, Harvard University School of Public Health	2269

Favors provision to allow maternal and infant care grants to private nonprofit agencies:

Slowinski, Eugene J., M.D., professor and chairman, Department of Obstetrics and Gynecology, Creighton University School of Medicine, Omaha, Nebr	2418

Favors, but would require coordination of this program with State health planning agency authorized under Public Law 89–749:

Page
Association of State and Territorial Health Officers 2263

Favors, but would consider private agencies as applicants only if public agencies are unable to participate and are consulted:

U.S. Conference of City Health Officers, U.S. Conference of Mayors 2082

SECTION 304. REVISIONS OF AUTHORIZATION FOR MATERNAL AND CHILD HEALTH SERVICES

Favor provision in the bill:

American Public Health Association 1129
Association of Medical School Pediatric Department Chairmen and American Academy of Pediatrics 1171
Eliot, Martha M., professor of maternal and child health emerita, Harvard University School of Public Health 2265
National Association for Retarded Children 2230
Schmidt, William M., professor of maternal and child health and head of department, Harvard University School of Public Health 2269

Favors, but urges increase of $15 million rather than $5 million:

American Parents Committee, Inc 2005

Favors, but would increase expansion "at least tenfold":

U.S. Conference of City Health Officers, U.S. Conference of Mayors 2082

Urges consideration of substantial increase in authorization for maternal and child health and, within this increase, allocation of $10 million to enable States to add to current expenditures for expansion of family planning services:

Planned Parenthood—World Population 1501

SECTION 305. TRAINING FOR HEALTH CARE OF MOTHERS AND CHILDREN

Favor provision in the bill:

AFL–CIO 571
American Parents Committee, Inc 2005
American Public Health Association 1129
Association of Medical School Pediatric Department Chairmen and American Academy of Pediatrics 1171
National Association for Retarded Children 2230
Prystowsky, Harry, professor and chairman, Department of Obstetrics and Gynecology, University of Florida School of Medicine, and president, Association of University Professors of Obstetrics and Gynecology 2430

Favors changing language to include all public or nonprofit private educational institutions:

Passett, Barry A., director, New Jersey Community Action Training Institute 1192

Favors coordination of certain Department of Labor training programs with the programs proposed in sections 305 and 306—this "could represent a total attack on the joblessness and hopelessness of the disadvantaged." The administration of these sections by the Department of Labor "might contribute to such coordination":

Passett, Barry A., director, New Jersey Community Action Training Institute 1192

SECTION 306. RESEARCH IN MATERNAL AND CHILD HEALTH SERVICES AND CRIPPLED CHILDREN'S SERVICES

Favor provision in the bill:

	Page
AFL–CIO	571
American Academy of Orthopaedic Surgeons	2350
American Public Health Association	1129
Association of Medical School Pediatric Department Chairmen and American Academy of Pediatrics	1171
Prystowsky, Harry, professor and chairman, Department of Obstetrics and Gynecology, University of Florida School of Medicine, and president, Association of University Professors of Obstetrics and Gynecology	2430

SECTION 307. PROGRAM EVALUATION IN MATERNAL AND CHILD HEALTH AND WELFARE

Favors and would extend to all Federal grant programs; recommends evaluations be performed by non-Government agencies:

American Public Health Association	1129

SECTION 308. CONFORMING OR TECHNICAL AMENDMENTS

No testimony.

D. Title IV—General Provisions

SECTION 401. FEDERAL FUNDS FOR SOCIAL WORK TRAINING

Favor provision in the bill:

Adams, Ruth R., professor of social work, Howard University	2411
Administrative staff, Los Angeles County Department of Public Social Services	2415
American Academy of Orthopaedic Surgeons	2350
American Association of Workers for the Blind	2243
American Foundation for the Blind, Inc	2241
American Parents Committee, Inc	2005
Babbidge, Homer D., Jr., president, University of Connecticut	2409
Blackey, Eileen, dean, School of Social Welfare, University of California, Los Angeles	2408
Board of Directors, Jewish Family Service of Philadelphia	2414
Bochm, Werner W., dean, Graduate School of Social Work, Rutgers University	2410
Burns, Eugene F., director, Cuyahoga County (Ohio) Welfare Department	2059
Catholic Hospital Association	2272
Child Welfare League of America	1984
Community Council of Greater New York	2011
Council for Christian Social Action	1274
Council of Jewish Federations and Welfare Funds, Inc	2239
Council on Social Work Education	1730
Department of Public Welfare, State of Minnesota	2415
Faculty, School of Social Service, Fordham University, New York, N.Y	2409
Family Service of Delaware County, Pa	2411
Fraser, Hon. Donald M., Member of Congress	1155
Health and Welfare Council of the Baltimore Area, Inc	2417
Linford, Alton A., dean, School of Social Service Administration, University of Chicago	2408
Marin, Rosa C., professor and director of the school, School of Social Work, University of Puerto Rico	2410
McKenna, Mrs. Kathryn S., regional supervisor, Office for Children and Youth, Department of Public Welfare, Scranton, Pa	2395

Favor provision in the bill—Continued

Page
National Association for Retarded Children 2230
National Association of Social Workers 1697
National Association of Social Workers and College of Social Workers of Puerto Rico 2360
National Child Welfare Commission of the American Legion 2214
National Council of Churches of Christ in the U.S.A 1268
National Council of State Public Welfare Administrators, American Public Welfare Association 831
National Council on Crime and Delinquency 2383
National Urban League 1297
Philadelphia Jewish Family Service 2414
Preininger, Rev. David R., program director, Bethesda United Presbyterian Church Community Center, Pittsburgh, Pa 2414
Tooele County, Utah, Department of Public Welfare 2411
United Good Neighbors, Portland, Oreg 2386
Welfare Planning Council, Lackawanna County, Pa 2404
Westby, Frithjof O. M., chairman, Department of Sociology and Social Work, Augustana College, Sioux Falls, S. Dak 2407
Wickenden, Elizabeth, National Social Welfare Assembly, Inc., and other organizations 1563
Witte, Ernest F., California Deans of Social Welfare and Social Work and Advisory Committee on Undergraduate Education of the Council on Social Work Education 1921

Favor, but urge wording to provide that regional organizations also be eligible for grants:

New England Board of Higher Education 2404
Southern Regional Education Board 2405
Western Interstate Commission for Higher Education 2406

Favors, but urges funds to schools and agencies to assist in recruitment and training of persons who have entered the field of social work practice without prior formal training:

National Conference of Catholic Charities 1819

Favors, but urges funds also be made available to local nonprofit organizations for manpower development and recruitment programs:

Storandt, Kenneth, executive director, Rochester, N.Y. Council of Social Agencies 1606

Favors, but would broaden to include "human service areas":

Ford, Donald H., dean, College of Human Development, Pennsylvania State University 2412

Endorses any program to increase the number of qualified personnel; favors same provisions for the Federal Government to defray the entire cost of stipends for training of public welfare personnel as is provided for other types of personnel under other titles of the Social Security Act; favors requirement for a student to return to the field which has offered him a stipend for further education:

Alabama Department of Pensions and Security 2969

SECTION 402. MEANING OF THE TERM "SECRETARY"

No testimony.

E. Testimony Specifically Indicating General Approval of the Provisions of H.R. 5710

	Page
AFL-CIO	571
Amalgamated Meat Cutters & Butcher Workmen of North America	600
American Association of Workers for the Blind	2243
American Council of the Blind	1999
American Federation of Teachers	1483
American Foundation for the Blind, Inc	2241
Boehm, Werner W., dean, Graduate School of Social Work, Rutgers University, New Brunswick, N.J	2410
Brotherhood of Locomotive Engineers (opposes income tax provisions)	2127
Burns, Eugene F., Director, Cuyahoga County (Ohio) Welfare Department	2059
Dingell, Hon. John D., Member of Congress	1896
Hanan, Rubin M., president, Alabama League of Aging Citizens, Inc	2378
Matsunaga, Hon. Spark M., Member of Congress	1551
National Council of Jewish Women	2240
National Federation of the Blind	1811
National Rural Letter Carriers' Association	2257
Polanco-Abreu, Hon. Santiago, Resident Commissioner of Puerto Rico (except for provisions in public assistance and medical assistance)	1930
Reuss, Hon. Henry S., Member of Congress (as modified by own bill, H.R. 3392, affecting title II of the Social Security Act)	1556
Senior Citizens and Associates of America	1374
Southern Arizona Chapter, National Association of Social Workers, Inc	2399
Townsend Foundation	2019

F. Testimony Specifically Indicating General Opposition to Provisions of H.R. 5710

Allison, Edward L., CLU, Allison & Clark, Tulsa, Okla	2441
National Association of Life Underwriters	1229
North, William D., lawyer, Kirkland, Ellis, Hodson, Chaffetz & Masterson, Chicago	2430
Stephens, Nell May F., Washington, D.C	2452
Williams, Duane E., assistant general counsel, Washington National Insurance Co	2250

II. Recommendations for changes in the Social Security Act not related to provisions in H.R. 5710

A. Changes Proposed in Cash Public Assistance Programs

1. CHANGES APPLICABLE TO ALL CASH ASSISTANCE TITLES

Favor removal of duration-of-residence requirements under public assistance:

American Association of Workers for the Blind	2243
American Council of the Blind	1999
American Foundation for the Blind, Inc	2241
Citizens' Crusade Against Poverty	2235
National Conference of Catholic Charities	1819
National Council of Churches of Christ in the U.S.A	1268
Ryan, Hon. William F., Member of Congress (as in H.R. 1239)	1202

Favors provision allowing variation in State standards of need:

Illinois State Chamber of Commerce	1865

Favors provisions of H.R. 16859, 89th Congress, to provide an alternative method for making protective payments in behalf of public assistance recipients:

Page

Illinois State Chamber of Commerce 1865

Recommends four-point program to begin "a massive campaign to inform the public" about public welfare programs:

National Urban League 1297

Opposes "presumptive eligibility rules" in determining eligibility for public assistance:

Illinois State Chamber of Commerce 1865

Favor removal of relative responsibility provisions and lien provisions:

American Council of the Blind 1999
National Association for Retarded Children 2230
National Conference of Catholic Charities 1819

Recommends that the Federal Government foster and encourage the States to experiment in the use of sub-professional classifications and that the fixing of such classifications and qualifications be vested in the local unit of government administering public assistance, consistent with the civil service laws of the State:

National Association of Counties 1779

Favor one federally aided assistance category based on need only:

AFL-CIO 571
Burns, Eugene F., director, Cuyahoga County (Ohio) Welfare Department 2059
Citizens' Crusade Against Poverty 2235
Community Service Society, Department of Public Affairs, New York, N.Y. 2364
Council for Christian Social Action 1274
National Association of Counties (on optional basis) 1779
National Council of Churches of Christ in the U.S.A. 1268

Favor Federal aid for general assistance programs:

Commissioner, New York City Department of Welfare 1832
Fraser, Hon. Donald M., Member of Congress 1155
Pepper, Hon. Claude, Member of Congress (as in H.R. 7378) 1965

Recommends that the Federal Government match State assistance for custodial care:

Welfare Federation of Cleveland 860

Favor all recommendations of Advisory Council on Public Welfare:

AFL-CIO 571
Community Council of Greater New York 2011
National Council of State Public Welfare Administrators, American Public Welfare Association 831

Favors provisions forbidding States to deduct increases in social security benefits from assistance payments:

National League of Senior Citizens, California League of Senior Citizens 1624

Opposes detailed investigation of recipients:

AFL-CIO 571

Favors requirement for minimum standards for housing occupied by public assistance recipients:
Page
AFL-CIO 571

Favor provisions of H.R. 7288 to permit local welfare agencies to use direct payments or vendor payments, in addition to third party protective payments, or a combination of all three; and to provide an exception to requirement under present law that the State make available to recipients those services, designated by the Secretary, designed to help them retain self care:
Illinois State Chamber of Commerce 1865
Los Angeles County Board of Supervisors 1795
National Association of Counties 1779

Opposes unearned income exemptions where a State meets 100 percent of need:
Illinois State Chamber of Commerce 1865

Favors allowing State to deduct premium under the supplementary medical insurance program from the grant of recipients not getting social security benefits:
Illinois State Chamber of Commerce 1865

Favors giving State authority to deduct value of food stamps from the cash grant and send cash and food stamps to recipient:
Illinois State Chamber of Commerce 1865

Favors increasing the Federal matching at the lower level:
Burton, Hon. Phillip, Member of Congress 1927

Favors requirement that State disregard "at least $10 or $15" outside income:
Burton, Hon. Phillip, Member of Congress 1927

Favors disregarding retroactive social security benefit increases for purposes of cash assistance:
Burton, Hon. Phillip, Member of Congress 1927

Favors gradual reduction of residence requirements to 1 year:
Burton, Hon. Phillip, Member of Congress 1927

Favors increasing Federal share under public assistance to 75 percent, particularly aid to families with dependent children:
Tenzer, Hon. Herbert, Member of Congress 1908

Favors clarification in the Social Security Act of the requirement on confidentiality of records in connection with the poverty programs:
Alabama Department of Pensions and Security 2369

Favors legislation to require State plans to include only those eligibility requirements in Federal standards:
Department of Social Welfare, General Board of Christian Social Concerns, Methodist Church 1272

Favors complete revision of the public assistance system along the lines of the Advisory Council report, but also urges serious consideration of Federal support of general assistance:
Department of Social Welfare, General Board of Christian Social Concerns, Methodist Church 1272

Favors amendment to provide 75 percent Federal participation in the cost of any public assistance program which provides defined services, or, preferably, a variable Federal grant program in relation to fiscal capacities of States to finance public assistance, child welfare, and administration: Page
Alabama Department of Pensions and Security 2369

2. CHANGES IN TITLE I—GRANTS TO STATES FOR OLD-AGE ASSISTANCE AND MEDICAL ASSISTANCE FOR THE AGED

Favors lowering eligibility age from 65 to 60:
Burton, Hon. Phillip, Member of Congress 1927

3. CHANGES IN TITLE IV—AID TO FAMILIES WITH DEPENDENT CHILDREN

Favors making program complete Federal responsibility, or at least 85 or 90 percent:
Matthews, Charles A., Director, Essex County, New Jersey Board of Freeholders 1256

Recommends review of present reimbursement formula under which the Federal maximum for children is little more than one-third that for the aged and disabled:
Wickenden, Elizabeth, National Social Welfare Assembly, Inc., and other organizations 1563

Favors providing aid to dependent children even though mother is presumed employable:
AFL–CIO 571

Favors elimination of residence requirements, or failing this, make Federal share available to child who is otherwise eligible, making the administrative costs to the State chargeable to Federal funds:
National Child Welfare Commission of the American Legion 2214

Favors elimination of the "man in the house rule":
AFL–CIO 571
Citizens' Crusade Against Poverty 2235

Favors permitting welfare agencies to make investigations outside of regular business hours:
Illinois State Chamber of Commerce 1865

4. CHANGES IN TITLE X—GRANTS TO STATES FOR AID TO THE BLIND

Favors provision requiring State to disregard OASDI benefit increases in determining need:
American Council of the Blind 1999

Favors H.R. 3065 to prohibit State residence requirements:
National Federation of the Blind 1811

Favors making mandatory the 36-month earnings exemption:
National Federation of the Blind 1811

Favors sec. 2 of H.R. 4879 to remove length-of-time limitation on exemption of resources for a blind person under an approved rehabilitation plan:
Page
National Federation of the Blind ... 1811

Favors extending income and resource exemption to 36 months or the period of training, whichever is greater:
Burton, Hon. Phillip, Member of Congress ... 1927

Favors permitting blind persons to earn up to $300 a month without reduction in benefits as in H.R. 321:
Buchanan, Hon. John H., Jr., Member of Congress ... 2079

5. CHANGES IN TITLE XIV—GRANTS TO STATES FOR AID TO THE PERMANENTLY AND TOTALLY DISABLED

Favors Federal aid to disabled persons who are placed in public institutions for the retarded, conditioned on the development of protective services for the mentally incompetent:
National Association for Retarded Children ... 2230

Favors elimination of provisions which deny aid to those who are patients of a tuberculosis or mental disease institution:
National Association for Retarded Children ... 2230

Favors extending aid to the permanently and totally disabled to those with a partial disability which is seriously incapacitating, and eliminating present minimum age 18 requirement:
AFL-CIO ... 571

Favors permitting States to apply a 36-month income and resource exemption in defining need:
Burton, Hon. Phillip, Member of Congress ... 1927

B. CHANGES IN TITLE II—OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

1. COVERAGE PROVISIONS

Ministers

Favor coverage for clergymen as self-employed unless election against coverage is made on basis of conscience or religious belief, as in H.R. 5940:
Fry, Dr. Franklin Clark, president, Lutheran Church in America ... 1165
Newman, William Kincaid, executive vice president, Annuity Fund for Congregational Ministers ... 2357

Favors present provisions of law affecting coverage of ministers:
American Lutheran Church ... 2356

State and local

Favors provisions to permit groups of State and local employees to get coverage for medicare purposes only, as in H.R. 7378:
Pepper, Hon. Claude, Member of Congress ... 1965

Favors own bill, H.R. 2888, to extend to Michigan the provision in present law which makes social security coverage available to policemen and firemen on a a group elective basis:
Ford, Hon. Gerald R., Member of Congress ... 1267

Opposes H.R. 378 and H.R. 2888 which would allow Michigan to cover firemen under certain conditions: Page
International Association of Fire Fighters, AFL-CIO 1485

Favors H.R. 5062 to require that social security coverage of firemen (1) shall be in addition to their own retirement system; (2) must be approved by a majority of the firemen in the retirement system, and to remove the split retirement system provision available in named States:
International Association of Fire Fighters, AFL-CIO 1485

Favors following changes: (1) provide coverage procedures for those positions excluded from coverage by a State agency which obtained a retirement system after the initial extension of coverage, but no retirement system members are in the excluded positions to vote in the required referendum; (2) permit States to modify their agreements to exclude student services prospectively; (3) exclude from coverage tips to public employees; (4) permit States to modify their agreements to exclude services of election officials prospectively; (5) where a public agency has been reporting wages erroneously to the Internal Revenue Service, allow the wages to stand without assumption of liability by the State; and (6) notify State social security administrators of hearings in which coverage under section 218 of the Social Security Act is involved and furnish a copy of the decision:
National Conference of State Social Security Administrators 1476

Miscellaneous

Favors a transfer-of-credit arrangement to cover American employees under so-called binational center grantee positions or under certain nonappropriated fund employee systems; e.g., employees of Armed Forces Radio in Europe or Stars and Stripes:
American Federation of Government Employees 1607

Favors voluntary coverage for groups now excluded from coverage:
Sixty Now, Inc 2373

Favors expansion of coverage under social security to include traveling or city salesmen who solicit substantial solicitations for more than one principal:
Bureau of Salesmen's National Associations 2111

Favor compulsory coverage of nonprofit organizations, or at least mandatory coverage for employees of facilities providing medicare service:
American Nurses' Association 2227
Maryland Nurses Association 2230

2. DEPENDENTS' BENEFITS

Favor H.R. 6587 to extend childhood disability benefits to those disabled before age 22:
Anderson, Hon. John B., Member of Congress 1769
National Paraplegia Foundation 1772

Favors provision of H.R. 246 to provide for uniform reinstatement of benefits to a remarried dependent when the marriage is annulled:
Page
Bennett, Hon. Charles E., Member of Congress 1767

Favors widow's benefits regardless of age for widows whose income is within specified limits, as in H.R. 357:
Carter, Hon. Tim Lee, Member of Congress 1983

Favor making widower's and widow's benefits, and husband's and wife's benefits reciprocal and eliminating the husband's and widower's dependency contingencies:
New York League of Business and Professional Women, Inc 2381
Pepper, Hon. Claude, Member of Congress 1965

Favors providing benefits to a widow under age 62 while her child is between age 18 and 22 if child is attending school, as in H.R. 7378:
Pepper, Hon. Claude, Member of Congress 1965

Favor determining dependency of a child on his stepfather or stepmother under identical provisions:
New York League of Business and Professional Women, Inc 2381
Pepper, Hon. Claude, Member of Congress 1965

Favor reduction from 20 to 10 years in the length of time a divorced woman must have been married in order to qualify for benefits:
Department of Social Welfare, General Board of Christian Social Concerns, Methodist Church 1272
Landauer, Anni, Washington, D.C. (as in H.R. 2143) 2450
National Council of Senior Citizens 1356

Favor determining dependency of a child on his father, mother, adopting father, or adopting mother under same provisions:
New York League of Business and Professional Women, Inc 2381
Pepper, Hon. Claude, Member of Congress 1965

Favors change in requirement for entitlement to childhood disability benefits to disregard more of the wages a child may have earned between the time of his disability and the time at which his parent becomes disabled, dies, or retires:
National Association for Retarded Children 2230

Favors amendment to extend benefits to surviving parents of beneficiaries, as in H.R. 4098:
Bingham, Hon. Jonathan B., Member of Congress 1902

Favors permitting a woman to become entitled to full wife's insurance benefits after attaining age 65 even though she became entitled to reduced old-age insurance benefits (or disability benefits) before attaining that age, as in H.R. 4283:
Waldie, Hon. Jerome R., Member of Congress 1164

Favors increase in family maximum benefit to more than $300 a month, as in H.R. 357:
Carter, Hon. Tim Lee, Member of Congress 1983

Favors provision to provide benefits for widows without dependent children prior to age 60, as in H.R. 7269:
Bevill, Hon. Tom, Member of Congress 2075

3. DISABILITY INSURANCE BENEFITS

Favor provisions of H.R. 3064 to permit blind persons to become entitled to disability benefits on the basis of six quarters of coverage and without regard to their ability to engage in substantial gainful activity: Page
American Association of Workers for the Blind 2243
American Council of the Blind 1999
Blinded Veterans Association 2225
National Federation of the Blind 1811

Favors own bill, H.R. 5589, to permit blind persons to become entitled to benefits on basis of six quarters of coverage:
Boland, Hon. Edward P., Member of Congress 1981

Favor provision to pay $100 a month to meet the expenses of caring for a disability insurance beneficiary:
Paralyzed Veterans of America 2224
Pepper, Hon. Claude, Member of Congress (as in H. R. 7378) 1965

Favor provision to liberalize insured status requirements for workers disabled early in their working years:
Chamber of Commerce 1328
Pepper, Hon. Claude, Member of Congress (as in H.R. 7378) 1965

Favor occupational definition of disability:
AFL-CIO (at age 60) 571
Dingell, Hon. John D., Member of Congress (at any age as in H.R. 1983) 1896
National Council on the Aging (at age 50 for farmers) 2372
Pepper, Hon. Claude, Member of Congress (at age 55 as in H.R. 7378) 1965

Favor making insured status requirement the same as that for old-age benefits (remove 20-out-of-40 requirement):
American Council of the Blind (as in H.R. 1450) 1999
Dingell, Hon. John D., Member of Congress (as in H.R. 1989) 1896

Favors paying disability benefits to a worker who worked for 1 year before he became disabled, as in H.R. 7378:
Pepper, Hon. Claude, Member of Congress 1965

Favors present definition of disability:
American Insurance Association 1244

Favors liberalization of requirement that worker be unable to engage in substantial gainful activity:
American Council of the Blind 1999

Favors reduction in length of waiting period for disability benefits:
AFL-CIO 571

Favors removal of earnings limitations for the blind:
National Federation of the Blind 1811

Favors repeal of provisions of present law limiting benefits when a worker is also entitled to workmen's compensation, as in H.R. 573 and 2016:
American Council of the Blind 1999

Favors "coverage of whose who become disabled and unable to work before they have worked sufficient quarters to become eligible for minimum social security benefits":
Paralyzed Veterans of America 2224

4. BENEFIT COMPUTATION

Favor computation point at age 62 for men (to make the same as for women):
Page
New York League of Business and Professional Women, Inc. 2381
Pepper, Hon. Claude, Member of Congress (as in H.R. 7378) 1965

Favors basing computation of benefits on the 10 highest years of earnings:
United Auto Workers 1420

Favors a 14-year dropout of years of low or no earnings for physicians:
American Medical Association 1651

Favors combining husband's and wife's earnings for benefit computation purposes:
Pepper, Hon. Claude, Member of Congress 1965

Favors increasing lump-sum death payment to the amount equal to the highest monthly amount payable to a family or to 3 times the primary insurance amount, whichever is lower:
Tenzer, Hon. Herbert, Member of Congress 1908

Favors basing computations on 5 highest years of earnings:
Sixty Now, Inc. 2373

5. AGE OF ELIGIBILITY FOR BENEFITS

Favor reduction in age of eligibility for benefits:
AFL–CIO (age 60) 571
Air Line Pilots Association (when required to retire by law) 1491
Alabama Department of Pensions and Security (full benefits for a single worker at age 62) 2369
Allied Pilots Association (at age required to retire by Government regulation) 1499
Burton, Hon. Phillip, Member of Congress (age 60) 1927
Carter, Hon. Tim Lee, Member of Congress (full benefits at age 60 for men and women, as in H.R. 357) 1983
Dingell, Hon. John D., Member of Congress (age 60 for men, 55 for women, as in H.R. 1986) 1896
National Council of Senior Citizens (age 62 with no reduction, eventually to age 60, with full benefits at age 55 if State employment office unable to find job) 1356

Favor reduction in age of eligibility for dependents' benefits:
Dingell, Hon. John D., Member of Congress (at any age for wife's and widow's benefits as in H.R. 1987) 1896
Dow, Hon. John G., Member of Congress (age 50 for widows, as in H.R. 7162) 1893
Sixty Now, Inc. (at age 60, no actuarial reduction for retired workers, at any age for wives and widows) 2373

6. AMOUNT OF WIDOW'S BENEFIT

Favor paying widow 100 percent of husband's benefit:
Horton, Hon. Frank, Member of Congress (as in H.R. 6983) 1773
National Council of Senior Citizens 1356
New York City Central Labor Council, AFL–CIO, New York Hotel and Motel Trades Council, AFL–CIO, New York Labor-Management Council of Health and Welfare Plans, Inc. 1627
Sixty Now, Inc. 2373
Tenzer, Hon. Herbert, Member of Congress 1908
United Auto Workers 1420

7. INSURED STATUS REQUIREMENTS

Favors determining insured status for men the same as for women:

Page

New York League of Business and Professional Women, Inc. 2381

Favors providing an alternative insured status requirement for physicians—one quarter of coverage for each quarter elapsing after 1964 until death or retirement:

American Medical Association 1651

8. EARNINGS TAXED

Favor exemption of first part of employees annual earnings from social security taxes:

National Council of Senior Citizens 1356
United Auto Workers (first $600) 1420

Favors graduated approach to social security taxes:

American Farm Bureau Federation 2114

Favor allowing workers over 65 to choose not to pay social security taxes:

Dow, Hon. John G., Member of Congress (as in H.R. 7164) 1893
Queenan, John W., Haskins and Sells, New York law firm (self-employed only) 2253

Favors voluntary contributions to finance increases in benefits:

Schafer, Joseph A., CPA, Philadelphia, Pa. 1543

Favors reducing self-employed tax to zero for earnings below $10,000, and 50 percent of present rate for those with earnings between $10,000 and $15,000 a year:

Horton, Hon. Frank, Member of Congress 1773

Favors legislation to permit the Secretary of the Treasury to change existing regulations to require the annual rather than quarterly reporting of Federal tax withholding and wage information:

Council of State Chambers of Commerce 1327

Favors increasing employer tax to twice that of employee:

White, William A., Philadelphia, Pa. 2249

9. GENERAL REVENUE FINANCING

Favor general revenue financing:

Burton, Hon. Phillip, Member of Congress (for cost-of-living increases) 1927
Campbell, Prof. Colin D., Dartmouth College 1388
Citizens' Crusade Against Poverty 2235
Community Council of Greater New York 2011
Department of Social Welfare, General Board of Christian Social Concerns, Methodist Church 1272
International Brotherhood of Teamsters 2129
International Ladies Garment Workers Union 1231
National Association of Social Workers 1697
National Coal Association 2120
National Conference of Catholic Charities 1819
National Council of Senior Citizens 1356
National Farmers Union 1283

Favor general revenue financing—Continued

Page

National Federation of Settlements and Neighborhood Centers, New York, N.Y. 2399
New York City Central Labor Council AFL–CIO, New York Hotel and Motel Trades Council AFL–CIO, New York Labor-Management Council of Health and Welfare Plans, Inc. 1627
Reuss, Hon. Henry S., Member of Congress 1556
Rosanetz, Herman, New York, N.Y. 1640
United Auto Workers 1420
Zablocki, Hon. Clement J., Member of Congress 641

Oppose general revenue financing:

American Farm Bureau Federation 2114
American Hotel & Motel Association 2135
Chamber of Commerce 1328
Council of State Chambers of Commerce 1306
National Association of Life Underwriters 1229

C. Changes in Title XVIII—Health Insurance for the Aged

1. DEDUCTIBLES AND COINSURANCE

Favor removal of all deductibles and coinsurance features under medicare:

Community Council of Greater New York 2011
Hanan, Rubin, president, Alabama League of Aging Citizens, Inc. 2378
Hochreiter, Franklin C., executive secretary, Baltimore City Commission on Problems of the Aging 2359
International Brotherhood of Teamsters 2129
International Ladies' Garment Workers' Union 2131
National Association of Social Workers 1697
National Association of Social Workers and College of Social Workers of Puerto Rico 2360
National Consumers League 2118
National Council of Senior Citizens 1356
National Farmers Union 1283
New York City Central Labor Council AFL–CIO, New York Hotel & Motel Trades Council AFL–CIO, New York Labor-Management Council of Health and Welfare Plans, Inc. 1627
United Auto Workers 1420
United Steelworkers of America, Local Union 1211 641

Favor elimination of deductibles under medicare:

Alabama Department of Pensions and Security 2369
Alabama Hospital Association (supplementary medical insurance program deductible only) 2281
American Public Health Association 1129
Association of State and Territorial Health Officers 2263
Blue Cross Association (supplementary insurance program deductible only) 477
Council of Jewish Federations and Welfare Funds, Inc. 2239
Physicians Forum 1142
Senior Citizens Central Association, Philadelphia, Pa. 2377
Senior Citizens Golden Ring Council 1075
Townsend Foundation 2019

Favors simplification of present provisions:

Crothers, Morris, M.D., State Representative, Oregon 1760

Favors removal of special coinsurance and dollar-limit provisions on psychiatric services under the supplementary medical insurance program—Part B:

American Psychiatric Association, National Association of Private Psychiatric Hospitals 1080

Opposes any change in deductibles: Page
Commercial insurance companies participating in medicare 449

2. ADDITIONAL MEDICAL BENEFITS

Favor coverage of prescription drugs under the supplementary medical insurance program (Part B) of medicare:
AFL-CIO 571
American Public Health Association (on generic basis) 1129
Bingham, Hon. Jonathan B., Member of Congress (on generic basis, as in own bill) 1902
Burns, Eugene F., director, Cuyahoga County (Ohio) Welfare Department 2059
Dingell, Hon. John D., Member of Congress (as in H.R. 26) 1896
Hochreiter, executive secretary, Baltimore City Commission on Problems of the Aging 2359
Horton, Hon. Frank, Member of Congress (as in H.R. 7470) 1773
International Ladies Garment Workers Union 1231
McKeldin, Hon. Theodore R., Mayor of Baltimore 2358
National Association of Retail Druggists 1691
National Association of Social Workers 1697
National Association of Social Workers and College of Social Workers of Puerto Rico 2360
National Council of Senior Citizens 1356
National Farmers Union (on generic basis) 1283
New York City Central Labor Council AFL-CIO, New York Hotel and Motel Trades Council AFL-CIO, New York Labor-Management Council of Health and Welfare Plans, Inc 1627
Pepper, Hon. Claude, Member of Congress 1965
Physicians Forum 1142
Senior Citizens Golden Ring Council (on generic basis) 1075
Southern California Pharmaceutical Association, Ltd 1696
United Auto Workers 1420
United Steel Workers of America, Local Union 1211 641

Favor inclusion of doctor of optometry in definition of physician:
American Optometric Association 1091
Johnson, Hon. Harold T., Member of Congress (as in H.R. 4873) 1205
Sisk, Hon. B. F., Member of Congress (as in H.R. 1261) 1090
Walker, Hon. E. S., Johnny, Member of Congress (as in H.R. 216) 2080

Favor inclusion of chiropractic services:
American Chiropractic Association 982
Hendrickson, Glenna, Dearborn, Mich 2077
International Chiropractors Association 1558

Favor covering services of independently operating physical therapists:
American Physical Therapy Association 2351
Massachusetts Society of Registered Physical Therapists 1056

Favor coverage of eye, ear, and dental tests and procedures:
National Council of Senior Citizens 1356
United Steel Workers, Local Union 1211 641

Favor covering cost of transportation to a rehabilitation center to receive services covered under a home health plan:
Farbstein, Hon. Leonard, Member of Congress (as in H.R. 5055) 1918
Fraser, Hon. Donald M., Member of Congress 1155
Pepper, Hon. Claude, Member of Congress (as in H.R. 7378) 1965

Favors coverage of services of psychologists:
American Psychological Association 1010

Favor covering services of all practitioners of healing arts licensed by the State: Page
International Chiropractors Association 1558
Pepper, Hon. Claude, Member of Congress (as in H.R. 7378) 1965

Favors coverage of periodic physical examinations of nursing home patients:
Welfare Federation of Cleveland 860

Favors making home health provisions under supplementary medical insurance program same as those under the hospital insurance program:
American Hospital Association 687

Favors coverage of "prescription drugs, orthopedic appliances, dentures, eyeglasses, etc.":
National Consumers League 2118

Favor covering "dental care, podiatry, eye care, drugs, hearing aids, etc.":
National Council on the Aging 2372

Opposes coverage of services of psychologists:
American Psychiatric Association 1089

Opposes inclusion of optometry under title XVIII:
American Association of Ophthalmology 2343

3. MISCELLANEOUS MEDICARE AMENDMENTS

Favor removal of 3-day prior hospitalization requirement for entitlement to extended care and home health benefits:
American Medical Association 1651
American Public Health Association (but would require a medical evaluation before admission to extended care facility) 1129
Hanan, Rubin, president, Alabama League of Aging Citizens, Inc 2378
Massachusetts Medical Society 2301
National Association of Social Workers 1697
Ohio State Medical Association 1683
United Auto Workers 1420
United Steelworkers of America, Local Union 1211 641

Favor inclusion of Federal employees now excluded:
American Federation of Government Employees 1607
Government Employees Council, AFL–CIO 2261
National Association of Post Office Mail Handlers, Watchmen, Messengers, and Group Leaders, AFL–CIO 2257
National Association of Postal Supervisors 1264
National Postal Union 1613

Favor covering those reaching age 65 after December 1967 who would not be eligible under present law:
American Association of Retired Persons, National Retired Teachers Association 1247
American Hospital Association 687

Favor lowering qualifying age for eligibility for medicare:
Burton, Hon. Phillip, Member of Congress (to age 60) 1927
Hanan, Rubin, president, Alabama League of Aging Citizens, Inc. (for women to age 60) 2378
National Council of Senior Citizens (for women at age 62) 1356
United Steelworkers of America, Local Union 1211 (for women at age 62) 641

Favors medicare benefits at age 60 for the disabled who are entitled to receive social security and railroad retirement benefits, as in H.R. 5054:

Page

Farbstein, Hon. Leonard, Member of Congress 1918

Favors including blind and disabled cash public assistance recipients under supplementary medical insurance program (Part B):

American Council of the Blind 1999

Favor permitting payment of physician charges on basis of itemized, unreceipted bill:

American College of Radiology (as in H.R. 5509) 1808
American Medical Association 1651
Commercial insurance companies participating in medicare (check for payment sent to patient made out to both the patient and the physician) 449
National Association of Blue Shield Plans 529
Ohio State Medical Association 1683
Texas Academy of General Practice 2304
Welfare Federation of Cleveland 860
Zablocki, Hon. Clement J., Member of Congress (as in H.R. 6561) 641

Favor limiting payment to physicians solely to assignment method:

AFL–CIO 571
National Association of Social Workers 1697
United Auto Workers 1420

Favors method of billing which will not require patient to pay bill before reimbursement:

National Council of Senior Citizens 1356

Favor setting maximum fee schedules for physician payments on a regional basis:

National Council of Senior Citizens 1356
United Steelworkers, Local Union 1211 641

Favors administrative procedures which provide strict adherence to requirements of present law:

Clement, Kenneth W., M.D., Cleveland, Ohio 1380

Favor extensions of periods of care covered under medicare:

American Medical Association (removal of 190-day lifetime limit on psychiatric hospital coverage and equal treatment for psychiatrically ill under all medicare) 1651
American Psychiatric Association and National Association of Private Psychiatric Hospitals (remove 190-day limit on psychiatric hospital coverage) 1080
National Association of Social Workers (extend hospital coverage from 90 days to 180, and increase number of days of extended care coverage) 1697
Townsend Foundation (eliminate all time limits) 2019
United Auto Workers (extend hospital care to 365 days, remove special limits on psychiatric care, and liberalize coverage of extended care benefit) 1420

Favor revised formula for the reimbursement of prepaid group practice plans:

National Association of Social Workers 1697
United Auto Workers (to reflect average per capita costs) 1420

Favor redefinition of "spell of illness" so that residents of homes for the aged will be able to stay in the home and get a new benefit period:

Page

American Association of Homes for the Aging ... 1003
Greater Miami Jewish Federation ... 2380

Favors elimination of supplementary medical insurance program (Part B), perhaps provide a subsidy program to be used for the purchase of private insurance:

American Medical Association ... 1651

Favors same reimbursement formula for nonprofit nursing homes as for profit homes:

American Association of Homes for the Aging ... 1003

Favors payment of extended care facilities on the basis of reasonable and customary charges:

American Nursing Home Association ... 825

Favors elimination of provision of present law which deems a hospital accredited by the Joint Commission on Accreditation of Hospitals eligible to participate in the program:

Physicians Forum ... 1142

Favors establishment of utilization review programs for the supplementary medical insurance program similar to those under the hospital insurance program:

United Auto Workers ... 1420

Favors institution of formal cost and quality control programs:

National Association of Social Workers ... 1697

Favors amendments to section 1842 of present law (1) to have carriers follow broad policy outlines, (2) to assign carrier responsibility on basis of geographical location of beneficiaries rather than location of providers of services, (3) to limit statistical requirements, and (4) to allow carriers to use own judgment in determining reasonable charges:

National Association of Blue Shield Plans ... 529

Favors consideration of a proposal to require that a patient can be transferred only to those extended care facilities with which the hospital has a transfer agreement:

National Council of Senior Citizens ... 1356

Favors provisions to require generic prescription of drugs as in H.R. 1984:

Dingell, Hon. John D., Member of Congress ... 1896

Favors free choice of source of drugs by patient where a hospital or extended care facility does not have a pharmacy:

National Association of Retail Druggists ... 1691

Favors requirement that a medical team from the hospital with which an extended-care facility has a transfer agreement spot-check extended-care facilities:

Welfare Federation of Cleveland ... 860

Favors turning over administrative functions of intermediaries and carriers to State health departments:

United Auto Workers ... 1420

Favors permitting medicare to pay for care in a Canadian hospital where medicare beneficiaries are stricken with illness while in Canada:
Page
United Steel Workers of America, Local Union 1211 641

Favors amendment to cover hospital and medical services outside the United States in emergency situations:
Tenzer, Hon. Herbert, Member of Congress 1908

Favors amendment to insure that HEW should not require a non-Communist affidavit for medicare benefits, as in H.R. 2081:
Farbstein, Hon. Leonard, Member of Congress 1918

Favors amendment to direct the Secretary of HEW to frame an evaluation program to judge the standards of State accreditation and performance of independent laboratories and serve in lieu of the academic requirements for certification of independent laboratories to become operative prior to 1971:
Tenzer, Hon. Herbert, Member of Congress 1908

Favors consideration of means of compensation of voluntary associations of physicians for professional services rendered to patients eligible under title XVIII when such physicians are full-time and salaried or otherwise compensated other than on a fee-for-service basis by institution or a voluntary association:
American Academy of Orthopaedic Surgeons 2350

Favors amendment to section 1814 of the Social Security Act to insure the right of collective bargaining for all employees of providers of services under medicare:
American Nurses' Association 2227

Favors providing that Social Security Administration be sole administrative agent:
International Brotherhood of Teamsters 2129

Favors drug stamp plan like that in S. 1788, 89th Congress, using generic prescriptions:
International Brotherhood of Teamsters 2129

Favors having same agency administer both part B of title XVIII and title XIX, prefers welfare to handle all welfare cases:
Guild, Carl H., M.D., Bartlesville, Okla 2305

Favors retention of present part B billing requirements:
Patients' Aid Society, Inc 2338

"Refrain from extensions of the medicare program, at least until the defects in the present program are eliminated":
National Association of Manufacturers 2785

D. Changes in Title XIX—Grants to States for Medical Assistance Programs

1. ELIGIBILITY REQUIREMENTS

Favor removal of restrictions on payment for patients of mental and TB institutions below age 65:

	Page
American Medical Association (mentions mental hospitals only)	1651
American Psychiatric Association and National Association of Private Psychiatric Hospitals (mentions mental hospitals only)	1080
National Association for Retarded Children	2230
National Association of State Mental Health Program Directors	1080
Rhode Island Department of Social Welfare	1090

Favor requiring States to include all needy children in programs:

AFL–CIO	571
National Council of Senior Citizens	1356

Favors elimination of dental care among comparability benefits; States could cover dental services for children but not for adults:

Crothers, Morris K., M.D., State Representative, Oregon	1760

Favors permitting State to vary eligibility standards within a State based on varying levels of the cost of living:

American Medical Association	1651

Favors requiring State to cover those receiving general assistance:

AFL–CIO	571

Favors amending title XIX to allow States to use an income evaluation period consistent with credit arrangements prevailing in the State:

Illinois State Chamber of Commerce	1865

Favors H.R. 1291 to prohibit a State from applying title XIX to a family whose income is more than 90 percent of the national average; to prohibit a State from covering more than 20 percent of the State's population; and to require each State to show that it would not be interfering with growth of private insurance:

Stratton, Hon. Samuel S., Member of Congress	1951

Favor provisions of H.R. 18225, 89th Congress, which would (1) deny assistance to those who refused to join the supplementary medical insurance program under part B of title XVIII, (2) deny assistance to families with children unless receiving aid to families with dependent children, but prefers own bill, H.R. 1291, 90th Congress:

Medical Society of the State of New York	2297
Stratton, Hon. Samuel S., Member of Congress	1951

Favors limiting title XIX to people receiving cash assistance payments; favors additional provision to cover catastrophic costs:

Citizens Committee for Responsible Government, Manlius, N.Y.	601

Favors a deductible equal to the amount of income in excess of the net income eligibility requirement:

Greater Syracuse Chamber of Commerce	2125

Favors relative responsibility provision under title XIX: Page
Illinois State Chamber of Commerce 1865

Favors lien provision in title XIX:
Illinois State Chamber of Commerce 1865

Favors clarification of objectives of title XIX by restricting eligibility to those over 65, children under 18, and handicapped persons; if eligibility is extended beyond this, deductibles and coinsurance should be used:
Manufacturers Association of Syracuse, N.Y. 2124

2. PAYMENT METHODS

Favor requiring State to reimburse for skilled nursing home care on the basis of reasonable costs:
American Association of Homes for the Aging 1003
American Hospital Association 687
Greater Miami Jewish Federation 2380
Welfare Federation of Cleveland 860

Favor payments to skilled nursing homes on the basis of reasonable charges:
American Nursing Home Association 787
Wisconsin Association of Nursing Homes, Inc. 2286

Favor paying for physician services on basis of usual customary charge:
American Medical Association 1651
New York Board of Trade 1755
Ohio State Medical Association 1683
Texas Academy of General Practice 2304

Favor permitting payment to patient on basis of itemized unreceipted bill:
American Medical Association 1651
Charlotte County Medical Society, Punta Gorda, Fla. 2302
Guild, Carl H., M.D., Bartlesville, Okla. 2305
Louisiana State Medical Society (would permit assignment also) 2297
Moore, W. G., M.D., LaPorte, Ind. 2338
New York Board of Trade (would permit assignment also) 1755
Ohio State Medical Association 1683
Schrieber, Jack, M.D., Canfield, Ohio 2336
Terrebone Parish Medical Society, Houma, La. 2300
Thomas, R. Edward, M.D., Irving, Tex. 2077
Tromly, B. G., M.D., Dallas Tex. 2077

Favors guarantee that physician and facility will be reimbursed for services covered under title XIX:
Massachusetts Medical Society 2301

Favors consideration of voluntary associations of physicians for professional services rendered to patients eligible under title XIX when such physicians are full-time and salaried or compensated other than on a fee-for-service basis by an institution or a voluntary association:
American Academy of Orthopaedic Surgeons 2350

3. FEDERAL FINANCIAL PARTICIPATION

Favor increasing Federal share of costs:
AFL-CIO (increase for poorer States from present 83 percent to 90 percent) — Page 571
Greater Miami Jewish Federation (increase for States with high concentrations of older people) — 2380
National Council of Senior Citizens (increase from 83 percent to 90 percent) — 1356

4. ADMINISTRATION

Favor use of insurance companies in carrying out programs:
American Medical Association — 1651
New York Board of Trade — 1755
Ohio State Medical Association — 1683

Favors removal of physician certification and recertification requirements:
American Medical Association — 1651

Favors provision to give State health agencies authority to certify providers of services under title XIX:
American Public Health Association — 1129

Favors provision to eliminate practice of requiring cash deposit before admittance to an extended care facility:
National Council of Senior Citizens — 1356

Favor amendment setting minimum Federal specifications for purchase of skilled nursing home care:
National Council of Senior Citizens — 1356
Welfare Federation of Cleveland — 860

Favors investigation into what Federal funds are purchasing in nursing home care:
Welfare Federation of Cleveland — 860

Favors preventing double-standard care for recipients of medical assistance:
Association of New York State Physicians and Dentists, Inc — 1727

Favors elimination of requirements for prior authorization for hospitalization and treatment:
Association of New York State Physicians and Dentists, Inc — 1727

5. MISCELLANEOUS

Favors rewriting title XIX along lines of Kerr-Mills bill:
Arkansas Department of Public Welfare — 1788

Favors making title XIX compulsory on the States effective July 1, 1968:
Welfare Alliance of District of Columbia — 2055

Believe that the Secretary of Health, Education, and Welfare does not have authority to set rules and regulations for nursing home standards under title XIX:
American Nursing Home Association — 787
Wisconsin Association of Nursing Homes, Inc — 2286

Favors improvement of title XIX to accelerate its implementation in all States:
Planned Parenthood—World Population — 1501

III. Other categories of recommendations

A. Recommendations Relating to Medical Manpower and Facilities

Favor Federal support for manpower programs:

Page

American Academy of Pediatrics (fellowship support for post-doctoral programs in pediatrics and child health) 1171

American Nursing Home Association (training programs to produce registered nurses, licensed practical nurses and nurses aides) 787

Association of Medical School Pediatric Department Chairmen (support for pediatric residency programs) 1171

Prystowsky, Harry, professor and chairman, Department of Obstetrics and Gynecology, University of Florida School of Medicine and president, Association of University Professors of Obstetrics and Gynecology (support of clinical training programs to increase the numbers of adequately trained physicians and allied health professions needed to provide health services for the female) 2430

Favor Federal support for certain medical construction:

American Academy of Pediatrics (support for the building of suitable facilities in medical schools and hospitals) 1171

Association of Medical School Pediatric Department Chairmen (Federal funding for construction of teaching and research facilities to support community child health care training programs) 1171

Prystowsky, Harry, professor and chairman, Department of Obstetrics and Gynecology, University of Florida School of Medicine and president, Association of University Professors of Obstetrics and Gynecology (support for construction of needed teaching and research facilities for comprehensive health care) 2430

Favor support for medical departments:

American Academy of Pediatrics (support for pediatrics departments, especially for the teaching of clinical pediatrics, preventative medicine, community medicine, and mental health) 1171

Association of Medical School Pediatric Department Chairmen (support for pediatrics departments to enable them to strengthen and expand their clinical training programs) 1171

Prystowsky, Harry, professor and chairman, Department of Obstetrics and Gynecology, University of Florida School of Medicine and president, Association of University Professors of Obstetrics and Gynecology (support for obstetric and gynecologic departments to enable them to strengthen and expand their clinical training programs to encourage innovation in techniques for the provision of care and to develop needed leadership personnel for comprehensive community health care programs) 2430

Favor support for special medical manpower studies:

Association of Medical School Pediatric Department Chairmen (favors a commission sponsored by the Federal Government to study and make recommendations concerning the expanding manpower needs for improved children's health services) 1171

Prystowsky, Harry, professor and chairman, Department of Obstetrics and Gynecology, University of Florida School of Medicine and president, Association of University Professors of Obstetrics and Gynecology (favors studying manpower needs for improvement of maternal and fetal health services so that appropriate recommendations can be made to increase effectiveness) 2430

B. Recommendations for New Programs

Favors amendment to provide that funds from the social security trust fund and from the general fund be used to initiate pilot and demonstration projects to relieve families of all expense in the care, education, and child development of any newborn infant who meets the definition of "handicapped" at birth: Page
Carey, Hon. Hugh L., Member of Congress 1912

Favors developing a voluntary health and medical care program designed "to help all those who need help, and none of those who don't;" favors providing broad Federal guidelines, but vesting administration in each State; favors covering all needed services and basing eligibility upon a statement of income which can be checked by income tax returns; favors instituting varying deductible and coinsurance with income and expenditures by using the preinsurance mechanism:
Hall, Hon. Durward G., Member of Congress 1197

Favors program for Federal financial participation in meeting costs of aged people in nonmedical homes or institutions:
American Public Health Association 1129

Favors Townsend Plan as in H.R. 5930:
Townsend Foundation 2019

Favor programs with guaranteed income:
National League of Senior Citizens and California League of Senior Citizens (national retirement income equal to monthly earnings under the minimum wage law for all 62 or over, plus blind and disabled at age 18—$242 a month as in H.R. 335) 1624
Rosanetz, Herman, New York ($200 a month for every retired person financed from general revenues) 1640
Senior Citizens and Associates of America (change Constitution to guarantee $200 a month for everyone over age 65) 1374
Sullivan, Clifford ($224 a month at age 60 financed by 2 percent tax on incomes above $2,500 a year) 1891

Favors new medicare program for people 65 and over with provision for adjusting benefits based on costs of services and taxes to cover the adjusted costs:
Casanova, C. David, Columbus, Ohio 2442

Favors separate program for persons 65 and over who are in poverty, financed from general revenues:
Casanova, C. David, Columbus, Ohio 2442

Favors "supplemental benefits for the disabled, widows, those who contributed little or nothing considered under separate legislation as welfare":
Mudge, John T., CPA, Mercer Island, Wash 2434

Favors a "block" approach to public assistance—Federal money with State flexibility:
Council of State Chambers of Commerce 1306

Favors abolition of social security program and enactment of a freedom tax law:
Freedom, Inc., Farmington, Conn 2449

C. Recommendations for Advisory Groups and Special Studies

Favors comprehensive study of the social security program by independent authorities representing all segments of the economy, including analysis of the role of private retirement benefits: Page
National Association of Life Underwriters 1229

Favors study of existing child health programs to determine possible conflicts, overlapping or deficiencies in present programs:
American Academy of Pediatrics 1171

Favors support for studies, demonstration projects, and experimentation with different ways of providing health care and training new kinds of health workers, including studies to evaluate new procedures and personnel:
American Academy of Pediatrics 1171

Favors creation of Advisory Council on Public Assistance:
National Association of Counties 1779

Favors creation of National Advisory Health Council to represent professional and consumer interests in the development of administrative policies under titles XVIII and XIX and under other legislative programs in the health field:
United Auto Workers 1420

Favors establishment of committee of older people to determind whether retirement test influences employer restrictions on hiring older people:
National Urban League 1297

Favors study of social security and private pension systems to ascertain "the inequitable situations which exist because of dual and triple benefits received by favored classes":
Schafer, Joseph A., CPA, Philadelphia, Pa 1543

D. Third Party Liability

Favors extending the reimbursement provision under medicare to third party recoveries, as is now the case for State workmen's compensation:
American Insurance Association 1244

Favors development of a sound solution to avoid duplication of benefits between the public and private reparations systems:
Iowa Mutual Tornado Insurance Association 2251
National Association of Independent Insurers 2245

Favors incorporating into title XIX the requirement that a State plan must contain a requirement that an individual use all public and private protection available for medical care before he can receive any Federal money:
American Mutual Insurance Alliance 1645

Favors amending title XIX to provide that, in cases where a third party has a legal obligation for medical, hospital, rehabilitational or remedial care or services occasioned by injury, disease or disability, no payment shall be made under the State plan (with certain exceptions):

Page

American Insurance Association 1244

Favors consideration of proposals to eliminate duplication between medical payments under liability insurance policies and medical payments under titles XVIII and XIX:

Chamber of Commerce 1355

E. Organizations Specifically Endorsing Testimony of Other Witnesses

Amalgamated Meat Cutters & Butcher Workmen of North America—Endorses testimony of George Meany, AFL-CIO 600

Catholic Hospital Association—Endorses testimony of American Hospital Association 2271

Council of Jewish Federations and Welfare Funds, Inc.—Endorses testimony presented by Elizabeth Wickenden, representing the National Social Welfare Assembly, Inc. and other organizations 2239

Department of Social Welfare, General Board of Christian Social Concerns, Methodist Church—Endorses testimony of National Council of Churches 1272

Health Educators Association of Puerto Rico—Endorses testimony of the Resident Commissioner of Puerto Rico 1951

Health Insurance Association of America—Endorses all recommendations of the commercial insurance companies participating in medicare 937

Illinois State Chamber of Commerce—Endorses testimony of Council of State Chambers of Commerce 1865

International Ladies' Garment Workers' Union—Endorses testimony of George Meany, AFL-CIO 2131

Iowa Nursing Home Association—Endorses testimony of the American Nursing Home Association and of hospital representatives concerning reimbursement on a more realistic basis, streamlining medicare paperwork requirements and a new definition of "spell of illness" 2285

Life Insurers Conference—Endorses testimony of the American Life Convention and the Life Insurance Association of America 1228

Maryland Nurses Association—Endorses testimony of American Nurses Association 2230

National Council of Jewish Women—Endorses testimony presented by Elizabeth Wickenden, representing the National Social Welfare Assembly and other organizations 2240

Puerto Rico College of Pharmacy—Endorses testimony presented by Puerto Rico Medical Association 1640

Puerto Rico Dental Association—Endorses testimony of Puerto Rico Medical Association 1639j

F. Miscellaneous Recommendations

Favors amendment specifying that a State not be required to compel any person to undergo screening or treatment or any medical, dental, or psychiatric care if there is objection on religious grounds:

Christian Science Committee on Publications of the First Church of Christ, Scientist, Boston, Mass 2371

Favors placing under one single agency all programs relating to health and medical care, whether they be under social security, OEO, economic development, Headstart:

Hall, Hon. Durward G., Member of Congress 1197

Favors H.R. 4462 which would require portability of private pensions under two alternatives for workers with 10 or more years of service: (1) payment of pension to worker at retirement age, or (2) payment of pension out of transfer fund set up under the Social Security Act;

Page

Dingell, Hon. John D., Member of Congress 1896

Favors provision not to decrease veterans pensions when social security benefits are increased as in H.R. 7378:

Pepper, Hon. Claude, Member of Congress 1965

Favors waiving social security benefit increases for purposes of veterans compensation as in H.R. 11585, 89th Congress:

St Germain, Hon. Fernand J., Member of Congress 1207

Favors setting up controls of the costs of health care services and drugs:

New York City Central Labor Council AFL–CIO, New York Hotel and Motel Trades Council AFL–CIO, New York Labor-Management Council of Health & Welfare Plans, Inc 1627

Favors revising the law or procedures to increase protection against misuse of social security and welfare checks:

Welfare Federation of Cleveland 860

Favors simplifying social security legislation and practices:

Nelson, Carroll E., consulting actuary, Nelson & Warren, Inc., St. Louis, Mo 2255

Favors the use of social security records to locate deserting fathers:

National Association of Counties 1779

Favors exempting increases in social security benefits for purposes of determining eligibility for a veteran's pension, as in H.R. 3043:

Boland, Hon. Edward P., Member of Congress 1981

Favors legislation to encourage employment for older people:

Hanan, Rubin, president, Alabama League of Aging Citizens, Inc 2378

Recommends that facilities which are created with Federal funds should not be permitted to exclude children on the basis of economic criteria unless it can be shown that a comparable alternative is available to them; facilities and services supported by the Children's Bureau or other Federal programs should be permitted to charge funds, but should not be permitted to deny services to any resident of the area it serves; diagnostic services should be provided at no more than nominal cost:

National Association for Retarded Children 2230

Urges better coordination between titles XVIII and XIX:

AFL–CIO 571

Favors expansion of the food stamp plan and inclusion of cotton mattresses:

National Farmers Union 1283

Favors H.R. 5268 to allow disclosure of information from DHEW files about individuals who avoid complying with child support orders:

Page

Jacobs, Hon. Andrew, Jr., Member of Congress 2078

Favors provision for the Federal Government to provide assistance "if a State fails to meet the needs of people in distress because of its failure to comply with civil rights legislation . . .":

Citizens' Crusade Against Poverty 2236

SUMMARY OF PROVISIONS OF, AND POSITIONS TAKEN ON, TITLE V OF H.R. 5710, RELATING TO THE TAX TREATMENT OF THE ELDERLY

SUMMARY OF ADMINISTRATION'S PROPOSAL

Generally, the President's proposal, concerning persons who have attained the age of 65, would provide a special exemption of $2,300 for all single taxpayers and a special exemption of $4,000 to a married couple where both are over the age of 65. These special exemptions would be reduced on a dollar-for-dollar basis for the amount of yearly income over $5,600 for single people and over $11,200 for married couples. However, the exemptions would not be reduced below an amount equal to one-third of any social security or railroad retirement benefits included in income. Also, the minimum income limit for filing a return would be raised from $1,200 to $2,800. These provisions would be substituted for the present exclusions for social security and railroad retirement benefits, the retirement income credit, and the extra $600 personal exemption.

Under existing law, persons under the age of 65 need not include any social security or railroad retirement benefits in income subject to tax and, in addition, those persons receiving a pension under a public retirement system are eligible for the retirement income credit. Under the administration's proposal, there would be substituted for these preferences a special deduction equal to the lesser of either the actual amount of benefits received or $1,600. The $1,600 would be reduced on a dollar-for-dollar basis to the extent that income received exceeds $5,600 for single persons or exceeds $11,200 for married couples. This special deduction also would not be reduced below an amount equal to one-third of any social security or railroad retirement benefits included in income.

I. GENERAL SUPPORT OF TITLE V

The following organizations and individuals generally support title V of H.R. 5710:

	Page
National Urban League, Whitney M. Young, executive director	1297
National Association for the Advancement of Colored People, Roy Wilkens, national director	1298
National Federation of the Blind, John F. Nagle, chief, Washington, D.C.	1811
Norman M. Arkawy, attorney	2437
John K. Dyer, Jr., actuary	2438

II. SUGGESTED AMENDMENTS

The following witnesses would support title V if suggested modifications are made:

	Page
American Association of Retired Persons and National Retired Teachers Association, William C. Fitch, executive director	1249
International Association of Fire Fighters, Leonard B. Kershner, member of the legislative committee	1486
National Conference of Public Employee Retirement Systems, Jack E. Kennedy, president	1253
National Council on Teacher Retirement of the National Education Association, Frank M. Jackson, president	1251

Recommendations concerning persons under age 65

(1) Increase the special deduction to $1,800 and to 1½ times that amount for married couples filing a joint return. This would keep the special deduction in line with the maximum amount of social security benefits payable under current proposals.

(2) Raise the cutback levels to $6,000 and $12,000. Combined with the first recommendation this would offset the argument that "some people in a group should get tax relief only on the condition that others in the same group pay for it."

(3) Set a minimum filing requirement for those under 65, as proposed for those over age 65.

(4) Treat the special deductions for those under age 65 the same as the special exemption proposed for those over age 65. Those *over* age 65 may figure their 10 percent standard deduction on adjusted gross income *before* the exemption is deducted. For those under age 65, the special deduction is deducted in arriving at adjusted gross income and then the 10 percent standard deduction is taken. This puts those under age 65 at a disadvantage.

Recommendations concerning persons over age 65

(1) Raise the maximum special exemption for individuals to $2,400 and for married couples to $4,800.

(2) Raise the cutback levels to $6,000 for individuals and to $12,000 for married couples. The reasons for these two recommendations are the same as stated in recommendations 1 and 2 under the heading "Recommendations concerning persons under age 65."

(3) Set the minimum below which the special exemption may not be reduced at one-third of the special exemption rather than one-third of social security benefits. This is a fairer proposition and simpler than using the social security benefit as a base.

(4) Raise to $1,800 the amount of income an elderly parent may receive before the taxpayer supporting him loses his dependency exemption. This amount reflects proposed increases in social security benefits.

National Association of Retired Civil Employees, Clarence M. Tarr, president 1616

Favors the proposal if the following contended discriminations are removed:

(1) Social security and railroad retirement income would receive at least a one-third exemption from income subject to tax, while for civil service retirement income this exemption is not available. [Civil service retirees, however, recover their actual costs.]

(2) Persons with income in the upper brackets will carry a higher increase in the tax burden than those with income in the lower brackets.

(3) The proposed additional exemption has not been provided for all taxpayers over 65 regardless of income.

III. OPPOSITION TO INCLUDING SOCIAL SECURITY AND RAILROAD RETIREMENT BENEFITS AS INCOME

	Page
American Federation of Labor & Congress of Industrial Organizations, George Meany, president	586
American Federation of Teachers, Carl J. Megal	1485
Brotherhood of Locomotive Engineers, P. S. Heath, grand chief engineer	2127
John D. Dingell, Representative (Michigan)	1898
Government Employes' Council, AFL–CIO (statement submitted for record, no official listed)	2261
Louis B. Green, CPA	2254
Norris O. Johnson, professor of economics at New College	2067
National Association of Postal Supervisors, Daniel Jaspan, legislative representative	1264
National Small Business Association, Carl A. Beck, president	2090
New York City Central Labor Council, New York Hotel & Motel Trades Council, and the New York Labor-Management Council of Health & Welfare Plans, Walter J. Sheerin, executive director of the New York Labor-Management Council of Health & Welfare Plans	1627
Claude Pepper, Representative (Florida)	1969
Frederic A. Powers, CPA	2429
Retired Officers Association, James W. Chapman, legislative counsel	2214
Senior Citizens Golden Ring Council, Gerald M. Flynn, administrator of the Long Island Trainman's Health & Welfare Program	1075
Edmond L. Somers	2440

It was stated that "adoption of this feature will result in double taxation—once during the working years when contributions to the social security fund are considered as taxable income—and then after retirement on the pension purchased by the contributions made during the working years."

IV. OPPOSITION TO CUTTING BACK THE SPECIAL EXEMPTION

National Association of Manufacturers (statement submitted for record, no official listed)	2087
National Association of Postal Supervisors, Daniel Jaspan, legislative representative	1264

These organizations contend that this proposal is unfair insamuch as it provides relatively smaller benefits for retirees with larger incomes.

V. OPPOSITION TO TITLE V GENERALLY

American Life Convention & Life Insurance Association of America, George W. Young, senior vice president, Connecticut General Life Insurance Co. of Hartford	1223
Commerce and Industry Association of New York, Arthur M. Arnold, tax counsel	1864
Council of State Chambers of Commerce, Paul P. Henkel, manager of payroll taxes of Union Carbide Corp	1311
William D. Loucks, Jr., attorney	2433
National Association of Manufacturers (statement submitted for record, no official listed)	2087

It was suggested that—

(1) Decreasing of the tax burden on the lower income retirees is no justification for increasing the tax burden on retirees with higher incomes.

(2) The proposal would introduce a greater complexity than now exists.

Chamber of Commerce of the United States of America, Roscoe L. Egger, Jr., member of the taxation committee 1347

The chamber of commerce suggested that the present system of taxing the elderly should be retained because—

(1) The exclusions of social security and railroad retirement benefits from taxation provide equality of treatment and uniform economic value of the benefits to all recipients alike;

(2) The fact that retirement income credit is complicated stems from a deliberate attempt to produce essentially the same general level of tax burden regardless of the nature of the retirement income;

(3) The argument against the present system that the retirement income credit provides a greater benefit to those in the higher income tax brackets than to those in the lower brackets is unjustified for the reason that the dollar amount of the credit is the same for everybody;

(4) Regarding the general complexity of the system, the principal complications arise because of the attempt to maintain consistency between this system and the social security benefits in general; and

(5) It would be difficult to envision a method of providing a more uniform and equal means of giving recognition to the need for tax relief of the elderly.

The administration's proposal is opposed mainly on the grounds that—

(1) It does not eliminate discrimination;

(2) It would probably be more complex than the present system;

(3) It would change the character of the present program from one of "social insurance" to that of a "welfare program";

(4) It would make for a more steeply graduated rate structure because of a decrease in taxes imposed at lower levels and an increase in taxes imposed at the middle and higher income levels.

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STATEMENT
by
John W. Gardner
Secretary of Health, Education, and Welfare
before the Committee on Ways and Means
House of Representatives
on H.R. 5710
Social Security Amendments of 1967
Wednesday, March 1, 1967

Mr. Chairman and members of the Committee:

This is my first appearance before your Committee. Both Mr. Cohen and Mr. Ball have informed me of the extraordinarily effective work which this Committee has performed during the past 32 years in connection with social security legislation. And I have had ample opportunity to observe the excellent working relationship that exists between the Committee and the Department which I head.

President Johnson has recommended to the Congress this year in H.R. 5710 a series of amendments to the Social Security Act. These amendments will substantially increase social security benefits, and will broaden coverage under the social security program. They will require States to make more adequate public assistance payments. They will offer both social security beneficiaries and assistance recipients additional work incentives. And they will expand health and welfare services for children.

Mr. Chairman, I appear before you today in support of H.R. 5710 and proposals embodied in that bill. The printed report published by your Committee gives more detailed information about all of the amendments we are recommending.

Social Security Benefit Increase

The President's proposals to improve the social insurance program would increase benefit expenditures by 20 percent. By far the major portion of the increase would be for a general, overall benefit increase.

The major problem with our social security program today is that the benefit payments are too low.

The social security program is our basic method for replacing the income a worker or his family loses when he retires, becomes disabled, or dies. Twenty-three million Americans now rely on it for their major source of support. Yet under the present benefit levels, more than 5 million aged beneficiaries still live in poverty. A substantial increase is essential.

We are proposing a benefit increase of at least 15 percent for all persons, with an increase of the minimum benefit from $44 to $70.

This means that a major share of the benefit increase would go to the 5 million aged beneficiaries who are now living in poverty. During the first 12 months, an additional $1.5 billion in cash benefits would go to these needy aged. Our proposed increases would remove 1.4 million aged people from poverty.

In addition to a regular minimum benefit of $70, we are recommending a special minimum benefit of $100 for persons who have worked at least 25 years in jobs covered by social security. This would give some recognition to those who have worked under the program for many years at very low wages.

In 1965 and 1966, the Congress provided special payments to certain persons who were already old when social security coverage was broadly extended and who could not meet the regular work requirements for social security benefits. We are proposing that the present payments of $35 to single persons be raised to $50; for a couple the increase would be from $52.50 to $75. About 1.2 million persons would gain from this proposal, including 240,000 persons not now receiving benefits under this provision.

To provide additional financing and improve the benefit structure, we recommend that the contribution and benefit base be increased in three steps from the present $6,600 to $10,800 by 1974. For persons who will work under these new higher earnings bases, the benefits they receive in the future could be as much as 70 percent higher than what they would receive under present law. Under the proposal, those who pay more over a longer time are the ones who receive the greater protection. The ultimate maximum benefit payable to a worker under the $10,800 base would be $288 a month compared with the ultimate maximum of $168 a month under present law.

The benefit improvement the President is recommending will cost in total the equivalent of about 1½ percent of covered payroll. As the Committee was informed last year, our current actuarial cost estimates for the cash benefit programs, done in accordance with the usual practice of making a basic reevaluation every few years, show that the trust funds have a favorable actuarial balance of about 3/4 of one percent of payment. With your permission, Mr. Chairman, I would like at this point to submit for the record Actuarial Study #63, prepared by the Office of the Actuary of the Social Security Administration, which gives the underlying basis for these revised cost estimates.

This favorable balance will finance one-half the cost of our proposals. An additional ½ of one percent would be met through the increases in the earnings base I have already mentioned. The

remaining $\frac{1}{4}$ of one percent would be funded through increases in the contribution rates. Under present law, the ultimate employer and employee contribution rate for cash benefits will reach 4.85 percent each in 1973. We propose increasing this ultimate rate to 5 percent each.

Public Assistance Improvements

I would now like to turn to our second major set of income maintenance proposals, which are designed to improve the income of public assistance recipients.

The public assistance program provides the major source of income for nearly 8 million persons. The present public assistance program is not providing even a subsistence level for many of these recipients.

In 1962, the Congress created an Advisory Council on Public Welfare to make a study of the public assistance program. In its report, issued last June, this group stated that "public assistance payments are so low and so uneven that the Government is, by its own standards and definitions, a major source of the poverty on which it has declared unconditional war."

The States are required to set assistance standards for needy persons which they use to determine eligibility--but they need not make assistance payments on the basis of those standards. As a result, public assistance programs vary widely from State to State, reflecting not only differences in State capacity to finance the program but differences in State interest and concern for the needy.

For example, the minimum standard set by a State for an aged woman living alone is $71 a month; most States set standards between $95 and $135. Yet despite these standards, 10 States actually pay less than $85 per month.

The lowest standard set by any State for a family of four receiving Aid to Families with Dependent Children is $131 a month; most State standards range between $150 and $250. But seven States place arbitrary ceilings of less than $100 on what can actually be paid, and 20 States pay less than $150.

To end this situation, we are proposing that the States be required by July 1, 1969 to meet need in full as they determine it in their own assistance standards. By that date, States would need to eliminate all regulations or other devices which prevent a needy individual from receiving a payment which meets his need as the State determines it. We do not feel that the Federal Government should continue to support programs in which needy people are expected to live on amounts which the States themselves say are not enough to maintain a minimum level of decency and health.

Some States are now using standards several years old and which do not reflect current living costs. Therefore our proposal would further require States to update, on July 1, 1968, the assistance standards they are now using. From that date on they would have to review these standards annually and modify them if significant changes occur in the cost of living.

To assure an appropriate relationship between State standards for cash assistance and those for medical assistance, we are also proposing that cash assistance standards be set at least at two-thirds of medical assistance standards. This provision is complementary to our title XIX proposals which I will discuss later.

Based on present information, we estimate that it would cost the Federal Government an additional $150 million annually if all States made assistance payments on the basis of meeting full need as they themselves define it. An additional amount, approximately $100 million, would be needed for States to bring their needs standards up to date in terms of 1967 prices. The requirement that cash assistance standards be set at least at two-thirds the level of medical indigence will entail additional costs beginning in fiscal year 1970. Some of these costs would be offset by the increase in social security benefits which will reduce the amount paid under assistance. Because of the additional fiscal burden our proposals will place on some States, we are requesting a transitional authorization of $60 million for each of the fiscal years 1970 and 1971 to help States with special fiscal problems meet the new requirements.

Work Incentives

Both the social security and public assistance programs make reductions in payments when earnings exceed a specified amount.

Under the social security program, benefits are now payable in full if a person's earnings do not exceed $1500 in a year. If a person earns more than $1500 a year, $1 in benefits is withheld for each $2 of earnings between $1500 and $2700, with a dollar-for-dollar reduction for earnings above $2700. Regardless of a person's annual earnings, benefits are payable in full for any month in which he does not earn more than $125.

To provide an additional work incentive to social security beneficiaries, we propose that the $1500 annual exempt amount be raised to $1680, that the upper limit on the $1 for $2 span be raised to $2880, and that the amount a beneficiary may earn in a month without losing his benefits for that month be raised to $140.

In the public assistance programs, several provisions have been enacted in recent years to provide recipients with an incentive for earning income. States may now allow aged and disabled recipients

and dependent children to earn specified amounts with no reduction or with only a partial reduction in public assistance. Unfortunately, many States have not adopted these provisions. Thirty States permit the aged to work without reducing assistance payments one dollar for every dollar they earn; only 21 States offer such work incentives to dependent children. We are therefore proposing that the present optional work incentive provisions be made mandatory on the States effective July 1, 1969.

Under present law, dependent children may at the State's option earn up to $50 per month with no reduction in assistance. The maximum earned income exemption in one family is $150. But the adult caring for the child may earn no money for current use without a dollar-for-dollar reduction in assistance. We believe strongly that this serious work disincentive should be eliminated. We recommend that the parent or relative caring for the dependent child also be allowed an earnings exemption of $50 within the family maximum of $150.

Coverage Under Social Security

In addition to the overall benefit increase, we are recommending several amendments which will fill gaps in coverage under present social security law.

First, we propose to extend disability insurance protection to disabled widows.

Under present law, a widow is eligible for benefits when she has children in her care or when she attains age 62 (she may receive reduced benefits at age 60). Between these two periods, it is expected that she will be able to support herself through employment. But many widows are disabled and cannot work. The need for benefit protection is at least as great for the younger disabled widow who cannot work to support herself as it is for the able-bodied 63-year-old widow who now may receive benefits.

Under our proposal, a disabled widow under age 62 would be eligible for benefits if her disability began before her husband's death or before her children attain maturity, or within seven years after either event. This limited period of 7 years would afford the widow a reasonable opportunity to earn enough social security coverage to qualify for disability benefits on her own earnings; under the law 5 years of work are required as a minimum. About 70,000 disabled widows would immediately become eligible for benefits under this proposal.

Our second proposal will fill major gaps in the family protection of many Federal employees. The civil service retirement system, like private pension plans, places primary emphasis on retirement benefits for long-term employees. But unlike social security coverage it does not offer continuing basic protection in the early years of employment. To provide this protection, we recommend

that credit for civil service employment be transferred to social security if a worker is not covered under the civil service system when he dies, becomes disabled, or retires.

Third, we are recommending changes that would improve the social security protection of many farm employees by extending coverage to more of their work and by making it easier for them to become insured under social security.

Many hired farm workers either get benefits that reflect only part of their earnings or do not qualify for benefits at all. These workers are among the lower earnings groups, who have the greatest need for social security protection.

A farm worker now earns social security credit while working for a particular employer only if he is paid at least $150 by the employer during a year or works for him at least 20 days. We propose that these limitations be reduced to $50 or 10 days.

Other changes we are recommending would broaden coverage to the dependent parents of retired or disabled workers, children supported by relatives other than their parents, and certain adopted children.

Extension and Expansion of Expiring Public Assistance Provisions

Under public assistance, we are also recommending amendments affecting the coverage of the program.

In 1961 the Congress enacted a temporary program, optional with the States, for assistance to needy children of unemployed parents. The following year, this provision of law was extended five years and broadened to offer the States the opportunity to combine their assistance program with a work experience program for the unemployed parents. Over the past six years, 22 States have adopted such assistance programs, though only twelve offer work experience to unemployed parents receiving public assistance. We recommend that the unemployed parent program be made permanent.

We believe that work and training programs are essential to assure that those persons who can work will be enabled to support themselves without public assistance. We are accordingly proposing that there be work and training projects in every State.

We are also recommending that there be greater Federal participation in the cost of the projects. Currently, there is no Federal sharing in the cost of project materials, supervision, or training. This limitation has handicapped the development of State programs. We propose that the Federal Government pay 90 percent of these three types of costs. We believe that these work experience programs, together with the work incentive provision I have already discussed, will prove a wise investment in reducing dependency.

The fiscal authorization to help support demonstration projects under public assistance also expires this year. We urge its extension and expansion. As a Nation, we spent about $4 billion last year for cash assistance payments. But we still know very little about the practicality of different approaches of reducing dependency. In particular, we need to know more about the relationship between income maintenance programs and the motivation to work. Expansion of the expiring demonstration project authority will give us the opportunity of finding the answers to some of these questions.

Social Work Manpower Training

The administration of many of our important programs is handicapped by lack of social work manpower. The need for manpower is growing far beyond the present capacity of the schools of social work to produce qualified people. In the public welfare programs alone, the projected needs for social workers are staggering when compared with the current prospects for growth of the schools. The most serious barrier to increasing the supply of trained manpower lies in the limited training resources of the schools of social work themselves.

We are therefore recommending a program of grants to colleges, universities, and accredited graduate schools of social work to meet part of the costs of developing, expanding, or improving their social work training resources. The grants would be available to pay the cost of additional faculty members and administrative personnel and to make minor improvements in existing facilities. We anticipate that this program would help to increase substantially the number of trained social workers serving in public welfare and other programs.

Child Welfare Services

Over the past decade, there has been a steady increase in the number of deprived and neglected children living in congested urban areas. Along with this there has been an increase in the complexity of the problems they face. This is particularly true of children from low income families.

In order to help States attack these problems that affect children, and to develop new patterns of services for children, we are proposing to strengthen the child welfare services supported under Title V of the Social Security Act.

Child welfare services are provided by State and local departments of public welfare. They include case work services to children and their parents, services to unmarried mothers and their babies, homemaker and day care services to help keep the child in his own home, foster care when a child must be removed from his home and adoption services for the child.

We need well-trained and highly motivated child welfare workers to provide these services, and we need more of them. Present law requires States to make child welfare services available in all counties by 1975. To the extent feasible the services must be provided by trained child welfare staff. But the funding authorizations presently in the law preclude the Federal Government from sharing in the additional cost of these requirements. One-third of the Nation's counties do not have the services of a full-time child welfare worker, and only one-sixth of all child welfare caseworkers have social work degrees. The number of workers has increased from about 8,700 in 1962 to about 14,000 in 1967. States are trying to improve the quality of their staff through both in-service training programs and educational leave. But 16,000 more child welfare workers will be needed by 1975 in order to meet the requirement in the law.

Child welfare services should be available to all children who need them. To insure that they are provided by competent staff, we must increase Federal support.

In 1966, total expenditures for child welfare services were close to $400 million. Federal funds accounted for only about 10 percent of this amount. Personnel and training costs amounted to $142 million--$39 million from Federal funds and $103 million from State and local funds.

Using 1967 State expenditures as a base, we recommend that the Federal Government pay up to 75 percent of additional expenditures for personnel and training. This will provide additional State and local funds expended for child welfare personnel with matching on a basis comparable with similar expenditures in the public assistance program, and States will have an incentive to strengthen child welfare staff as much and as rapidly as possible.

We propose also to amend the child welfare research and demonstration authority to make possible rapid utilization of research findings in child welfare programs and development of new methods of providing child welfare services.

In the five years of operation under our present research and demonstration authorization, we have supported projects which have yielded a number of significant innovations. For example, we have shown how non-professional staff can be used to license foster family homes and day care centers. We have shown new ways to use homemakers with families with severely handicapped infants. We must now disseminate these findings on a broad basis and incorporate them into existing child welfare programs. The contract authority we are also seeking will make it possible to direct research into neglected but vitally important areas of the child welfare programs.

Child Health

As a Nation, we pride ourselves on our medical achievements; but many American children do not share in these successes. Too many infants die who would have lived had they received medical attention. Too many children suffer from chronic handicapping conditions that could have been prevented, corrected, or improved by early treatment.

Many preschool children who are poor and who need treatment for eye difficulties do not see a doctor; one million poor children who need glasses today do not have them. One out of every four young men rejected by the Selective Service for orthopedic or hearing defects could have had these defects prevented or corrected through timely medical attention.

In low-income areas, we estimate that 6 out of every 10 children who suffer from one or more chronic conditions are not receiving any treatment.

The Congress has within the past five years enacted legislation which expanded existing maternal and child health and crippled children's programs and established new programs of comprehensive care for mothers, infants, preschool and school-age children in low-income areas.

Our recommendations will build on this base already established by the Congress as well as explore new and better ways of reaching those in need. Our proposals are aimed at making quality health care available to more poor children while continually evaluating our results and exploring new ways of delivering health services to the underprivileged.

Early Case-Finding and Treatment of Handicapping Conditions of Children

Under our proposed amendments, all children in low-income or medically indigent families would be assured periodic screening, diagnostic services, and medical treatment--particularly in the preschool years. The State agency now operating the Crippled Children's Services programs would be required to organize programs to screen children in low-income areas at specified ages and to provide diagnostic services and necessary medical treatment. The State Title XIX agency will enter into agreements with the State Crippled Children's agency to reimburse them for services provided to children eligible for medical assistance under Title XIX.

In the first year, 500,000 children would be screened and 80,000 treated. Within 3 to 5 years the program we propose would be screening about 5 million children each year. Medical treatment to prevent, correct, or ameliorate chronic handicapping conditions would be provided to almost 600,000 children who would otherwise

fail to receive adequate treatment. We estimate that with this program we could dramatically reduce handicapping conditions among poor children: congenital handicaps could be reduced by at least 30 percent, uncorrected vision problems by at least 40 percent, uncorrected hearing disorders by at least 25 percent, and other physically handicapping conditions by at least 20 percent. Over a period of time the program would improve the condition of hundreds of thousands of other handicapped children.

Comprehensive Maternal and Child Health Care Research Projects

Projections of the numbers of pediatricians and general practitioners show that we must change our methods of delivering health care. Unless we make more efficient use of professional time, only a small percentage of our children will have comprehensive health care available to them.

We have too few studies in this country on use of physician assistants. Many professional organizations have suggested that improved health care for larger numbers of patients can be provided by a physician with a number of skilled helpers at his command: nutritionists, psychologists, clinic nurses and visiting nurses, and particularly well-trained physician assistants.

Now is the time to explore the use of physician assistants and other health personnel in ways that will multiply and expand the physician's services in order to bring good care to larger numbers of patients.

Under the bill before you, we plan to expand our research authority to experiment with and demonstrate the use of obstetric and pediatric assistants in bringing comprehensive health care to large numbers of mothers and children, particularly in areas that suffer from lack of adequate maternal and child health services.

Training New Types of Maternal and Child Health Personnel

In addition to the training carried out under these research projects, we are proposing to broaden our present child health training program. This program is now aimed primarily at providing professional personnel for university-affiliated mental retardation centers. With our amendments, universities would be able to expand their residency and related training programs for health personnel, to train new types of personnel and to teach them new techniques for the provision of child care, and to develop leadership personnel to direct comprehensive community health programs for mothers and children.

Revision of Authorizations Under Existing Programs

The cost of the existing Crippled Children's Services program may be expected to increase as services are extended and as hospitals are paid on a reasonable cost basis. The cost of the Maternal and Child Health program will similarly rise.

To meet this additional need, we are proposing that the authorization ceilings be eliminated from the law beginning with fiscal year 1969. To assure that States use additional Federal funds to extend and improve their child health programs, we are proposing that States be required to maintain at least their present level of expenditures for these programs.

We recommend also the extension and expansion of the comprehensive maternity and infant care program, which has begun to show impressive results. Projects under this program provide comprehensive health care for low-income, high-risk expectant mothers, who would otherwise not receive the necessary care. Family planning services have also been made available with the other health care services, and these can be extended as well.

Since the program was first established, 53 projects have been approved, in rural areas as well as in low-income areas of our largest cities. The large projects in Baltimore, New York, and Chicago, which have been in operation for two years, offer a marked contrast to the general trend toward increasing infant mortality in those cities. In Chicago, for example, the 1965 infant mortality rate in the area served under the maternity and infant care project was 34.5 deaths per 1,000 live births; in other similar low-income areas, the infant mortality rate was 57.4 per 1,000--about 60 percent higher.

We are proposing that the 1968 authorization for this program be raised to $35 million, and that the program be extended to 1972, with an additional emphasis on the reduction of infant mortality as well as prevention of mental retardation, as presently in the law.

Dental Program for Children

Like other health services, dental care also cannot be substantially expanded without a large increase in the number of trained personnel.

Children begin to suffer from dental caries very early, almost as soon as they begin to have teeth. By age five, a child has an average of 3 carious teeth. By age 15, the average youth has 11 permanent teeth damaged or destroyed. By age 35, a third of Americans have no natural teeth, and by 55, half of them have no natural teeth.

In most instances, this complete loss is unnecessary and preventable. Fluoridation of drinking water would reduce dental caries by half. And periodic, regular dental care would prevent the progression through decay to complete loss. But only 46 percent of the communities with common drinking supplies are fluoridating their water. And the majority of children do not get periodic dental attention. Sixty-five percent of our poor children never see a dentist at all.

The magnitude of the need is overwhelming. To show the way to meet this need, we propose a pilot dental health program for children. The major part of our proposed program would create pilot projects of dental care for needy children which would include the training of auxiliary dental manpower.

In the first year, the pilot projects would provide dental care to 100,000 needy first-grade children in 10 selected communities and would continue to provide them with care over a five-year period. Perhaps the most important aspect of these projects will be the training component that will be built into each one. We know today that a dental assistant can double the capacity of the dentist to deliver dental care. Working under direct or indirect supervision, particularly with children, dental assistants can multiply the effectiveness of dentists' services and make possible a truly effective dental care program.

In order to make certain that we reach all children eventually, we will ask that some of these projects explore and support a voluntary insurance program at the same time, to make it possible for one system of dental care to offer services to all children regardless of family income.

Evaluation

In his State of the Union Message, the President pledged that every Federal program will be examined and evaluated, to assure that programs work effectively and are administered in the best way. We must gather the data and do the studies needed to measure the effectiveness of all our child health programs and in particular the new programs we are proposing. To this end, we are asking authority to reserve up to $\frac{1}{2}$ percent of the funds appropriated for child health programs for the evaluation of these programs.

Medicare for the Disabled

Our child health proposals are directed at making a substantial improvement in the health of mothers, infants, and young children. For the aged, the establishment of the Medicare program brought about a new era in health care. But the gratifyingly successful application of Medicare to the elderly has shown us in sharp contrast the plight of another group--those of any age who are severely or totally disabled.

In numbers, they are relatively few. In terms of financial security, their position is most precarious.

Among the families of disabled workers who were married, a 1960 survey showed that half had an income on their own of less than $170 a month. Among disabled workers who were unmarried--with no husband or wife to provide support--half had an income on their own, not counting social security payments, of less than $7 a month.

Under existing Social Security provisions, these seriously disabled men and women are entitled to receive cash benefits, but even with the increases we are recommending these payments will rarely be adequate to cover the bills for hospital and medical care in addition to rent, food, and clothing.

The health problems of such men and women are far from minor. About one in five requires hospitalization each year, and at least half of these hospitalized patients need annual hospital care for three weeks or more.

Like the aged, these seriously disabled have great difficulty in obtaining or maintaining private health insurance. We propose, therefore, that Medicare protection--both hospital insurance and medical insurance--be made available for them, beginning January 1, 1968.

Approximately 1.5 million disabled people under the age of 65 would be included--about 1.2 million workers who are already getting social security disability benefits, about 200,000 individuals getting childhood disability benefits, and about 100,000 widows who are disabled. Similar protection would be provided for disabled railroad retirement beneficiaries.

The additional income resulting from the increased contribution and benefit base will pay for the hospital protection without any increase in the contribution rate. Supplementary medical insurance protection would also be made available on the same voluntary basis as it is for the aged--with the beneficiary and the Federal Government each paying a monthly premium of $3.

Coordination with Areawide Planning

As a part of current Federal programs, the Nation's hospitals are being reimbursed for their reasonable costs in providing care for Medicare patients. They are also being reimbursed for reasonable depreciation costs and related charges.

When such funds are used for the modernization of facilities, or new construction, or the purchase of new equipment, there is an increasing need that the expenditures be made in accordance with broad, area-wide health plans. None of us wishes to see these

Federal funds utilized in competitive drives to put a radioisotope laboratory, a cobalt bomb for cancer treatment, facilities for open-heart surgery, or other costly but highly specialized equipment in every hospital, large or small, regardless of practical requirements.

We are recommending that where institutions participating in the Medicare program make capital expenditures that are not in accordance with state-wide health plans, we would have authority to reduce reimbursements to the institutions or to terminate the participation agreement with them. This requirement can do much to strengthen State health planning.

Under present law, a physician must certify that medical services are necessary when a patient receives inpatient or outpatient hospital services. We believe that the admission to a general hospital in itself can generally be relied upon as an indication of the doctor's professional judgment that the hospitalization is needed. We feel, therefore, that it would be desirable to drop the requirement of initial certification at the time of admission to the general hospitals. Similarly, the requirement for certification of the medical necessity of outpatient services in our judgment is unnecessary.

In other Medicare amendments, we are recommending the inclusion of certain services of podiatrists, a modification of the provisions concerning outpatient hospital and diagnostic specialty benefits (with no substantial change in what those benefits are), and extension of Medicare to Federal hospitals.

Medical Assistance

The Medical Assistance program authorized by Title XIX of the Social Security Act--like the Medicare program authorized by Title XVIII--has already enabled millions of persons to obtain needed health care. But as we have lived with this program during its first year, we have learned that some changes are needed to make clear the intentions of the Congress.

Nearly all the States have been cautious in establishing levels of income and resources to identify eligible individuals and families for medical assistance. If the program is to effectively reach the needy, we expect that many of these States will need to broaden or liberalize these requirements. In order that the levels do not exceed what the Congress had in mind as the limits of coverage for the program, we recommend that Federal sharing for medical assistance payments be limited to those individuals and families in any State whose income does not exceed a level 50 percent above the level which would qualify them for subsistence payments under the State's plan.

Thus, for example, if a State plan set a maximum level of $1,600 per year to qualify a needy individual for subsistence aid, we would propose a maximum level of $2,400 per year to qualify an individual for Federal sharing in medical assistance.

Next, we are recommending several measures to encourage States to utilize ongoing programs in conjunction with Title XIX. States should be enabled to pay for Supplementary Medical Insurance under Title XVIII on behalf of all eligible medically needy men and women, and not merely on behalf of those who are receiving cash benefits. This is not possible under current legislation.

We are also proposing legislation to prevent unnecessary use of skilled nursing home beds. We must see to it that skilled nursing home care is used only for those patients in the Medical Assistance program who require service in a medically oriented facility. To achieve this goal, we recommend that the cash assistance programs be modified to offer States incentives, when medically and economically possible, to provide care to the individual in his own home or under domiciliary arrangements if a physician certifies that he would otherwise need skilled nursing home care.

Other amendments would eliminate an inequity in present law concerning Federal payments for skilled medical personnel, and would create a Title XIX Advisory Council. These amendments are set forth in the printed Committee summary.

Conclusion

Mr. Chairman, I have briefly outlined the proposals incorporated in H.R. 5710 to improve and strengthen our social security, public assistance, child welfare, and child health programs. I strongly endorse the provisions of H.R. 5710.

Mr. Ball will now discuss the social security proposals in more detail. We will than be happy to answer any questions the Committee might have.

STATEMENT
by
John W. Gardner
Secretary of Health, Education, and Welfare
before the Senate Committee on Finance
on H.R. 12080
"Social Security Amendments of 1967"
Tuesday, August 22, 1967

Mr. Chairman:

I welcome this opportunity to appear before you to discuss the Social Security Amendments passed by the House. The House bill is broad in scope. The bill before you covers changes in a number of existing programs, namely:

-- The old-age, survivors, and disability insurance program, popularly referred to as social security (title II of the Social Security Act)

-- The Medicare program, consisting of both hospital insurance and supplementary medical insurance (title XVIII)

-- The public assistance programs, particularly aid to families with dependent children (title IV)

-- The child welfare program (part 3 of title V)

-- The Medicaid program (title XIX)

-- The programs of health care for mothers and children (parts 1 and 2 of title V)

I shall not recount in any detail the provisions of the House bill. A brief summary of these provisions will be found in the House Committee Report, pages 2-5.

I would like to highlight the major changes, and I will ask Under Secretary Cohen and Commissioner Ball to discuss the provisions of the House bill and our recommendations in more detail when I finish.

Social Security

The bill that is before you for consideration would make far-reaching improvements in the social security program. But we believe that it is both feasible and desirable to go further than the House bill in improving the social security benefits and the protection of the social security program.

Social security is a major institution in the economic and social life of this country. It has grown over the years to become the Nation's basic method for protecting people against loss of income because of retirement, severe disability, or death. The program provides cash benefits not only to the aged but to young persons as well who are disabled or are the survivors or dependents of beneficiaries.

Cash benefits of about $21 1/2 billion will be paid out during the current year. More than 23 million persons--retired workers and their wives, disabled workers and their families, and widows, and orphans--get benefits every month. Over 7 million of these beneficiaries are under age 65.

Today, 90 percent of our people aged 65 and over are eligible for retirement benefits under social security. Almost all of the 78 million earners in the country are now covered by social security, the principal exceptions being government employees, who have their own retirement systems. About 95 out of every 100 American children and their mothers have survivors insurance protection in case of the death of the bread-winner. About 87 out of 100 Americans age 25-64 have insurance protection if they become severely disabled.

Social security benefits today average about $85 a month for a retired person, $98 for a disabled person and $62 for a child of a deceased individual. The minimum monthly benefit for an individual is $44. The maximum monthly benefit for an individual with credited earnings of $6,600 a year could be $168.

The House bill provides for a social security benefit increase of 12½ percent across the board with a $50 a month minimum. We urge that this Committee restore the 15 percent benefit increase and the $70 minimum benefit that the President proposed.

The full benefit increase is needed. Almost all aged social security beneficiaries rely on social security as their major source of support. Almost half of the aged beneficiaries have no substantial income other than their social security.

The House bill would remove about 800,000 people from poverty. Under our proposal, 2 million people would be removed from poverty. Even those who still are poor will be better off. And the improvements we are recommending will help not only those current beneficiaries whose benefits are near or below the poverty level, but also those who get benefits based on average or better-than-average earnings. Social security is not only for the poor. It is a system providing a base of economic security on which all can build. It will help not only the aged whose incomes are now too low but will provide that the aged of the future will be better off.

The social security system is a wage-related, contributory system. Contributions are related to earnings, and benefits, too, are based on average earnings under the social security system. Basing eligibility on work and providing benefits related to past earnings is consistent with and strengthens our general system of economic incentives. When a person works in covered employment, he earns both wages and insurance protection against the loss of those wages.

We are recommending increases in the social security contribution and benefit base--the amount of earnings that is taxable and creditable toward benefits in a year. Increasing this base increases the protection the program provides for those working and earning at amounts higher than the present base and strengthens the wage-related character of the program.

The House bill provides for an increase in the contribution and benefit base from the present $6,600 a year to $7,600 in 1968. This is a significant first step, but it does not go far enough. We recommend a base of $7,800 in 1968, $9,000 in 1971 and $10,800 in 1974. These increases will provide individuals who have somewhat above-average earnings with benefits much more closely related to their earnings than either present law or the House bill would. People at these levels would pay more in contributions, but they and their families would get substantially more in benefit protection.

Social Security benefits have fallen behind price increases over the years since the early 1950's. We must set the benefits so that they buy as much as they did in earlier years. But we must do more than that. We believe--and our proposals would accomplish the result--that social security beneficiaries should have a share in the rising level of living of the whole community. We recommend several other improvements in the program:

-- In addition to a regular minimum benefit of $70, we recommend a special minimum benefit of $100 for persons who have worked at least 25 years in jobs covered by social security. This would give some recognition to those who have worked under the program for many years at very low wages.

-- The House bill provides benefits for disabled widows beginning at age 50, reduced from the amounts they would get if they qualified at 62 without a disability. Disabled widows of any age should receive benefits, and they should receive full widow's benefits instead of reduced benefits.

The proposals we are making would increase the benefit protection of the social security system to millions of persons while at the same time continuing the system on an actuarially sound basis.

President Johnson in his Message of January 23, 1967 stated:

> "One of the tests of a great civilization is the compassion and respect shown to its elders. Too many of our senior citizens have been left behind by the progress they worked most of their lives to create."

Medicare

Two years ago, the Congress enacted the Medicare program, adding health insurance to the protection afforded older persons under social security.

This is a large and complex program. It involves more than 19 million aged persons. The administration of the program has demanded a cooperative effort on an enormous scale on the part of the Federal Government, hospitals, the medical profession, State health agencies, the fiscal intermediaries, to whom a major part of the administrative responsibility is assigned, and the whole health community.

In the year that Medicare has been in operation, the Department has been faced with tremendous tasks in the development of regulations and policies, the preparation of materials for the guidance of the fiscal intermediaries, and the State agencies, and a huge informational task directed toward understanding of the program by physicians, hospitals and other institutions and the beneficiaries.

Although President Johnson has made several proposals to simplify the Medicare program and its administration, we believe that with a program this new, this big and this complex, it would be unwise at this time to make fundamental changes in the scope of the program.

In the first year of the program, 4 million Americans entered the hospital for treatment and had hospital bills amounting to $2.4 billion paid by the program. Another $640 million was paid out for other medical services, primarily physicians' services. About 200,000 people received home health services. Since January 1967 some 200,000 people have been admitted to extended care facilities.

But the impact of the program is far greater than the gains reflected in a mere recital of statistics. For under medicare all the aged receive care with the dignity and freedom of choice that goes with insurance protection.

This year, the President recommended including disabled social security beneficiaries under Medicare. The House bill does not do this. Extension of the program's protection to the disabled can be accomplished without major changes in the present administrative arrangements.

Available data indicate substantially higher health costs for the disabled than for the aged. The data confirm the importance of covering the hospital costs of the disabled under medicare.

Handicapped by serious disability, these people find themselves in much the same situation as older people. Many of them are completely dependent on their social security benefits for their support and the support of their families. Few have substantial regular income in addition to their benefits. Because of their impairments, they have relatively high medical expenses and they have poor insurance protection against such expenses. We urge that the House bill be modified to extend the protection of hospital insurance to these beneficiaries.

Public Welfare

The social security system is our basic program to insure persons against the loss of earned income.

Our Federal-State public welfare programs provide assistance and services to deal directly with poverty and social deprivation.

The House of Representatives has made fundamental changes in certain public welfare programs. Under aid to families with dependent children, the bill requires States to make a plan for each family and then implement it by providing training for work, day care for children of mothers training for work, and work incentives through earnings exemptions. We favor this general approach of developing a plan for each family, but believe it should be broadened and made comprehensive to be fully effective.

A comprehensive plan drawn up for each family would be based on an evaluation of the potentialities for employment of family members over sixteen who are not in school, the health and educational and training needs they might have, and the welfare of the children. If the evaluations are well and carefully done, if their goals are broader than the achievement of employment alone, and if the resulting plans are realistically and imaginatively laid, many families now on public assistance will find new hope, new confidence, new stability, and a new opportunity to become productive and participating--with all the increase in personal satisfaction and happiness that goes with it.

Based on the work-experience programs that have been operating for several years, we have every reason to believe that there are many more individuals who want to be and can be trained and employed.

It is perfectly obvious that not all mothers would wish to, or should, or could, work full-time, or perhaps even part-time. But the unknown number who wish to, or should, or could, ought to have that chance.

The House bill requires each State to make work or training available to "appropriate" individuals on assistance as a condition of receipt of Federal financial participation. It would also require that assistance be denied to such individuals if they refuse assignment to projects unless they can show "good cause" for their refusals. Existing law requires a State to allow an individual to appeal any decision to the State agency.

What really matters is what happens to each family. A mother might appear to be a good candidate for work and training on several grounds, yet special circumstances might make it desirable for her to delay entrance into the program. If determinations are made according to rigid formulas inflexibly applied, if lack of imagination and foresight characterize action at the decision level, then the result can only be grief for the individuals and families involved and defeat of the purposes of the program, which are to strengthen the family and move it toward independence.

All things considered we believe that the establishment of training programs should be mandatory upon the States, but voluntary as far as the AFDC mothers are concerned. We believe that with the universal existence of work training programs and day care arrangements so wisely provided in the House bill, plus the $20 incentive payments provided in the Administration proposals plus the prospect of reasonable income exemptions, a very high percentage of mothers will want to be trained and will want to go to work.

The work-training projects offer great opportunities, but like all opportunities, they must be exploited with wisdom as well as energy. We must be sure that we are not preparing candidates for non-existent jobs. But I would hope that we could go beyond merely giving vocational training for already existing or conventional, particularly dead end, jobs--that at least some of the projects would be consciously aimed at creating new careers in new kinds of jobs for the participants.

The House bill would require States to operate work and training programs for all appropriate individuals above age 16 who are receiving AFDC. The House bill provides that the Secretary of Health, Education, and Welfare would administer this program at the Federal level and State welfare departments at the State and local level.

Because of the need to coordinate work-training under public assistance with our other job training programs, we recommend that instead of the House provision, the provisions recommended by the Administration in H.R. 5710 be adopted. These provided that the Secretary of Labor be

authorized to provide work and training programs for AFDC recipients above age 16. States would be required to operate programs if the Secretary of Labor does not and is unable to do so, and project grants for such programs would be provided for needy persons ineligible for AFDC. Incentive payments of up to $20 per week would be provided to persons undergoing training.

The House bill includes a work incentive feature in the State aid to families with dependent children's programs. The bill requires each State, effective July 1, 1969, to disregard the first $30 a month of earned income plus one-third of any additional earnings. The bill also provides that all earnings of AFDC children attending school full-time be disregarded. These are very desirable provisions. We recommend that they be strengthened by increasing the exemption to $50 monthly plus one-half of any additional earnings.

The House bill also authorizes Federal financial participation in day care for children of mothers working or taking work training where care is purchased from community agencies.

The House bill provides broadened authority with respect to day care, and requires exemption of some earnings, but it makes work training compulsory. We believe that the incentive features of the House bill, coupled with a broadened work training program which is voluntary as far as the individual is concerned but which has additional financial incentives for such training will greatly strengthen the effectiveness of the program in moving families from dependency to financial independence.

The House bill offers local agencies additional support to provide for the welfare of children through emergency assistance, protective payments, and foster home care. We have some suggestions for improving these provisions, and I will ask Mr. Cohen to discuss them with you later.

The House bill does nothing to improve the level of State public assistance payments. As things stand today, the States are required to set assistance standards for needy persons in order to determine eligibility--but they need not make their assistance payments on the basis of these standards. The result is that welfare payments are much too low in a good many States. That is a widely accepted fact among all who are concerned with these programs, indeed it is probably the most widely agreed-upon fact among welfare experts today.

We strongly urge you to adopt the Administration's proposal requiring States to meet need in full as they determine it in their own State assistance standards, and to update these standards periodically to keep pace with changes in the cost of living.

Only 20 States and the District of Columbia provide under the AFDC program the amount that their own standards indicate is needed. Of these 20 States, only 12 have updated their standards to reflect price levels as recent as 1966.

We also proposed to the House that the eligibility level for medical assistance (Medicaid, title XIX of the Social Security Act) be limited to 150% of the eligibility level for cash assistance. There would have been no difference between State standards and maximum assistance payments since need would have been met in full. The House bill limits the eligibility level for medical assistance to 133% of maximum assistance payments. We believe this to be too constrictive a definition of medical indigence.

The House bill includes another limitation which we did not seek: a ceiling on Federal participation in Aid to Families with Dependent Children. The proportion of children dependent because of absence of a parent would be frozen as of last January for purposes of Federal financial participation.

Approximately 4.9 percent of children under age 18 are receiving assistance. The number of children receiving aid has been growing. We are as anxious as any agency can be to reverse or at least substantially modify this trend.

If States take full advantage of the employment and day care provisions of the bill, they may well be able to keep growth in the assistance rolls lower than it would otherwise have been. But for a good many States it is very unlikely that they can bring the rolls down to the level of last January. If a State cannot reach that level, then under the House provision, it would face a financial squeeze that would almost certainly lead it to establish even more restrictive eligibility requirements or to lower already inadequate support. This is directly contrary to the main constructive thrust of the House bill which is to move families toward financial independence.

I urge the Senate to delete this limitation. I realize that the House is concerned about the steady rise in AFDC rolls. I share that concern. But the measure they propose is not a solution; it is simply a decision to turn our backs on the problem.

Child Health

The bill before you makes major improvement in our child health programs. It consolidates all of the separate earmarked programs under a single total authorization, to be utilized under three broad categories, and it provides for intensified efforts to screen and treat children in low-income areas, for demonstration services, especially in dental care for children and family planning services for mothers, and for broadened research and training programs. But the House bill does not provide enough funds for us to mount the kind of research and training program we believe is needed. Present and anticipated manpower requirements in obstetrics and pediatrics are so great that we will soon face a crisis

in maternal and child health care unless we can find ways of increasing the supply and expanding the efficiency of professional personnel. Our recommendation to the House included a proposal to establish comprehensive maternal and child care research centers to study and demonstrate new and more efficient ways of delivering health services. The House bill provides the needed authority. We urge you to authorize additional funds to carry out this essential program.

Social Work Manpower

Our child health amendments are based partly on the critical need for trained manpower. There is a critical need in another area: social work. The House bill provides the authority to make grants to educational institutions to develop and improve programs of social work training. But the bill limits the authorization to $5 million annually. We recommend that this limitation be removed beginning with the second year of the program.

Conclusion

Mr. Chairman, the legislation before you affects every man, woman and child in the Nation. It is important and far-reaching.

With the changes we are proposing we believe it merits your prompt and favorable action.

Now, Mr. Chairman, I would like to ask Commissioner Ball to discuss our proposals for our social security and Medicare amendments, to be followed by Under Secretary Cohen, who will discuss our suggested public welfare and child health amendments. We will then be happy to answer any questions the Committee may have.

STATEMENT
by
Wilbur J. Cohen
Under Secretary of Health, Education, and Welfare
before the Committee on Finance
on H.R. 12080
United States Senate
Social Security Amendments of 1967
Tuesday, August 22, 1967

Mr. Chairman:

The Secretary has highlighted our major recommendations in the public welfare and maternal and child health sections of the bill. I would like to begin with some general information on the public assistance programs, and then I will discuss in more detail the changes we are recommending.

Public Assistance Programs

The Federally aided public assistance programs are designed to provide maintenance payments and rehabilitative services to persons who cannot provide for themselves and are aged, blind, permanently and totally disabled, or from families with dependent children.

In May of this year, about 7.7 million persons received cash payments under the Federally aided assistance programs. About 2 million of them were 65 or over, 700,000 were blind or permanently and totally disabled, and 5 million were in families with dependent children.

It is a measure of the success of our social security system that in the areas of old-age and survivorship coverage where the social insurance protection is offered, the number of assistance recipients has decreased. As the number of social security recipients age 65 and over has increased from less than 3 million in 1950 to almost 16 million today, the number of old-age assistance recipients has decreased from 2.8 million to a little over 2 million. Over this same period, the number of orphans receiving public assistance has decreased from 350,000 to about 150,000.

Excluding these two groups, the number of recipients has gone up steadily over the past 15 years. Since its establishment in 1951, aid to the permanently and totally disabled has increased to 600,000 today. The category responsible for what has been by far the largest increase is aid to families with dependent children, whose rolls have risen from 2 million to 5 million recipients in the past 15 years. I will discuss the characteristics of this program in more detail later.

These trends are reflected even more sharply in the changing rates of dependency by category. In 1950, 23% of the total population aged 65 and over received old-age assistance. By this year, the rate had decreased to 11%, and it is expected to continue to go down in future years. By way of contrast, in the last 15 years the proportion of children receiving aid to families with dependent children has risen from less than 3½% to almost 5%.

The total cost of public assistance is expected to reach $7.8 billion in the current fiscal year. About three-fifths of this total, or $4.5 billion, represents the Federal share.

Of the total Federal, State, and local expenditures, $2.6 billion is estimated for aid to families with dependent children, $1.9 billion for old-age assistance, $700 million for aid to the blind and disabled, and $2.6 billion for all medical vendor payment programs. On a comparable basis, the Federal amounts are estimated at $1.5 billion for AFDC, $1.2 billion for old-age assistance, $500 million for the disabled and the blind and $1.4 billion for medical vendor programs.

The Federal Government shares on a variable basis the cost of public assistance payments. In addition, 50% of the cost of administration and 75% of the cost of special services to prevent or reduce dependency is paid by the Federal Government.

Despite rises in public assistance costs, total assistance expenditures in 1966 represented about the same portion of Gross National Product as they did in 1950. In 1950, they represented 0.84% of GNP; this percentage dropped to 0.69% by 1955, and it has been rising gradually since, reaching 0.85% in 1966.

The figures I have provided so far, Mr. Chairman, reflect the public assistance programs in the Nation as a whole. But public assistance is administered in the States, and it varies widely among the States. The rates of dependency, State fiscal effort, State needs standards, and average payments are quite diverse in different States.

In the United States as a whole, 3.8% of the population received public assistance money payments last December. But individual States ranged from a low of 1.4% in Indiana to a high of 8.0% in Mississippi. The table attached gives the figure for each State.

Though 4.9% of the population under 18 in the United States receives aid to families with dependent children, the State rates vary between 1.7% in New Hampshire and 11.1% in West Virginia. Eleven per cent of the population 65 and over receives old-age assistance, but in New Jersey, only 2.1% of the aged receive assistance while in Louisiana, 45.5% do. The attached chart gives the figures for each State.

States fiscal effort similarly shows wide variations. In 1966, $4.86 was spent on public assistance in the United States for every $1,000 of 1965 personal income; but the individual State fiscal effort ranged from $1.03 in Virginia to $9.44 in Oklahoma.

Mr. Chairman, detailed tables showing all these statistics are attached to my statement.

Aid to Families with Dependent Children

The greatest part of the increase in public assistance over the past years has been due to growth in the program of aid to families with dependent children. I would like to outline now the characteristics of the AFDC caseload.

About 5 million persons receive AFDC. This figure represents 1.2 million families with over 3.7 million children. Fifteen years ago, the AFDC rolls included 2 million persons representing 600,000 families with 1.5 million children. Since 1961 the Federal Government has participated in the payment of AFDC to children who are needy because of a parent's unemployment. About 265,000 children received assistance this past May because of the unemployment of their father. Over the past 15 years there has also been a net increase of about 300,000 children who are dependent because of the incapacity of their father. But by far the largest part of the AFDC growth over the past decade and a half has been the increase of 1.5 million children dependent because of the absence of their father from the home.

What these figures do not show, Mr. Chairman, is the great turnover in the AFDC rolls. Averaged over the year, about 45,000 new families come on the rolls each month, and about 41,000 leave the rolls. Our latest survey of AFDC recipients, made in late 1961, showed that one out of 6 families receiving AFDC had been on the rolls for less than 6 months; one out of 3 had been on for less than 1 year, and 1 out of 2 had been on for less than 2 years. Of all the families on AFDC, 67% were dependent because of their father's absence, 18% because of his incapacity, 8% because of his death, and 5% because of his unemployment.

Looking at the largest group, its major components are the following: in 21% of the families, the father was not married to the mother, in 19% he had deserted the mother, in 14% he was divorced or legally separated, in 8% he was otherwise separated, and in 4% of the families he was in prison.

We also have data showing the reasons why recipients leave the rolls. In our most recent study of case closures over a 6 month period, we found that 54% of the cases were closed because of increased family income or resources. The bulk of these cases--34% out of the 54%--were due to employment or increased earnings of family members. Other reasons for increased income and resources were the return of an absent parent, receipt of support from the absent father, and remarriage of the mother.

In 24% of the cases, the case was terminated because the family no longer met eligibility requirements other than need. This would include cases where there was no longer an eligible child in the home, or where there was recovery of an incapacitated parent, or refusal by a family to comply with an eligibility requirement. All of these different reasons for case closures exist in widely varying proportions in the different States, but I think they illustrate the complex composition and tremendous turnover in the AFDC rolls today. It would be a great mistake to think of the caseload as being static, with the same families continuing to receive assistance for long periods of time.

Meeting Full Need

Now, Mr. Chairman, I would like to turn to our recommendations for improvements in the bill before you.

Present law requires that eligibility to receive public assistance payments be based on State estimates of the minimum amounts required for food, clothing, shelter and other needs. The Federal law recognizes that conditions are different in different States, and it is up to the States to determine their own needs standards.

Variations in State standards are wide. For example, the District of Columbia estimates that an aged woman living alone in rented quarters requires $87.20 per month to meet her minimum needs, while in Nevada it is estimated that $138.75 is required for an aged woman in the same circumstances. Need standards similarly vary widely for the blind, the permanently and totally disabled, and families with dependent children.

Though standards of need are set by the States, Federal law does not require their assistance payments to meet full needs. Many States place arbitrary ceilings on the amount of assistance that can actually be paid, ceilings which may be substantially lower than the minimum need as determined by the State.

Though most States estimate that an aged woman living alone requires between $95 and $135 a month, 12 States will not pay more than $85 per month. The discrepancy between needs standard and maximum payment is illustrated by Indiana, whose maximum payment of $80 is only 64% of its needs standard of $125.50; similarly, Wyoming will not pay more than $100, or 76% of its $132.00 needs standard.

In the aid to families with dependent children program, the gap is even wider. The lowest standard set by any State for a family of 4 receiving AFDC is $131.00; most State standards range between $150 and $250. But 7 States place arbitrary ceilings of less than $100 on what can actually be paid, and 20 States pay less than $150. Vermont will not pay an AFDC family of 4 more than $140, only 67% of its $209.50 monthly needs standard; and Mississippi places a maximum of $50 on the monthly payments, only 28% of its $175.62 standard of need.

Data for old-age assistance and aid to families with dependent children for all States are shown in an attached chart.

It is this serious discrepancy between what the States themselves determine to be minimal need and the amounts they will actually pay that has led us to strongly recommend that States be required to meet needs in full as they determine. The bill before you, Mr. Chairman, does not contain such a requirement. We urge you to amend the bill to include this.

But it is not enough only to require the States to meet need standards. They must assure that these standards reflect current prices. There is no requirement in present law that State standards be kept up to date. In Colorado, the standards for aid to the permanently and totally disabled have not been changed since 1956. Those for the blind have not been changed in Massachusetts since 1956. Wisconsin standards used today for all assistance programs were set in 1958, and Ohio's were set in 1959. Only 25 States have standards that have been brought up to date within the last 2 years.

We propose that States be required to update on July 1, 1968, the assistance standards they are now using. From that date on they would have to review these standards annually and modify them with significant changes occurring in the cost of living.

To assure an appropriate relationship between State standards for cash assistance and those for medical assistance, we are also proposing that cash assistance standards be set at least at two-thirds of medical assistance standards. This provision is complementary to our Medicaid proposal which I will discuss later.

Based on present information, we estimate that it would cost the Federal Government an additional $150 million annually if all States made assistance payments on the basis of meeting full need as they themselves define it. An additional amount, approximately $100 million, would be needed for States to bring their needs standards up to date in terms of 1967 prices. The requirement that cash assistance standards be set at least at two-thirds the level of medical indigence will entail additional costs beginning in fiscal year 1970. Some of these costs would be offset by the increase in social security benefits which will reduce the amount paid under assistance. Because of the additional fiscal burden our proposals will place on some States, we are requesting a transitional authorization of $60 million for each of the fiscal years 1970 and 1971 to help States with special fiscal problems meet the new requirements.

Work Incentives

Present law affords a wide variety of provisions for disregarding some portions of earned income in determining need as an incentive to encourage assistance recipients to work. The aged and the permanently and totally disabled are allowed an exemption of $20 of monthly earnings plus one-half of the next $60. The exemption for the blind is $85 per month plus one-half of their remaining earned income. AFDC children may earn up to $50 a month with no reduction in assistance payments, with a maximum of $150 per family. Adults in AFDC families are allowed no earned income exemptions under the Social Security Act, though under the Elementary and Secondary Education Act they are offered an exemption if they work on education programs under the Act, and another exemption applies to them if their employment is with an agency receiving funds under the Economic Opportunity Act.

Except for the earned income exemption for the blind, States are not required to permit the exemptions authorized under the Social Security Act. Thirty-one States permit the aged to work without reducing assistance payments one dollar for every dollar they earn. But only 25 States offer such incentives to dependent children.

The House bill wisely eliminates the serious work disincentive for adult AFDC recipients by providing an exemption of the first $30 of monthly earnings plus one-third of additional earnings. For the sake of consistency, the House provision supersedes exemptions under other Acts. The bill also provides that all earnings of AFDC children 16 and over attending school full-time be exempted.

Mr. Chairman, we enthusiastically support the House provisions but urge that the exemption be increased to $50 monthly plus one-half of additional earnings. We also recommend that the same exemption be extended to the aged and the permanently and totally disabled.

Community Work and Training

In 1962 the Congress amended the Social Security Act to permit the use of Federal funds for payments to AFDC parents on work and training projects. Yet by May of this year only 12 States had community work and training programs, and only 5 of these programs involved more than 500 families. One of the major reasons why States have not participated in this program is that Federal funds have only been available in relation to the assistance payment and not for the cost of supervision, equipment and materials.

In 1964 the Congress enacted a somewhat broader work experience program as title V of the Economic Opportunity Act. This program may be financed 100% by Federal funds; it may cover all costs associated with the work training program, and persons may participate who are not receiving public assistance. This May, training under title V was offered to 65,000 trainees, more than half of them women; the trainees and their dependents represented 325,000 persons.

On the basis of our experience under these two programs, we can conclude that work training is a practical means of ending dependency in many families. During a 3 month period last year, 2,000 AFDC cases (representing 10,400 persons) were closed because recipients got jobs after participating in a public assistance work and training program. Assistance payments to this group amounted to $341,000 monthly. Training under the work experience program of the Economic Opportunity Act resulted in monthly reductions of almost $250,000 in AFDC payments.

There are many employment programs which are being used to train public assistance recipients, and there is a great need for coordination if we are not to set up overlapping and duplicative programs. We therefore

recommend that the Senate adopt, in lieu of the House work training provisions, those proposed by the President and incorporated in H.R. 5710. This proposal would authorize the Secretary of Labor to provide work and training programs for AFDC recipients over 16. Funds for these programs would be transferred from our public assistance appropriation. If the Secretary of Labor does not operate a program, or finds it impractical to do so throughout a State, programs could be set up by the State welfare agency. The Federal Government would pay 90% of the cost of training, supplies and materials.

We also strongly recommend that training incentive payments of up to $20 a week for trainees, and project grants be authorized for needy persons ineligible for AFDC.

Present law requires that appropriate arrangements be provided for the care and protection of a child while his parent is participating in a work training program. This requirement is designed to assure that that participation will not be inimical to the welfare of the child. The House bill does not include this provision. We urge its restoration.

Secretary Gardner has already outlined his concern that recipients be offered work training in a voluntary manner. The Secretary has also already expressed his strong feelings that the limitation on Federal participation in aid to families with dependent children based on the proportion of the child population who received aid because a parent is absent be deleted.

Family Planning

The House bill requires States to offer family planning services to all appropriate AFDC recipients. In accordance with the policies of our Department, we intend to insure that the recipient will be completely free to accept or reject these services in accordance with the dictates of her own conscience. The report of the House Ways and Means Committee on page 98 indicates that this is the policy intended in the House bill.

Unemployed Parent Under AFDC

The 1961 Social Security Amendments for the first time permitted assistance payments to children who were needy because their father was unemployed. Today, 22 States have programs to assist such children. But the differences between State programs are great. States may define unemployment as narrowly or broadly as they wish, requiring substantial previous work experience or no work experience. This variation in definition of unemployment is shown clearly by three adjacent southwestern States, Arizona, Utah, and Colorado. Each of these States has a population of between 1 and 2 million, yet in Arizona only 19 families of unemployed parents received AFDC in May, while during the same month there were 880 in Utah and 1,600 in Colorado. Arizona's narrow definition of unemployment has kept its program to a token level.

The House bill continues to allow States to choose whether they will include dependent children of unemployed parents under AFDC. But for the first time the House bill would set a Federal definition of unemployment. We are in complete agreement that there should be a Federal definition of unemployment. But two limitations on this definition in the House bill cause us serious concern.

First, the House bill excludes from the unemployed parent program any person who received unemployment compensation at any time during the month. We see no reason to preclude supplementation of unemployment compensation payments when they fall below State needs standards. Though only a small portion of the AFDC recipients are involved, they could face a serious financial crisis if a small unemployment compensation check received only in the first week of the month would not permit them to receive any public assistance during the entire month. We urge that this restriction be deleted.

The House bill also links the definition of unemployment to substantial prior connection with the labor force. Fathers with no work experience have the most need of work training if they are to become independent, productive citizens--the goal of the House bill.

Protective and Vendor Payments

A provision added to the law in 1962 allowed States to make protective payments to a third party if the child's parent was found unable to manage money. This provision has been used very little. Only 7 States have plans for protective payments, and in the entire Nation less than 50 assistance recipients are affected.

The House bill requires all States to have a program of protective payments and vendor payments which can be used in those relatively few cases of demonstrated, fiscal irresponsibility. The present law limits the existing provision to 5% of the cases. We believe that this provision is appropriate, but feel that as a safeguard against abuse, a State should be limited in its use of protective or vendor payments. We would have no objection to raising the limit from 5% to 10%.

Emergency Assistance

There is no mechanism in present Federal law to meet the special needs of children which may arise in a crisis situation. The House bill allows the State a large measure of flexibility in an emergency situation by providing 50% Federal matching for emergency assistance to children and their families for up to 30 days in a 12 month period. The provision in the House bill is an excellent one but the time period is too limited. We recommend that emergency assistance be available for up to 120 days, and that the Federal share be increased to 75%.

In the President's recommendations to the Congress, he sought authorization for grants to welfare agencies to provide temporary assistance to migrant workers and their families in emergency situations. Migrant workers are almost universally excluded from State and local public assistance programs. The emergency assistance provisions of the House bill will not cover the migrant workers in many States. We request the Senate to include our original proposal in the bill.

Repatriated United States Nationals

Legislation originally enacted in 1961 authorized our Department to provide temporary assistance and care to United States citizens who have been returned to this country because of destitution, illness, war or similar crises and who are without resources. Since 1961, the program has assisted repatriates from two countries involved in such crises--Cuba and the Dominican Republic. The present authorization expires by June 30, 1968. We request that the authorization for this small but significant program be made permanent.

Public Assistance Demonstration Grants

Five years ago, the Congress established a program under the Social Security Act to support demonstration grants in the area of public assistance. The program has become a valuable tool for improving welfare services and administration. By January of this year 164 projects had been approved. Projects supported to date have dealt with more efficient ways of administering public assistance; tested the effect of earned income exemptions as incentives to work; and experimented with the development of new types of services and new ways of providing services.

But the statutory ceiling of $2 million on the program does not permit the range of experimentation so vitally needed in these programs. In the current fiscal year, the Nation will spend $7.8 billion on public assistance; $4.5 billion of this represents Federal funds. The House bill increases the limitation on demonstration grants from $2 million to $4 million; but much more is needed. We urge you to amend the bill to provide a $25 million authorization.

Social Work Manpower Training

The administration of many of our important programs is handicapped by lack of social work manpower. The need for manpower is growing far beyond the present capacity of the schools of social work to produce qualified people. In the public welfare programs alone, the projected need for social workers is staggering when compared with the current prospects for output of the schools. The most serious barrier to increasing the supply of trained manpower lies in the limited training resources of the schools of social work themselves.

The House bill authorizes $5 million in each of the next four years for a program of grants to colleges, universities, and accredited graduate schools of social work to meet part of the costs of developing, expanding, or improving their social work training resources. The grants would be available to pay the cost of additional faculty members and administrative personnel and to make minor improvements in existing facilities.

We anticipate that this program will help to increase substantially the number of trained social workers serving in public welfare and other programs. But room for expansion is needed. We urge the Senate to remove the ceiling on the authorization for the program.

Home Repairs

The House bill provides 50% Federal matching to meet the cost (up to $500) of repairing the home of an assistance recipient if the home cannot be occupied and if the cost of rent would exceed the cost of repairs. This provision may prove a useful tool in allowing some recipients to remain in their own homes. Unfortunately, the House bill excludes AFDC recipients from this provision. We recommend that this exclusion be removed.

Child Welfare Services

We fully support those provisions in the House bill which broaden Federal support for foster care under AFDC and which approximately double the authorization for child welfare services. In 1966, total Federal, State, and local expenditures for child welfare services were close to $400 million. Federal funds accounted for about 10% of this amount. Expenditures for foster care accounted for nearly two-thirds of the total expenditures for child welfare services. In 1966, about 250,000 children were receiving foster care through public child welfare agencies.

Medical Assistance

The original Social Security Act provided money only for cash payments to public assistance recipients. In 1950 for the first time, the Federal law permitted States to pay vendors of medical care directly.

The Kerr-Mills law enacted in 1960 authorized vendor payments to aged persons who were not receiving cash assistance payments, but who required help to pay for medical care. In 1965, the category of medical indigence was broadened to include the medically needy in all public assistance categories: the blind, the permanently and totally disabled, and dependent children and their families as well as the aged. Under present law, all other vendor medical payments programs will be superseded by the new Medicaid program by 1970.

To have a Medicaid program, States must include all persons receiving cash assistance. At their option, they may also include medically needy persons. Today, 29 jurisdictions have programs in operation under approved

State plans. Six others are operating programs under plans that have not been approved. By January 1, 1970, we expect all 54 jurisdictions to have programs in operation. Seven of the 29 States with programs currently offer medical assistance only to persons eligible for cash assistance.

In the current fiscal year, we estimate that Medicaid payments will total $2.4 billion, of which $1.3 billion will be the Federal share. Of the total amount spent for medical assistance, two-fifths is for persons 65 and over and about one-fifth is for children and youth. In total, about 8 million persons are expected to receive medical care under the Medicaid program during the current fiscal year.

In the Medicaid program as in the other public assistance programs, eligibility standards and the scope of the program vary widely between States. While most States with Medicaid programs have established quite modest eligibility standards, a few have quite generous definitions of medical indigence. This led the House Ways and Means Committee last year to recommend limitations on Federal participation. No action was taken by the Congress. The House bill this year contains a severe limitation on Federal participation, a limitation which will affect the programs in operation in 14 States and will severely restrict the future development of the program to meet the medical needs of persons who lack sufficient resources to pay for them. The fourteen States affected by the House amendment are California, Connecticut, Delaware, Illinois, Iowa, Kentucky, Maryland, Michigan, Nebraska, New York, Oklahoma, Pennsylvania, Rhode Island, and Wisconsin. Attached to my statement is a table showing the effect on eligibility in each of these States.

What is worse, Mr. Chairman, is the way the House limitation will destroy the concept of medical indigence in a number of States. The House bill limits Federal participation in title XIX to those persons and families whose income is less than 133% of the highest amount ordinarily paid a family of similar size under the State aid to families with dependent children programs. This means that in a State which will not pay recipients more than 75% of need, some persons will be able to receive cash assistance and yet have income too high to be eligible for medical assistance. For example in Indiana, a family of four is eligible to receive assistance if their income is less than $271.40 a month, yet the highest amount that can be paid in assistance is $103. The House bill would mean that for purposes of Federal matching, the family could receive cash assistance if their monthly income is up to $271.40, but medical assistance only if their income is below $137, about half of the eligibility level for cash payments.

To give another example: in Texas, a family of four with income below $163.95 may qualify to receive cash assistance payments. Yet under the House bill, the family's income would have to be below $124 before its members could be considered medically indigent.

To remedy this discrepancy and to establish a reasonable relationship between need for cash assistance and medical indigence, we recommend adoption of the President's proposal to limit eligibility for medical assistance to 150% of the needs standard for cash assistance.

Child Health

One of the major aims of the Congress in establishing the Medicaid program was to improve the health care of children living in poverty. Medicaid removes the financial barrier to health care, but another barrier looms ahead: the scarcity of trained health manpower.

Projections of the numbers of pediatricians and general practitioners show that we must significantly improve our methods of delivering health care. Unless we make more efficient use of professional time, our children will never have comprehensive health care available to them.

We have too few studies in this country on use of physician assistants. Many professional organizations have suggested that improved health care for larger numbers of patients can be provided by a physician with a number of skilled helpers at his command: nutritionists, psychologists, clinic nurses and visiting nurses, midwives, and well-trained physician assistants.

Now is the time to explore the use of physician assistants and other health personnel in ways that will improve the quality and multiply and expand the scope of the physician's services in order to bring good care to larger numbers of patients.

The bill before you provides expanded research and training authority to increase the supply of scarce professional personnel providing services for mothers and children and to experiment with and demonstrate the use of obstetric and pediatric assistants in bringing comprehensive health care to large numbers of mothers and children, particularly in areas that suffer from lack of adequate maternal and child health services. We urge you to increase the authorizations for these services. The limitations in funding in the House bill will not permit us to mount the research and training program which is essential if we are to meet the health care needs of mothers and children.

That concludes my remarks, Mr. Chairman. I shall be glad to answer any questions the Committee may have.

PUBLIC ASSISTANCE EXPENDITURES AS A PERCENT
OF GROSS NATIONAL PRODUCT
(dollars in billions)

	Gross National Product	Total public assistance expenditures	Percent
1940	$ 99.7	$1.035	1.07%
1945	211.9	0.990	0.47%
1950	284.8	2.395	0.84%
1955	398.0	2.757	0.69%
1960	503.7	3.804	0.76%
1961	520.1	4.115	0.79%
1962	560.3	4.457	0.80%
1963	590.5	4.736	0.80%
1964	631.7	5.096	0.79%
1965	681.2	5.505	0.81%
1966	739.5	6.320	0.85%

Recipients of public assistance money payments under the Federally aided categories 1/ per 1,000 civilian population, December 1966

State	Recipient rate	Rank
All States.....	38	---
Alabama.....	57	7
Alaska.....	28	35
Arizona.....	38	19
Arkansas.....	56	8
California.....	59	6
Colorado.....	51	10
Connecticut.....	22	46
Delaware.....	31	26
District of Columbia..	36	20
Florida.....	41	14
Georgia.....	49	11
Guam.....	16	52
Hawaii.....	29	31
Idaho.....	25	41
Illinois.....	30	29
Indiana.....	14	54
Iowa.....	26	38
Kansas.....	26	36
Kentucky.....	51	9
Louisiana.....	72	4
Maine.....	34	22
Maryland.....	31	27
Massachusetts.....	33	23
Michigan.....	25	40
Minnesota.....	25	39
Mississippi.....	80	2
Missouri.....	49	12
Montana.....	21	48
Nebraska.....	24	42
Nevada.....	20	49
New Hampshire.....	15	53
New Jersey.....	21	47
New Mexico.....	47	13
New York.....	40	15
North Carolina.....	35	21
North Dakota.....	23	45
Ohio.....	28	34
Oklahoma.....	75	3
Oregon.....	26	37
Pennsylvania.....	28	33
Puerto Rico.....	83	1
Rhode Island.....	38	16
South Carolina.....	24	43
South Dakota.....	29	32
Tennessee.....	38	17
Texas.....	33	24
Utah.....	30	28
Vermont.....	29	30
Virgin Islands.....	38	18
Virginia.....	16	51
Washington.....	32	25
West Virginia.....	66	5
Wisconsin.....	17	50
Wyoming.....	23	44

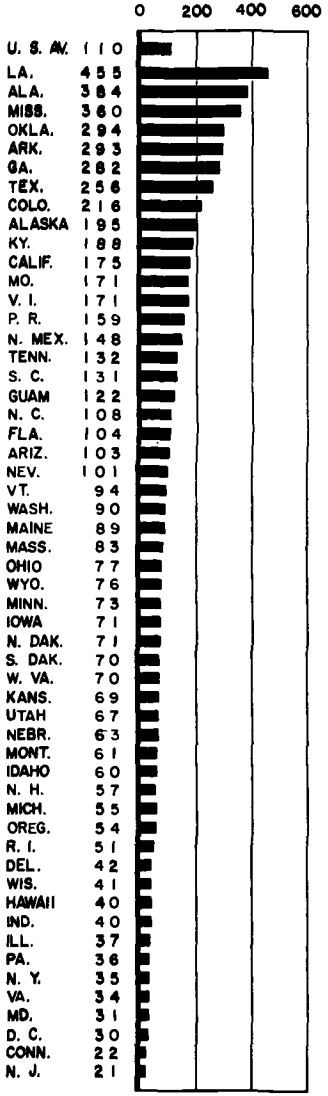
1/ Old-age assistance, aid to the blind, aid to the permanently and totally disabled, and aid to families with dependent children.

PROPORTION OF POPULATION RECEIVING PUBLIC ASSISTANCE MONEY PAYMENTS (RECIPIENT RATES) IN THE UNITED STATES, DECEMBER 1966 1/

(EXCLUDES RECIPIENTS RECEIVING ONLY VENDOR PAYMENTS FOR MEDICAL CARE.
CAUTION SHOULD BE USED IN MAKING COMPARISONS WITH EARLIER RATES BECAUSE OF REVISIONS IN POPULATION ESTIMATES ON WHICH RATES ARE BASED.)

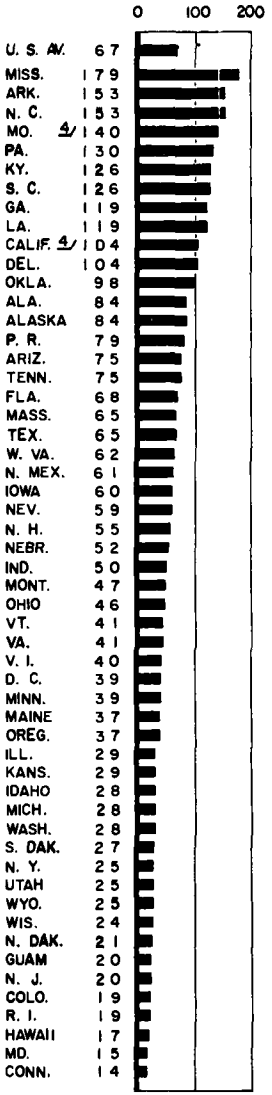
OLD-AGE ASSISTANCE

PERSONS AIDED PER 1,000 POPULATION AGE 65 AND OVER



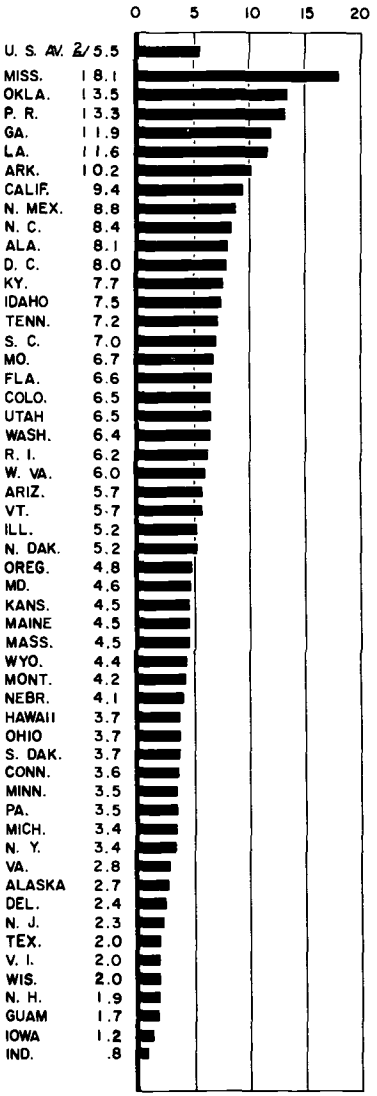
AID TO THE BLIND

PERSONS AIDED PER 100,000 POPULATION AGE 18 AND OVER



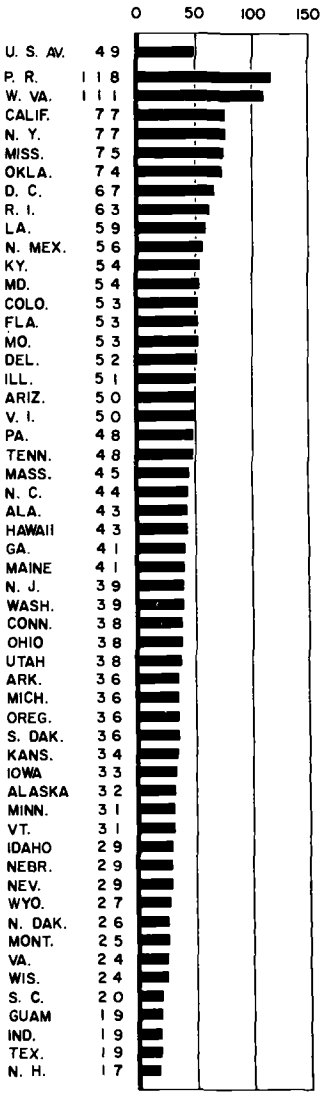
AID TO THE PERMANENTLY AND TOTALLY DISABLED

PERSONS AIDED PER 1,000 POPULATION AGE 18-64



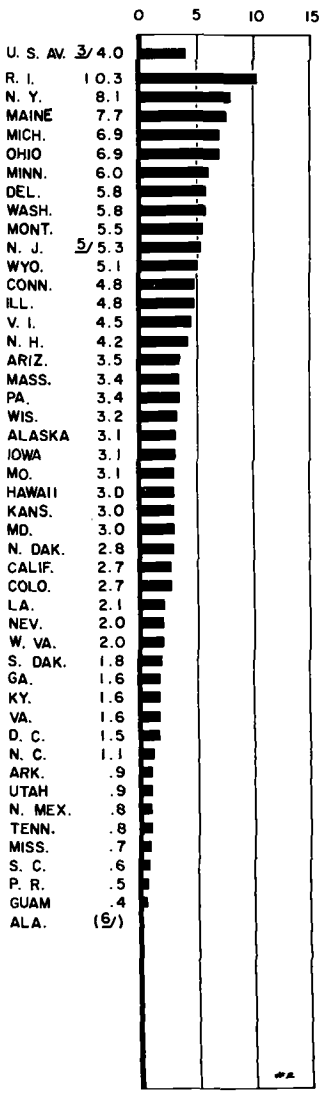
AID TO FAMILIES WITH DEPENDENT CHILDREN

CHILDREN AIDED PER 1,000 POPULATION UNDER AGE 18



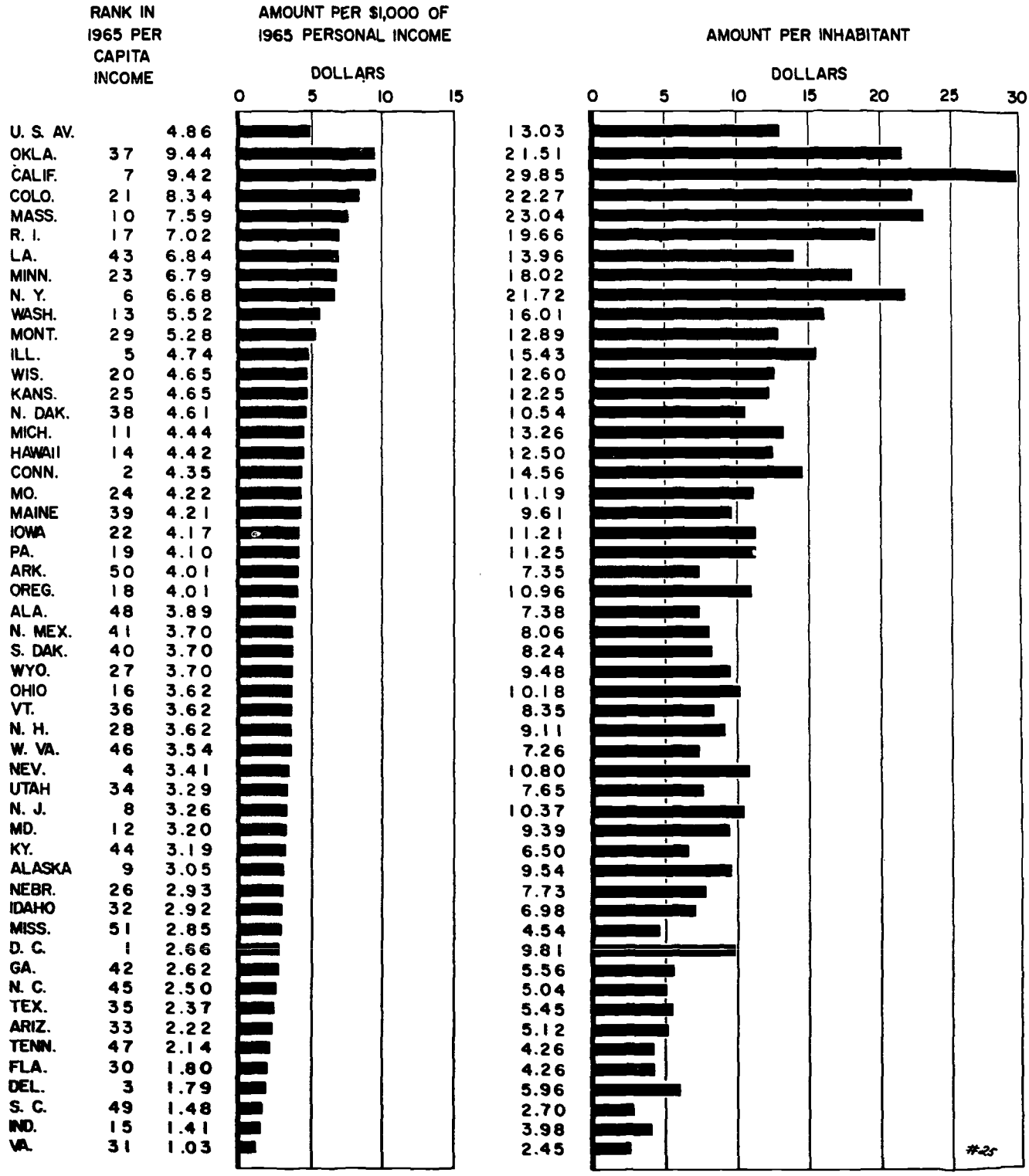
GENERAL ASSISTANCE

PERSONS AIDED PER 1,000 POPULATION UNDER AGE 65



1/ BASED ON CIVILIAN POPULATION AS OF JANUARY 1, 1967 ESTIMATED BY THE BUREAU OF THE CENSUS. 2/ NO PROGRAM IN NEVADA. 3/ BASED ON DATA FOR 46 STATES. NUMBER AIDED NOT AVAILABLE FOR FLORIDA, IDAHO, INDIANA, NEBRASKA, OKLAHOMA, OREGON, TEXAS AND VERMONT. 4/ INCLUDES RECIPIENTS OF PAYMENTS MADE WITHOUT FEDERAL PARTICIPATION. RECIPIENT RATES EXCLUDING THESE RECIPIENTS ARE AS FOLLOWS: CALIFORNIA, 104 AND MISSOURI, 118. 5/ INCLUDES UNKNOWN NUMBER OF PERSONS RECEIVING MEDICAL CARE, HOSPITALIZATION, AND BURIAL ONLY. 6/ LESS THAN 0.05.

EXPENDITURES FOR PUBLIC ASSISTANCE 1/ FROM STATE AND LOCAL FUNDS, FISCAL YEAR 1966 2/

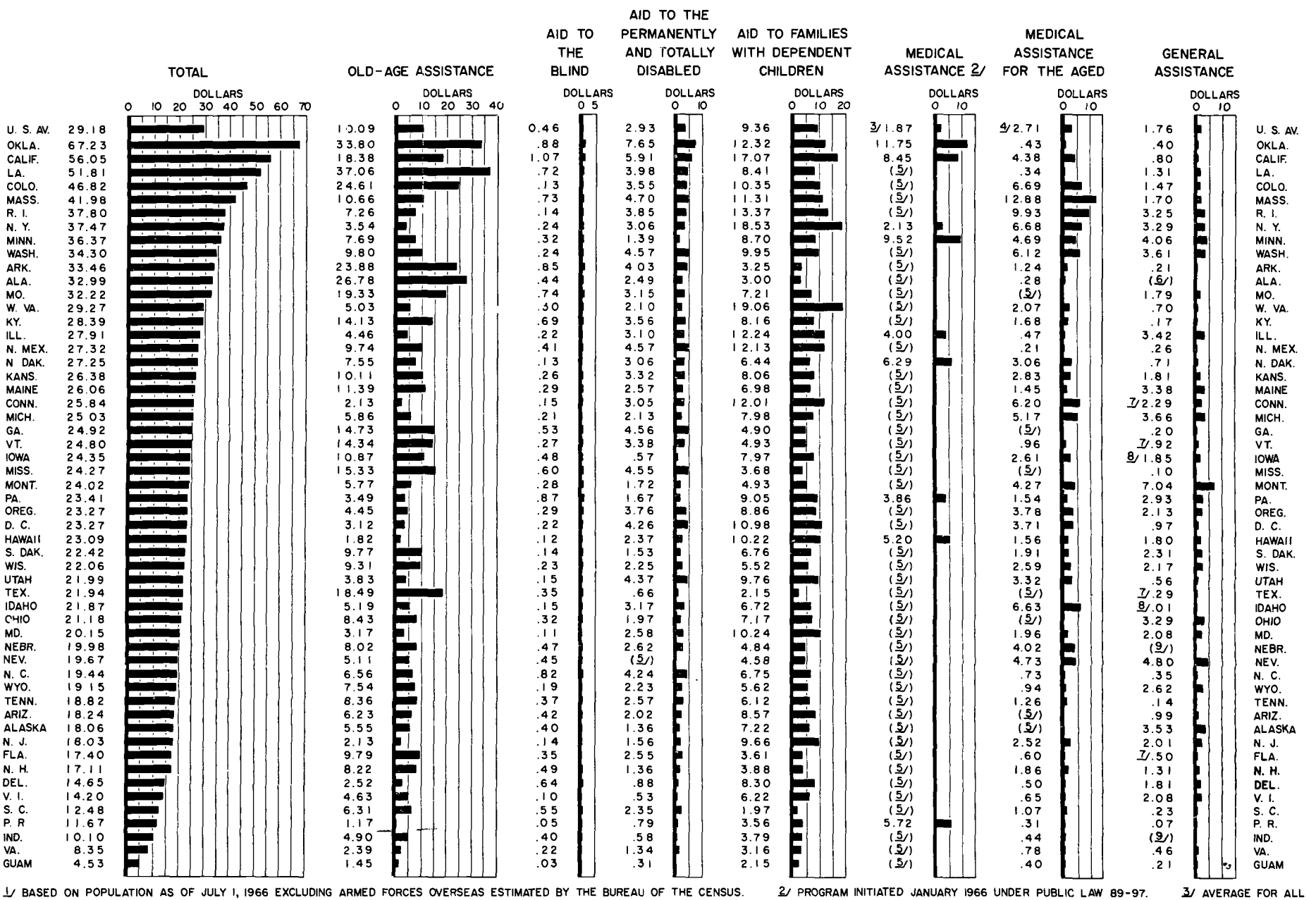


1/ SPECIAL TYPES OF PUBLIC ASSISTANCE AND GENERAL ASSISTANCE.

2/ EXCLUDES GUAM, PUERTO RICO, AND VIRGIN ISLANDS; INCOME DATA NOT AVAILABLE.

INCLUDING MEDICAL CARE VENDOR PAYMENTS,

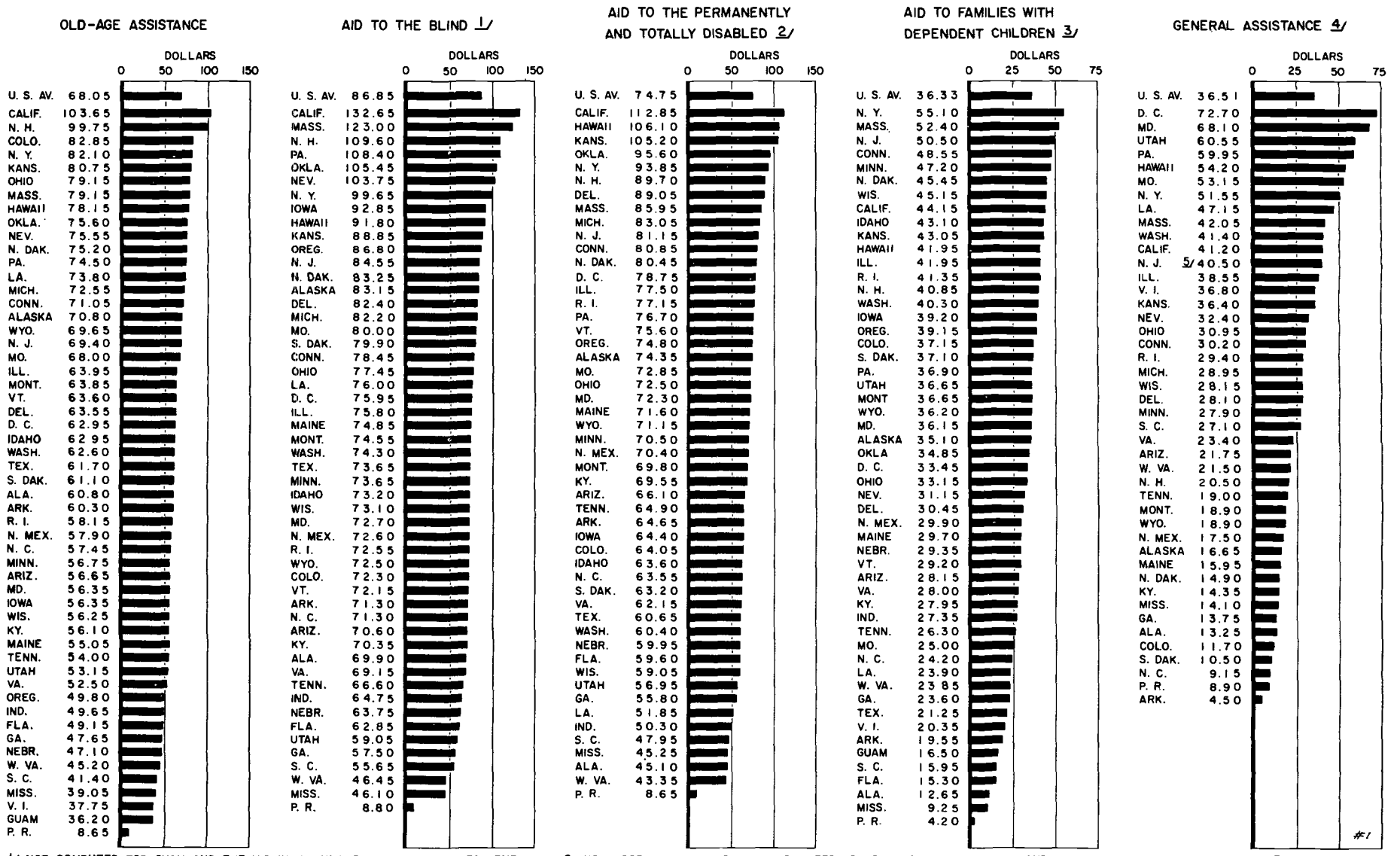
FISCAL YEAR ENDED JUNE 30, 1966



1/ BASED ON POPULATION AS OF JULY 1, 1966 EXCLUDING ARMED FORCES OVERSEAS ESTIMATED BY THE BUREAU OF THE CENSUS. 2/ PROGRAM INITIATED JANUARY 1966 UNDER PUBLIC LAW 89-97. 3/ AVERAGE FOR ALL STATES. FOR STATES MAKING MA PAYMENTS THE AVERAGE IS $5.35. 4/ AVERAGE FOR ALL STATES. FOR STATES MAKING MAA PAYMENTS THE AVERAGE IS $3.27. 5/ NO PROGRAM. 6/ LESS THAN $0.005.
7/ ESTIMATED. 8/ INCOMPLETE. 9/ NOT REPORTED.

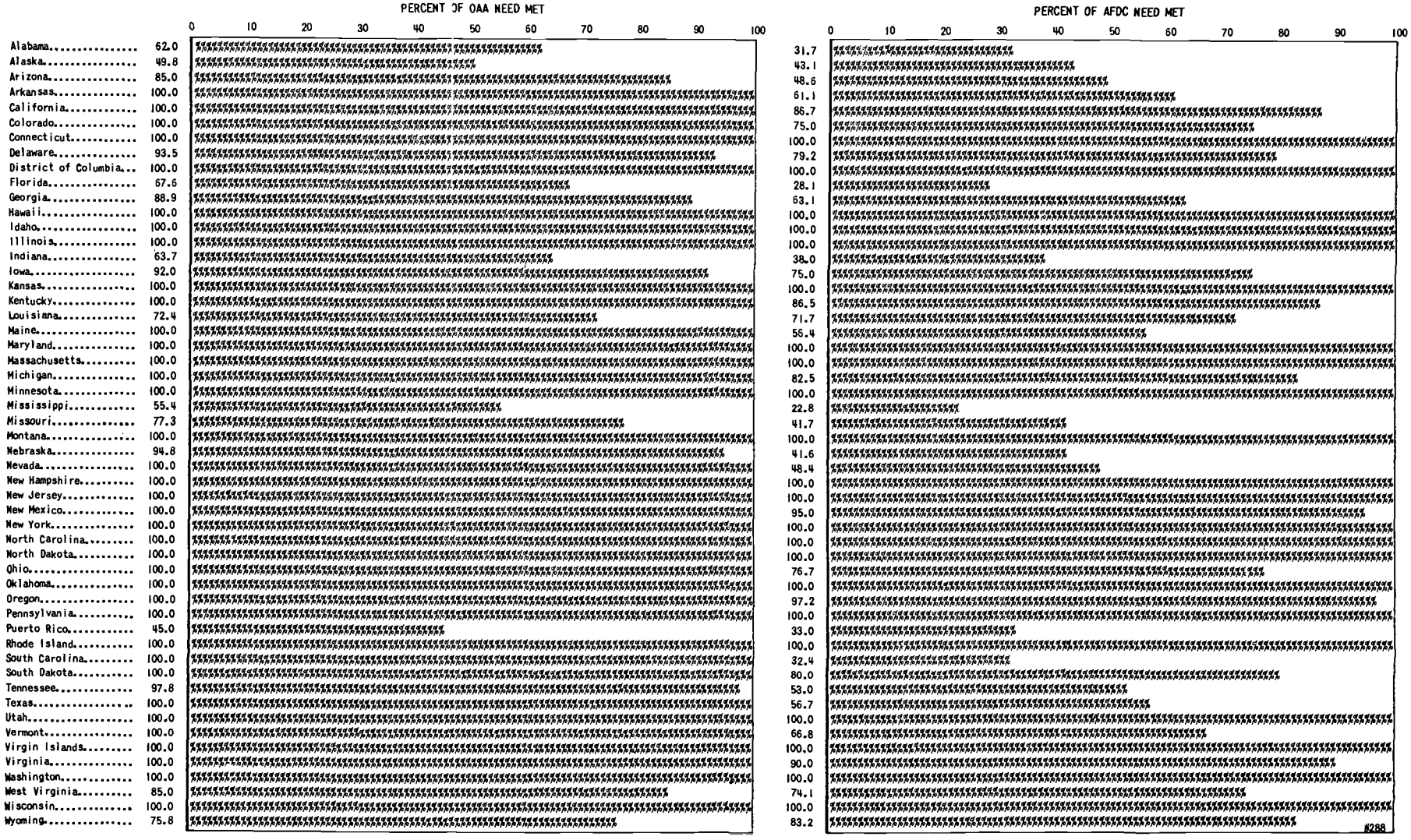
AVERAGE MONTHLY PUBLIC ASSISTANCE MONEY PAYMENT PER RECIPIENT, DECEMBER 1966

(EXCLUDES VENDOR PAYMENTS FOR MEDICAL CARE.)



1/ NOT COMPUTED FOR GUAM AND THE VIRGIN ISLANDS, FEWER THAN 50 RECIPIENTS. FOR MICHIGAN, DATA ESTIMATED. 2/ NO PROGRAM FOR NEVADA. NOT COMPUTED FOR GUAM AND THE VIRGIN ISLANDS, FEWER THAN 50 RECIPIENTS. 3/ NOT COMPUTED FOR GUAM, FEWER THAN 50 RECIPIENTS; AND FLORIDA, IDAHO, INDIANA, IOWA, NEBRASKA, OKLAHOMA, OREGON, TEXAS, AND VERMONT, DATA NOT AVAILABLE. 4/ NOT COMPUTED 5/ BASED ON DATA INCLUDING AN UNKNOWN NUMBER OF CASES RECEIVING MEDICAL CARE, HOSPITALIZATION, AND BURIAL ONLY, AND TOTAL PAYMENTS FOR THESE SERVICES.

PERCENT OF NEED MET, JANUARY 1967



The percent of need met shown above is for specified types of cases living in rented quarters: For OAA, an aged woman living alone; for AFDC, a family consisting of a father, mother, and two children.
Percents of need met for total recipients of OAA and AFDC (including all types of cases) will vary from these percents.

Effect of House Bill on Medicaid Eligibility Requirements 1/

	One Person		Two Persons		Four Persons	
	Current State plan	Reduction in House bill	Current State plan	Reduction in House bill	Current State plan	Reuction in House bill
California	$2,114	-$ 514	$3,324	-$1,124	$3,804	-$ 704
Connecticut	2,100	-200	3,200	-600	3,800	---
Delaware	1,500	---	2,100	---	3,300	-300
Illinois	1,800	-400	2,400	-500	3,600	-800
Iowa	1,600	-400	2,400	-700	3,600	-1,200
Kentucky	1,620	-220	2,220	-320	3,420	-720
Maryland	1,800	-400	2,280	-380	3,120	-420
Michigan	1,900	-400	2,700	-600	3,540	-540
Nebraska	1,600	-600	2,200	-900	3,000	-1,100
New York	2,900	-900	4,000	-1,300	6,000	-2,100
Oklahoma	1,728	-328	1,968	-68	2,448	---
Pennsylvania	2,000	-400	2,500	-200	4,000	-800
Rhode Island	2,500	-1,000	3,500	-1,400	4,300	-1,400
Wisconsin	1,800	---	2,700	-100	3,700	-100

1/ The House bill precludes Federal participation, beginning July 1, 1970, in the medical care costs of individuals and families whose income is more than 133% of the highest payment ordinarily made to a family of the same size under the AFDC program.

Long-Range Cost Estimates for Old-Age, Survivors, and Disability Insurance System, 1966

by Robert J. Myers and Francisco Bayo

U.S. Department of Health, Education, and Welfare

Social Security Administration ..... Office of the Actuary

ACTUARIAL STUDY NO. 63

JANUARY 1967

This study has been issued by the Office of the Actuary, under authority delegated by the Commissioner of Social Security. It is designed for the use of the staff of the Social Security Administration and for limited circulation to other persons in administration, insurance, and research concerned with the subject treated.

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LONG-RANGE COST ESTIMATES FOR OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM, 1966

A. *Introduction*

This report is the ninth in a series of Actuarial Studies dealing with the actuarial costs of the Old-Age and Survivors Insurance program, and the third to give detailed actuarial cost estimates for the Disability Insurance program established by the 1956 Amendments. The estimates given here relate to the OASDI cash-benefits program as it was after the significant amendments of 1965, valued as of January 1, 1967. No estimates are presented here for the two health insurance programs (Hospital Insurance and Supplementary Medical Insurance) established by the 1965 Amendments.

The first cost estimates for the Old-Age and Survivors Insurance program were developed at the time the legislation introducing survivor benefits was enacted (1939) and were subsequently presented in *Actuarial Study No. 14*. In the second of this series (developed in 1942 and presented in *Actuarial Study No. 17*), estimates were made on the basis of a certain amount of actual operating data, as well as more complete demographic data from the 1940 census and the 1935 Family Composition Study.

The third in this series of cost estimates was developed in 1943–44, and was published as *Actuarial Study No. 19*. This differed from the previous study in that, not only were there available more experience data, but also a differential average wage between the low-cost and high-cost illustrations was introduced. Because *Actuarial Study No. 19* considered the terms "low-cost" and "high-cost" as indicating absolute dollar costs, rather than percentage costs relative to payroll, certain difficulties of interpretation and analysis arose. Thus, by coincidence, the average cost of the benefits from 1945 to 2000 without interest was 5.6% of payroll for both estimates, which led some to believe erroneously that, although the dollar costs might have a range, the relative costs were fairly closely predictable, a matter of importance in estimating the necessary contribution rates.

Actuarial Study No. 23 was the fourth in this series of estimates. It was published in 1947 and used more current data on population, wage levels, etc. Two further studies were prepared for and printed by the House Committee on Ways and Means, dated July 27, 1950 and July 21, 1952, relating to the 1950 Amendments and 1952 Amendments, respectively.

The cost estimates presented in *Actuarial Study No. 36* (published in 1953), the fifth in the series, related to the 1952 Amendments and correspond to those in the House Committee on Ways and Means print of July 21, 1952, but differ considerably because of the use of the new population projections (*Actuarial Study No. 33*) and revised cost factors. In order to have appropriate ranges in benefit costs, both as to dollar amounts and relative to payroll, there were developed, in effect, four separate cost illustrations. On the one hand, the low-employment assumptions basis which was used was somewhat lower than full employment and corresponded roughly, on the average, to the 1940–41 conditions as to proportion of population in covered employment, combined with wage rates prevailing in the same period. On the other hand, the high-employment assumptions basis was near-full employment, corresponding closely to conditions just before the recession that was then occurring.

When cost estimates were made for the 1954 legislation as it was being considered by the Congress, only the high-employment assumptions were used, be-

cause the low-employment assumptions were too much below actual experience to appear to be realistic. The subsequent cost estimates have used only one employment assumption.

Following the Conference Committee agreement on the 1954 Amendments, cost estimates were developed in the short time available before the President signed the bill and were published as a committe print of the House Committee on Ways and Means, dated August 20, 1954. Subsequently, these cost estimates were carried out on a more complete basis, rather than using certain approximations and short cuts that were necessary in the rapid development of the original cost estimates. The figures in this more complete cost estimate differed only slightly from the original estimates and were presented in *Actuarial Study No. 39,* the sixth in the series.

The development of the actuarial cost estimates relating to the 1956 Amendments followed a similar pattern. Cost estimates were prepared on an approximate preliminary basis immediately after agreement was reached by the Conference Committee and were published as a committee print of the House Committee on Ways and Means, dated July 23, 1956. The more refined cost estimates presented in *Actuarial Study No. 48,* the seventh in the series, differed from the preliminary ones to a greater extent than was the case in 1954 because of the use of revised population projections (*Actuarial Study No. 46*), the use of somewhat higher earnings assumptions (reflecting approximately 1956 earnings levels, whereas the figures in the committee print assumed earnings at about the level prevailing in 1955), and a considerable number of other changes in basic assumptions and methodology.

Within the single employment assumption of *Actuarial Study No. 48,* there were two separate estimates: (1) using "low-cost" factors (i.e., low cost relative to payroll) as to fertility, mortality, retirement rates, etc.; and (2) using "high-cost" factors. As in the previous studies, the terms "low-cost" and "high-cost" apply in the aggregate, since in some of the component parts (e.g., child's and mother's benefits) the costs were shown to be higher for the "low-cost" factors than for the "high-cost" factors.

The actuarial cost estimates for the 1958, 1960, and 1961 Amendments were contained in various committee prints of the House Committee on Ways and Means. In addition, the annual reports of the Board of Trustees of the Old-Age and Survivors Insurance and the Disability Insurance Trust Funds present actuarial cost estimates for the program; these incorporate changes as a result of using different assumptions based on the developing experience. Also, it should be pointed out that *Actuarial Study No. 49* (issued in May 1959) gave an extensive description of the methodology involved in the long-range cost estimates then current.

New OASDI cost estimates were prepared in 1963 for the use of the 1963 Advisory Council on Social Security Financing. These were published in *Actuarial Study No. 58* and were based on the population projections of *Actuarial Study No. 46.* Some minor changes were made in the methodology. Basically, the estimates reflected a revision of the earnings-level assumption and the retirement-rates assumption, as well as all the other factors involved in the cost analysis. Specifically, actual experience data was used for the first time for disability benefits at ages below 50 and for male retirement benefits claimed before age 65.

Detailed cost estimates were prepared at the time that the 1965 Amendments

were being considered. The estimates for the final bill were prepared for the House Ways and Means Committee and were published as a committee print, dated July 30, 1965. These estimates were based on the calculations that had previously been published in *Actuarial Study No. 58.*

The cost estimates presented in this study are based on a complete updating of all the assumptions involved, including the new set of population projections, published in *Actuarial Study No. 62.* A detailed description of the methodology followed (which does not differ greatly from that in *Actuarial Study No. 49*) will be published shortly as an actuarial study.

An important element affecting Old-Age, Survivors, Disability, and Hospital Insurance (OASDHI) costs arose through amendments made to the Railroad Retirement Act beginning in 1951. These provide for a coordination of Railroad Retirement compensation and OASDHI covered earnings in determining all survivor benefits, and also retirement benefits for those with less than 10 years of railroad service and, in addition, hospital benefits to persons aged 65 and over. In fact, all future survivor and retirement cases involving less than 10 years of railroad service are to be paid by the OASDHI system.

Financial interchange provisions are established such that the Old-Age and Survivors Insurance Trust Fund, the Disability Insurance Trust Fund and the Hospital Insurance Trust Fund are to be placed in the same financial position as if there never had been a separate Railroad Retirement program and as if railroad employment had been covered under OASDHI. It is estimated that the net effect of these provisions will be a relatively small loss to the OASDHI system since the contributions from railroad work will be somewhat smaller than the net additional benefits paid on the basis of railroad earnings. The long-range costs developed here for the operation of the OASI and DI Trust Funds are on the basis, as provided in the law, that all railroad employment be considered (beginning with 1937) covered employment, with the effect of the financial interchange provision being shown as a separate item within the transactions of the funds. All the figures in this study are for direct OASDI coverage and benefit payments and do not include the railroad experience. The values for the railroad financial interchange provisions are treated as separate items.

B. *Basic Assumption*

The various assumptions have been selected so as to be consistent with the actual operating data and with other assumptions, and at the same time so as to represent a reasonable range for the element under consideration. As in previous studies, the figures developed do not represent the widest possible range that could reasonably be anticipated, but rather our studied opinions as to a plausible range. For a more detailed analysis of items (1), (2), (3), and (4) below, see *Actuarial Study No. 62.* The various basic assumptions are:

(1) *Mortality*

The low-cost and high-cost estimates are both based on decreasing rates of mortality to the year 2000 and level thereafter, with the decrease in the low-cost estimate being equal to 50% of the decrease in the high-cost estimate. Assumptions as to mortality declines are based on analysis of recent mortality data by age, sex, and major groups of causes of death.

(2) *Birth Rates*

The low-cost estimate assumes age-specific birth rates that decline gradually from the 1965 values to a level equivalent to a total fertility rate of 2,800 per 1,000 women in 1985. For the high-cost estimate, the decline is assumed to reach a level of 2,300 per 1,000 women in 2010. By "total fertility rate" is meant the number of babies that a woman will have had by the end of her child-bearing period if she were subject to the age-specific fertility rates specified.

(3) *Migration*

For both the low-cost and high-cost estimates, it was assumed there would be about 400,000 net immigrants per year for all years in the future.

(4) *Population*

The above assumptions as to fertility, mortality, and migration—when applied to the existing population—yield the basic population projections. At the time this study was begun, estimates of the U.S. population as of July 1, 1965, subdivided by age and sex, were available. These were used as the starting point for the projections, after an adjustment for net census underenumeration and for the difference in area coverage between the census and the OASDHI coverage.

Table 1 summarizes the two population projections. It will be observed that the population for all ages combined does not show a very wide range as between the low-cost and high-cost assumptions in the early years, but ultimately (in the year 2050) the low-cost population is about 40% greater than the high-cost one. The high-cost projection has nearly the same number of aged persons as the low-cost projection. Both projections have about the same population in the productive years during the early period, but due to lower fertility assumptions, the high-cost projection eventually has fewer people in this age group. For the year 2050, those aged 65 and over represent 10.4% of the total population for the low-cost projection as contrasted with 14.6% for the high-cost projection. Thus, in contrast with 1950, when the corresponding figure was 8.0%, there is a relative increase in the proportion of the aged of about 30% for the low-cost projection and 82% for the high-cost one. In the 100-year period preceding 1950, the actual relative increase was about 225%.

(5) *Employment*

In developing bases for estimating both payrolls and insured populations,

it is necessary to have the proportion of the total population in covered employment in a given year, by age and sex. Valuable guides toward developing assumed ratios exist in the form of (a) the actual coverage data for recent years and (b) labor force data and projections published by the Department of Labor. Roughly speaking, it has been assumed that, over the long range, the average unemployment rate will be about 3½%.

Table 2 shows the assumed ratios of persons with earnings credits in the year to total population for quinquennial age groups for three illustrative years (there are no changes assumed after the year 2000). For the aged groups, under the high-employment assumptions, the favorable employment opportunities, combined with good health and a philosophy of desiring to continue at work, might result in a retirement postponement; conversely, the increasing availability of supplementary old-age benefits from private pension plans might hasten retirement (even under high-employment conditions).

(6) *Taxable Earnings for Male and Female Workers*

Male workers are assumed to have average annual taxable earnings of $4,355. For women, the corresponding figure is $2,435. As in previous studies, no age differential in earnings is used, because the relatively small variations existing for the vast majority of employees (those between ages 25 and 65) do not warrant the additional computation. It will be observed that, due to a projected higher participation of females in the labor force, the average taxable earnings for both sexes combined shows a tendency to decrease.

These earnings correspond to the estimated averages for 1966 and are assumed to be level into the future. In a subsequent section, the use of an increasing-earnings assumption will be discussed.

(7) *Taxable Payroll*

By applying the previous assumptions as to covered employment and average earnings to the population projections, there are obtained the total numbers of persons with credited earnings in various years and the aggregate amounts of such earnings. The resulting data for selected years are shown in Table 3, along with the developed averages for persons with any taxable earnings in the year. The numbers of persons with earnings in the year are somewhat lower for the high-cost assumptions than for the low-cost ones. This results from the fact mentioned previously—namely, that under the low-cost assumptions there is assumed higher fertility, which produces eventually greater numbers of persons in the productive ages.

(8) *Insured Population*

From the most recent actual data on insured workers and the assumptions as to the proportions of the population in covered employment, there may be developed, by diagonal projection and general reasoning, the assumed proportions of the total population who are insured. As generally used here, the term "insured" includes both "fully insured" and "currently insured only", but the latter category is relatively unimportant costwise and has been disregarded in this study.

Although only a single set of assumptions was used as to covered employment at most ages, a range is necessary in the proportions having insured status (resulting from the cumulative effect of employment), because of the uncertainty involved in the extent of year-by-year progression of covered employment as between individuals. Table 4 shows, for selected years, the resulting percentages

of the total population that are insured. The lower figure of the range in each case applies to the low-cost estimate, while the higher figure is used in the high-cost estimate. A constant figure at all ages is reached by 2005 for males and by 2045 for females.

By applying the assumed proportions insured to the population projections, there are obtained the estimated insured populations shown in Table 5 (note that the term "insured population" includes only persons who are "insured" as a result of their own earnings credits, and not wives and widows of "insured" workers who do not have insured status based on their own earnings record). Although the insured population for all ages combined increases by about 145–160% in the next 60 years, the insured population aged 65 and over increases by 240–290%. It should be observed that the increment is higher for females than for males.

(9) *Marital Status*

Assumptions as to marital status are necessary in estimating the costs of the various supplementary and survivor benefits. The various assumptions both for men and women are based on census data and on actual claims data. The assumed proportion married in the future is adjusted upward at the older ages to allow for the effect of assumed improved mortality (resulting in fewer early broken marriages); the adjustment in the high-cost estimate is greater. Assumptions as to relative ages of husband and wife are based on census data and on actual claims data.

(10) *Child's and Mother's Benefits*

Projected numbers of child survivor beneficiaries are obtained from projections of the population under age 22 by estimating the proportion of such children in each future quinquennial year who will be orphans of insured workers. For those aged 18–21, an adjustment is made to take into consideration the requirement that they be full-time students. The method used for estimating benefit payments to child survivors and their mothers involves the implicit assumption that both the distribution of family patterns reflected in recent claims statistics and the current remarriage rates of mothers will continue to prevail in the future. Mother beneficiaries are obtained by multiplying the child beneficiaries under age 18 by a factor which is based on current experience.

(11) *Parent's Benefits*

This relatively minor category is difficult to estimate. As more and more of the aged become eligible for old-age, wife's, or widow's benefits, the number eligible for parent's benefits will be relatively lower. Because of the relative unimportance of this category, its size has been roughly estimated by assuming that the number of parent beneficiaries will bear a constant ratio to the number of persons aged 62 and over who are not eligible for any other OASDI benefit.

(12) *Proportion of Eligible Persons Who are Beneficiaries*

For the various beneficiary categories, a considerable reduction in disbursements occurs because individuals who are otherwise eligible for monthly benefits are engaged in substantial employment and do not receive benefits (or do not receive full benefits) because of the earnings test. In some instances benefits are withheld from beneficiaries who are "entitled", while in other cases the potential beneficiary never files (notably in the case of mother's benefits in families where there are sufficient children to obtain a maximum or near-maximum benefit anyhow).

The effect of employment in reducing benefit costs is most important in connection with old-age benefits and wife's benefits. Table 6 shows the percentages of aged insured workers receiving old-age benefits in selected years, and Table 7 shows similar percentages by separate age groups (including ages 62–64). The increase in these percentages with time is due primarily to the fact that there is a growing proportion of persons who are not currently in covered employment, but who are insured on the basis of earnings in the past. It is assumed that, in the future, all eligible aged widows who are not insured on their own account will receive benefits, and that no children and no wives will lose dependent's benefits because of their own work (wives who have larger benefits based on their own earnings record than their wife's benefits are not shown as receiving wife's benefits, and it is this category that is most likely to be working beyond the minimum retirement age). Implicitly, it is assumed that the percentage of eligible mothers who receive benefits remains at the present level.

(13) *Alternative Receipt of Benefits*

A very important cost element several decades hence, although not as important currently, is the provision that women may not receive full old-age benefits in their own right and full wife's, widow's or parent's benefits (also applicable to men with respect to their corresponding benefits). In effect, in such cases the larger of the two benefits is payable. For the cost estimates, it was assumed that these women will file for the widow's benefits only after filing for the old-age benefit. For wives, it is a legal requirement that they file for old-age benefits upon filing for their wife's benefit. In all cases, it is assumed that they receive the excess of such benefits over their old-age benefits as a supplement.

The number of women qualified for both old-age benefits and wife's or widow's benefits has been estimated by assuming that in the ultimate year 90% of all the females who are neither married nor widowed are eligible for old-age benefits and that, with the increasing participation of married women in the labor force, their proportion insured at any particular age will eventually reach the same levels as for widows of the same age. For the early years, it was assumed that widows are between two and three times as likely as married females to be insured. Then, based on claims data, with certain modifications to allow for changes in future distributions, estimates have been made as to the proportions of the cases in which the female old-age benefit will be smaller than the widow's benefit or the wife's benefit, as the case may be, and then for such cases what will be the average excess of the dependents benefit over the primary benefit.

(14) *Average Benefits*

An estimate, by sex, was made of the average monthly wage of insured workers who retire far enough in the future so that the 1966 earnings level and the ultimate percentages of the population in covered employment will have been in effect throughout their working life. The effects of the 5-year dropout and the disability freeze were taken into account. The ultimate average PIA for each sex was then calculated from the benefit formula, using the estimated AMW.

The resulting PIA's were then subdivided into two groups—one for those who retire with a full benefit after age 65, and the second for those who retire with a reduced benefit before age 65. It was assumed, based on current

statistics, that 43% of the males and 60% of the females retire before age 65 with actuarially-reduced benefits. The average PIA for the early retirees was assumed, according to recent data, to be lower than that for the retirees at age 65 and over by 10% for females and 15% for males. The larger difference for males is principally due to the fact that their AMW is computed to age 65 (assuming no earnings for years not yet lived), while for females the computation point is age 62. Their average benefits were determined by estimating the average reduction factor, taking into account the age distribution at time of retirement.

The ultimate average PIA's and benefits are as follows:

	Low-Cost		*High Cost*	
Item	*Male*	*Female*	*Male*	*Female*
Age 65 and over, annual PIA	$1,655	$1,110	$1,645	$1,075
Age 62–64, annual PIA	1,405	1,000	1,400	965
Age 62–64, annual benefit	1,152	820	1,148	791

The high-cost figures are slightly lower than the low-cost ones because, since there is a relatively larger number of insured workers in the high-cost estimate, they must have a smaller average amount of coverage.

In obtaining the ultimate average benefits for survivors and dependents, the reductions in benefits because of the family maximum and because of early retirement were taken into account.

Average benefits were graded from presently prevailing figures into the ultimate ones for all beneficiary categories.

(15) *Benefit Payments*

The benefit payments for each category of benefit was calculated as the product of the number of beneficiaries and their average benefit. An adjustment was made for the retroactive payment of benefits. In accordance with the law, benefits can be claimed with up to 12 months of retroactivity. Also, in many cases a new beneficiary receives a first check for two or more months of benefits due to a delayed award or to the normal time that it takes to process a claim.

(16) *Administrative Expenses*

After study of the various elements involved, it is believed desirable to base the assumed administrative cost on two factors—the number of persons having any covered employment in a given year and the number of monthly beneficiaries. The estimated annual administrative expenses for future years were obtained from the following relationships:

Low-cost estimate —$11.30 per monthly beneficiary, plus $1.35 per covered person;

High-cost estimate —$11.80 per monthly beneficiary, plus $1.75 per covered person.

(17) *Contributions*

The previous discussion as to earnings and payroll dealt solely with taxable earnings. However, the effective payroll on which contributions are based is slightly lower for several reasons. Although taxes are collected up to the annual earnings base ($6,600 from 1966 on) from each employer and employee, there are cases in which an employee has more than one employer during the course of a year, and excess taxes are withheld from his pay. In such cases, the employee contributions for wages in excess of $6,600 are refundable but

the matching amounts collected from the employers are not. Also, in the coverage of tips, the taxes are collected only from the employees, there being no tax on the employer for the tips. According to an analysis of past experience of multiple-employer employment and according to estimates of covered tips, it was assumed that 1.8% of the taxable wages will be taxable at half the combined employer-employee rate. In addition, it was assumed, after an analysis of recent trends, that 7.5% of the taxable earnings will be due to self-employed workers, who contribute at a rate roughly equal to 1½ times the employee rate up to 1972 and somewhat less than this in 1973 and after. Allowance was also made for the fact that a portion of the contributions collected in a given year are based on the earnings of the preceding year.

(18) *Disability Rates*

Estimates of the future cost of the disability insurance program have been based on the same general assumptions as were used in the estimates prepared at the time of the 1956 Amendments, but with some modifications to reflect the available experience.

The numbers of persons receiving monthly disability benefits are estimated by applying prevalence rates (by age and sex) to the population insured for disability. These prevalence rates (number of beneficiaries per 1,000 workers insured) were initially developed from disability incidence rates based on the so-called 165% modification of the Class 3 incidence rates and from 1924–27 German social insurance experience and Class 3 termination rates.

The prevalence rates resulting from the assumed incidence and termination rates were then adjusted to reflect the latest available experience of the program. In accordance with current experience, the prevalence rates for females were assumed to be 80% of those used for males.

(19) *Interest Rate*

Under the present law, which was amended in this respect in 1960, the interest rate for the special issues to the OASDI Trust Funds, is based on the average yield of all marketable obligations of the United States Government not due or callable for at least 4 years.

As a result of the provision as to interest rates prevailing prior to the 1960 Amendments, the average yield of the total investments currently held by the trust funds is about 3.6%, but for new investments the trust funds are currently obtaining about 5% to 5¼%.

An interest rate of 3.75% has, therefore, been assumed for the intermediate-cost estimate, while the rates for the low-cost and high-cost estimates are assumed at 4.25% and 3.25%, respectively.

C. *Results of Cost Estimates Under Level Earnings Assumption*

Table 8 shows the actual and estimated numbers of aged monthly beneficiaries (including females aged 62–64 in 1957 and after, males aged 62–64 in 1962 and after, and widows aged 60–61 in 1966 and after) in current payment status. During the next 60 years, such beneficiaries are shown to increase from the present level of 16 million to a range of from 46 to 51 million ultimately. At that time, male old-age beneficiaries (retired workers) make up somewhat over 40% of the total, female old-age beneficiaries somewhat over 42%, wife beneficiaries not eligible for old-age benefits about 7%, widow beneficiaries not eligible for old-age benefits about 11%, and parent beneficiaries only .1%. The proportion of old-age beneficiaries who are women increases from 38% in 1966 to about 51% in the year 2025.

In Tables 8–11, the projected numbers of beneficiaries in current payment status are based on the assumption that there will be a reduction in the retroactivity of the first payments. Currently, the benefit payments in each month include substantial amounts of retroactive payments to beneficiaries to whom awards were made subsequent to the month of entitlement to benefits. Thus, current data as to the number of beneficiaries in current payment status in a given month significantly understate the number of persons who will eventually receive benefits for that month.

Table 9 relates the estimated total number of monthly beneficiaries aged 65 and over to the total population aged 65 and over, by sex. Whereas at the beginning of 1966, about 77% of all aged men and 74% of all aged women were actually drawing benefits, eventually this proportion is shown to range from 86% to 91%, depending on the age structure of the population. The difference between these figures and 100% is accounted for by (a) persons not eligible for benefits and (b) persons eligible for benefits, but not receiving them because of the earnings test.

Table 10 shows for various future years the estimated OASI monthly beneficiaries under retirement age who are in current payment status, as well as the actual data for 1956–66, while Table 11 gives corresponding figures for the DI program. All categories show a decided increase in future years, except for mother and child survivor beneficiaries; these latter categories remain relatively level after 1966 due to the lower fertility and mortality assumptions, both of which mean fewer survivor children created. Table 10 also gives the estimated number of lump-sum death payments, which for both estimates increases steadily as the insured population grows and becomes older on the average.

Table 12 shows the estimated amount of overlapping for female beneficiaries as between old-age benefits and wife's or widow's benefits. In the early years there are not many cases of such overlapping, since relatively few of the current older married women worked sufficiently in covered employment to become insured for old-age benefits. However, in later years many aged married women will possess insured status for old-age benefits on account of employment at the younger ages, either before or shortly after marriage. Likewise, eventually many widows will qualify for old-age benefits by reason of employment, generally while single or after the death of their husbands.

Ultimately, about 32 to 37% of the female old-age beneficiaries are estimated to be also qualified for wife's benefits. However, since the unreduced wife's benefit is only 50% of the husband's old-age benefit, in only about 20% of such cases is the wife's benefit estimated to be larger than her old-age

benefit. Likewise, ultimately, about 43 to 46% of the female old-age beneficiaries are estimated as also being qualified for widow's benefits. Since the widow's benefit is 82½% of the husband's old-age benefit, a relatively large proportion of such women (about 40%) have a widow's benefit that is larger than their old-age benefit. It should be emphasized again that these figures are particularly subject to fluctuations and uncertainty.

Table 13 gives the estimated average annual benefits in current payment status for old-age beneficiaries and their dependents. Also shown are the average additional wife's benefits payable for those women who receive an old-age benefit which is smaller than the wife's benefit otherwise payable. The averages for all types of beneficiaries tend to be slightly higher under the low-cost assumptions than under the high-cost assumptions because the latter assume a greater proportion to be insured; thus, the total covered wages are spread among more persons and result in lower average benefits. The average old-age benefit for males gradually rises as the effect of lower earnings levels prior to 1966 diminishes. The average old-age benefit for females rises less rapidly because of an increasing proportion of females who, although fully insured, have been out of the labor force for long periods, and because of the increasing proportion of women who retire before age 65 with reduced benefits.

Table 14 shows estimated average survivor annual benefits and lump-sum death payments, while Table 15 shows average disability benefits. As in the case of the average old-age and supplementary benefits in Table 13, the average benefits shown in Tables 14 and 15 increase gradually in future years and are somewhat higher under the low-cost assumptions than under the high-cost assumptions.

Table 16 summarizes the estimated benefit payments for the OASI portion of the system, along with the actual data for the years 1956–65. The total benefit payments increase from the level of about $16.7 billion in 1965 to $38 to $40 billion in the year 2000. Old-age benefits constitute from 69% to 72% of the total benefit payments in the year 2000; the total benefits for those who have reached retirement age make up about 90% of the total. In the actual 1965 data, old-age benefits were 66%, other benefits for the aged were 20%, and younger survivor benefits and lump-sum death payments were 14%.

Table 17 similarly summarizes the estimated benefit payments for the DI portion of the system. The total benefit payments increase from $1.6 billion in 1965 to $3.8 to $4.5 billion in the year 2000. Payments to disabled workers represented 79% of the total outgo in 1965, with wife's benefits being 6% and child's benefits being 15%. In the future, the proportion of the outgo for disabled workers is estimated to rise slightly as the proportion for dependents declines (due to the assumed lower fertility).

Since the Congress has adopted the principle of establishing in the law a contribution schedule designed to make the system self-supporting, it is necessary to select a single set of estimates as the basis for determining and evaluating the contribution schedule. The intermediate-cost estimate, which is derived as the average of the low-cost and high-cost estimates, is used for this purpose. Quite obviously, any specific schedule may require modification in the light of experience, but the establishment of the schedule in the law does make clear the congressional intent that the system be self-supporting. Further, exact self-support cannot be obtained from a specific set of integral or rounded fractional rates, but rather this principle of self-support has been aimed at as closely as

possible by the Congress in 1950 and on subsequent occasions when developing the tax schedule in the law.

The low-cost and high-cost estimates result from two carefully considered series of assumptions. The intermediate-cost estimate represents an average of the low-cost and high-cost estimates of benefit disbursements and total taxable payroll. The corresponding estimates of benefits relative to payroll are developed from these dollar figures.

Table 18 relates the estimated benefit payments to taxable payroll by type of benefit for the OASI and DI portions of the programs. The level-cost of the total benefits is 7.91% and .83% of taxable payroll, respectively. The net total level-cost for OASI is also 7.91%, since the additional costs for administrative expenses and the railroad financial interchange are offset by the interest income produced by the present trust fund. For DI, the net total level-cost is higher by .02% of taxable payroll.

Table 19 shows the yearly cost as percent of taxable payroll for the most recent 10 years of actual experience and also for the projected intermediate-cost estimate. It should be observed that the OASI cost increases up to the year 1990. Then the system is projected to have a 20-year period of relatively low cost, due to a low number of aged persons in the population. This effect is directly related to the low birth rates in the 1930's. In the DI cost estimate, this effect is felt earlier; the cost becomes almost level for the 15-year period starting in 1980.

Table 20 deals with level-costs of the system under the three cost assumptions (low, high, and intermediate), taking into account administrative expenses and the accumulated fund on hand at the end of 1966. The resulting net level-cost would, if actual experience is the same as the particular estimate, be the level contribution rate payable by the employer and employee combined (with the self-employed paying the appropriate reduced rate) which, if in effect hereafter, would result in an exactly self-supporting system; then, funds accumulating at interest would supply income sufficient to offset any annual excesses of outgo for benefit payments and administrative expenses over contribution income for the next 75 years. In addition, an amount equal to one year's outgo would be available in the fund at the end of the 75-year period.

The net level-cost for the OASI system ranges from 7.4% to 8.5% of taxable payroll. In other words, for this system, a level employer-employee contribution rate of as little as 7½% might be sufficient. On the other hand, a rate of 8% might be necessary under adverse circumstances. Using a higher interest rate naturally results in somewhat lower costs, and vice versa. A differential of ½% in the interest rate has a net effect on the level-cost of about .08% of taxable payroll.

Table 20 also shows the level-equivalents of the present contributions to the OASDI system based on the following graded schedule in the Act.

Period	*Combined employer-employee rate*	*Self-employed rate*
1967–68	7.8%	5.9%
1969–72	8.8	6.6
1973 and after	9.7	7.0

For the DI portion of the system, the employer-employee rate is .70% and the self-employed rate is .525% in all years. The remainder of the above rates is applicable to the OASI portion.

The OASI program is over-financed under all three cost assumptions, while the DI program is under-financed under all three assumptions. It will be noted that the OASDI system as a whole is over-financed under all three cost assumptions. The excess financing is relatively small (.04% of taxable payroll) under the high-cost estimate, but is of a considerable magnitude (.74% of taxable payroll) under the intermediate-cost estimate and is very high (1.31% of taxable payroll) under the low-cost estimate.

It is important to note that these estimates are made on the assumption that earnings will remain at about the level prevailing in 1966. If earnings levels rise, as they have in the past, the benefits and the taxable earnings base under the program will undoubtedly be modified. If such changes are made concurrently and proportionately with changes in general earnings levels, and if the experience follows all the other assumptions, the future year-by-year costs of the system as a percentage of taxable payroll would be the same as those shown. However, the existing trust fund accumulated in the past, and its interest earnings, will represent a smaller proportion of the future taxable payrolls than if earnings were not to increase in future years. As a result, since interest earnings. The effect of such events can be observed in ample time to make any of the trust fund will play a relatively smaller role in the financing of the system, the "net" level-cost—taking into account benefit payments, administrative expenses, and interest on the existing trust fund—would be somewhat higher. However, the level-cost would not rise this much, or might even decline, depending on the degree to which benefits are adjusted to reflect rising earnings. The effect of such events can be observed in ample time to make any needed changes in the contribution schedule or any other appropriate changes in the system.

Table 21 presents the estimated cost of benefit payments as percentages of taxable payroll for selected future years under the low-cost and high-cost assumptions. It should be observed that, for the next 35 years, the OASI cost stays below 8.0% of taxable payroll under the low-cost estimate and below 8.6% of taxable payroll under the high-cost estimate; however, it is possible for such cost to go above 11% of taxable payroll after this period.

Table 22 presents the estimated progress of the OASI Trust Fund under the contribution schedule in the 1965 Act. The contribution income includes reimbursements to the trust fund by the General Treasury for the cost of the "gratuitous" wage credits allowed for military service between September 15, 1940 and December 31, 1956, as provided by Public Law No. 84–881. The effect (positive or negative) of the Railroad Retirement financial interchange provisions is shown separately.

Under all three estimates, the trust fund is projected to increase continuously, reaching a level of about $250 billion in the year 2000 under the high-cost estimate, and higher levels under the intermediate-cost and low-cost estimates. These high levels result from the fact that the OASI portion of the system has a significant positive actuarial balance under all three cost estimates (i.e. it is over-financed).

Table 23 shows the corresponding progress of the DI Trust Fund. As would be anticipated from the data on the actuarial balance of this system, as shown in Table 20, the DI Trust Fund declines rapidly and becomes exhausted somewhere between 1975 and 1983, unless additional financing is provided.

D. *The Effect of an Increasing Earnings Assumption*

A factor mentioned earlier, but not assumed in the actuarial projections, is the past observed trend of an irregular but upward movement in earnings, both on a dollar basis and in the form of real wages. If this secular trend continues, then—other things being equal—the curves of benefits and contributions would both be more steeply ascending than shown. The upward trend in the contribution curves, however, would be far more accentuated than would be such trend in the benefit curves. The main reasons are:

(1) The benefits are determined by the average monthly earnings up to the maximum of $550; in essence, 62.97% is applied to the first $110 thereof, 22.9% to that part between $110 and $400, and 21.4% to the excess over $400. As average earnings increase, and as more persons approach or reach the $550 maximum, a larger portion of such earnings falls in the brackets of the benefit formula to which the lower rates apply. Thus, benefits become smaller in relation to earnings, and consequently in relation to contributions.

(2) Any year's contributions are substantially based on the covered earnings of that year, while any year's benefits in force are based on weighted composite earnings of all previous years in which the insured persons on whose account the benefits are paid worked in covered employment, thus including—in far-distant future years—earnings of as much as 80 years previous.

The assumption of steadily-rising earnings in conjunction with an unamended benefit formula would have an important bearing in considering the long-range cost of the program. With such an assumption, the future rises in earnings would seem to offer significant financial help in the financing of benefits because contributions at a fixed percentage rate would increase steadily relative to benefit disbursements; but the benefits paid to beneficiaries would steadily diminish in relation to current earnings levels. Under such circumstances, offsetting this apparent savings in cost, it is likely that, from the long-range point of view, the present benefit formula would not be maintained. Rather, revisions would probably be made by the Congress (perhaps with some delay) that would make average benefits as adequate relative to the then-existing covered earnings level as average benefits under the present formula are in relation to the level prevailing when the 1965 Amendments were enacted.

In revising the benefit schedule to conform with the altered earnings level, the changed cost and contribution picture would have to be considered. This is especially true as to changes resulting from the fact that benefits would be based on earnings prevailing at the time of such change and thereafter, while the accumulated trust funds at that time would have developed from contributions on the lower earnings prevailing during the past. The trust funds thus would not play as important a role in financing the program as would have been the case if the earnings level had not changed.

Accordingly, because of the diminution of the value of the existing trust funds in the financing of the program, the level-cost of the program would be increased if the benefit level were adjusted in exact proportion with the increase in the covered earnings level. For small rates of increase in the earnings level, the increase in cost may be partially counterbalanced by the time lag that would undoubtedly occur between the rise in the earnings level and the amendment of the benefit provisions. However, for large annual rates of increase in earnings levels (i.e., for rates equal to or in excess of the assumed val-

uation interest rate), the system would be financed practically on a pay-as-you-go basis, since the funds would be continually losing their real value and would become more of a contingency reserve than a source of interest income.

In addition to excluding the assumption of increasing earnings in the future, the detailed cost estimates given have avoided dealing with various other important secular trends. These have diverse effects on the cost of the program that cannot now be adequately extrapolated into the future. One illustration is the lengthening of the period of preparation for work. Another possibility is a drastic change in the average age of retirement, either to a considerably lower effective age so that practically all persons would retire at the minimum age of 62, or conversely to a relatively high effective age (under circumstances of greatly improved health conditions, combined with good employment opportunities), such that few would retire before age 72.

E. *Comparison with Previous Estimates*

Prior to the cost estimates prepared for the 1965 Act, the actuarial procedures assumed that the financing of the system would be into perpetuity. Projections were prepared for the necessary factors for many years—up to a far-distant point in the future, when all factors were assumed to level off. The 1963–64 Advisory Council on Social Security Financing recommended that the financing period be changed to 75 years (roughly, the life span of current new entrants). This recommendation was adopted and, starting with the 1965 Act, the cost estimates for OASDI have covered only a period of 75 years into the future.

The cost estimates prepared from 1939 until 1953 had always contained the assumption that the system would mature in the year 2000—or, in other words, had assumed that benefit payments and contributions would be level thereafter. In the cost estimates of 1953 and thereafter, a different assumption was made by maturing all trends, such as mortality, in the year 2000, but going on with the estimates for another 50 years. In one sense, this seems necessary because the aged population itself cannot mature by the year 2000. The reason for this is that the number of births in the 1930's was very low as compared with subsequent and previous periods. As a result, a dip in the relative proportion of the aged occurs from 1995 to about 2010, which would be reflected in relatively low OASI benefit costs for that period. Accordingly, the year 2000 is by no means a typical "ultimate year".

Table 24 compares, for low-cost estimates, the OASDI benefit costs relative to taxable payroll for various years for all the major long-range cost estimates that have been made for the program, beginning with the 1935 Act and for each of the major amendments. Table 25 gives corresponding figures for the high-cost estimates.

It is not appropriate to compare level-costs because of several factors, such as different interest rates, different periods covered, different assumptions as to when "maturity" would occur, and the different time elements involved. In regard to the last point, the level-cost in a given estimate for a particular plan will shift over the course of time if a graded contribution schedule is involved. Thus, for instance, consider a plan beginning in 1937 and remaining unchanged thereafter, with the experience exactly following the cost assumptions originally used. Under such circumstances, if the level-cost were 5% of taxable payroll at the inception of the plan, and if a graded combined employer-employee contribution schedule beginning at 2% and running up to 6% over a period of years were established such as to be equivalent to the level rate of 5%, then the level-cost determined in later years would be higher than 5% of taxable payroll because this amount had not been collected in the early years of operation. In fact, ultimately the level cost would be 6% of the taxable payroll (by the time the contribution schedule reached 6%).

In 1960, the actual cost of the OASI benefit payments made in that year was 5.33% of taxable payroll. By coincidence this is only slightly above the original high-cost estimate for the 1935 Act for that year, and well below the 5½% to 6½% range in cost for that year shown for the 1939 Amendments in the estimates made at the time of their enactment. Subsequent estimates for 1960 made for the 1939 Act show lower costs than this; the primary reason for this is the rapid increase of wages that occurred in the 1940's. Corresponding 1960 estimates for the 1950 and later amendments made at the time of their enactment indicate an increase in cost due to increases in the benefit level and to changes in the law that shifted the cost to the early years (for example, the early-retirement, actuarial-reduction provisions).

Table 1

ACTUAL AND PROJECTED U. S. POPULATION [a], 1950–2050

(in millions)

Calendar Year	*Aged 20–64*			*Aged 65 and Over*			*All Ages*		
	Male	*Female*	*Total*	*Male*	*Female*	*Total*	*Male*	*Female*	*Total*
Actual Data[a]									
1950	44.2	44.9	89.1	5.9	6.5	12.4	76.8	77.4	154.2
1960	47.0	48.7	95.7	7.6	9.1	16.7	90.5	92.7	183.2
Projection for Low-Cost Assumptions[b]									
1965	50.8	52.4	103.2	8.2	10.5	18.7	99.9	102.1	202.1
1970	55	57	112	9	12	20	106	109	214
1980	65	67	132	10	14	24	121	125	246
1990	74	75	149	12	17	28	140	144	284
2000	87	88	175	12	18	30	160	164	323
2025	120	120	240	20	27	47	222	225	447
2050	162	161	322	26	36	62	297	301	598
Projection for High-Cost Assumptions[b]									
1965	50.8	52.4	103.2	8.2	10.5	18.7	99.9	102.1	202.1
1970	55	57	112	9	12	20	105	108	214
1980	65	67	132	10	14	25	119	123	242
1990	74	75	149	12	17	29	134	138	272
2000	85	86	171	13	19	32	149	153	301
2025	105	105	210	22	29	51	185	189	374
2050	121	121	241	27	36	63	213	219	432

[a] From Census (as of April 1). These data relate to the total United States and not merely to the continental United States. Figures for 1965 and after incorporate a correction for under enumeration (see *Actuarial Study No. 62*).

[b] As of July 1, estimated.

Note: Figures are individually rounded and, in some instances, do not add exactly to totals shown.

Table 2

ASSUMED RATIOS OF PERSONS WITH EARNINGS CREDITS IN YEAR TO TOTAL POPULATION IN AGE GROUP [a]

Age Group	*Male*			*Female*		
	1965	*1980*	*2000*	*1965*	*1980*	*2000*
15–19	51.9%	52–56%	52–58%	34.6%	40–42%	40–44%
20–24	95.2	97–98	97–99	62.8	68–70	68–72
25–29	94.2	95–97	95–97	45.3	48–51	51–53
30–34	90.3	90–92	90–92	40.1	45	48
35–39	88.3	89	89	44.5	51	54
40–44	88.0	89	89	47.2	55	59
45–49	87.4	89	89	48.7	59	63
50–54	86.1	87	87	47.1	57	62
55–59	80.8	83	83	43.6	54	57
60–64	70.9	69–71	68–71	33.3	33–35	32–35
65–69	45.7	31–37	25–35	18.6	16–19	14–19
70+	17.8	13–16	12–16	5.8	4–6	4–6

[a] When two figures are shown, the lower figure was used in the high-cost estimates, and the higher figure was used in the low-cost estimates.

Table 3

ESTIMATED PERSONS WITH TAXABLE EARNINGS, TOTAL TAXABLE EARNINGS, AND AVERAGE TAXABLE EARNINGS [a]

Calendar Year	Persons with Taxable Earnings in Year (in millions) Male	Female	Total	Total Taxable Earnings in Year (in billions)	Average Taxable Earnings
		Actual Data			
1955	43.1	22.1	65.2	$158	$2,416
1956	44.6	23.0	67.6	171	2,525
1957	47.1	23.4	70.5	181	2,573
1958	47.0	23.2	70.2	181	2,576
1959	47.6	24.1	71.7	202	2,822
1960	47.9	24.6	72.5	207	2,854
1961	48.0	24.8	72.8	210	2,879
1962	48.7	25.6	74.3	219	2,948
1963	49.3	26.3	75.5	225	2,985
1964 [b]	50.5	27.2	77.7	236	3,041
		Low-Cost Assumptions			
1965	51.6	28.6	80.2	$294 [c]	$3,671 [c]
1970	56.7	33.5	90.2	329	3,643
1980	67.3	41.6	109.0	395	3,621
2000	89.7	58.1	147.8	532	3,600
2025	123.8	78.8	202.5	731	3,608
		High-Cost Assumptions			
1965	51.6	28.6	80.2	$294 [c]	$3,671 [c]
1970	56.3	33.0	89.3	325	3,645
1980	66.0	40.7	106.7	387	3,623
2000	84.7	54.3	138.9	501	3,605
2025	103.6	65.6	169.2	611	3,611

[a] The total taxable earnings and the average taxable earnings are both affected by the maximum taxable earnings base. This base was $4,200 in 1955, and was increased to $4,800 in 1959, and to $6,600 in 1966.

[b] Preliminary Data.

[c] These figures are computed on the basis of a $6,600 earnings base.

Note: Figures are individually rounded and, in some instances do not add exactly to totals shown.

Table 4

ASSUMED INSURED POPULATION AS PERCENT OF TOTAL POPULATION

Age Group	Male				Female				
	1965	*1975*	*1990*	*2005 and After*	*1965*	*1975*	*1990*	*2005*	*2045 and After*
20–24	87%	87–89%	87–90%	87–90%	59%	60–63%	60–65%	60–65%	60–65%
25–29	98	96–98	96–98	96–98	72	74–76	75–79	75–80	75–80
30–34	96	96–98	96–98	96–98	65	67–69	70–73	70–75	70–75
35–39	94	96–97	96–98	96–98	64	66–68	69–72	70–74	70–74
40–44	95	96–97	96–98	96–98	66	68–70	71–74	72–76	72–76
45–49	95	96–97	96–98	96–98	65	69–70	72–75	74–78	74–78
50–54	95	96–97	96–98	96–98	60	67–68	73–75	75–78	75–79
55–59	94	96–97	96–98	96–98	57	63–63	70–71	72–75	72–77
60–64	89	95–96	96–98	96–98	50	58–59	67–68	70–72	70–75
65–69	87	93–95	96–98	96–98	48	56–56	65–65	69–71	70–75
70–74	89	91–92	96–98	96–98	41	50–51	62–62	68–70	70–75
75–79	87	88–89	95–97	96–98	34	48–48	58–59	67–68	70–75
80–84	78	89–89	93–96	96–98	27	41–41	56–56	65–65	70–75
85 +	54	82–84	92–94	96–98	14	29–30	48–48	59–60	70–75

Note: In each case the smaller figure was used in the low-cost estimate and the larger figure in the high-cost estimate.

Table 5

ESTIMATED INSURED POPULATION

(in millions)

Calendar Year	*All Ages* [a]			*Aged 65 and Over*		
	Male	*Female*	*Total*	*Male*	*Female*	*Total*
			Actual Data (as of January 1)			
1956	43.9	26.6	70.5	4.4	1.5	5.9
1957	46.5	27.6	70.1	5.0	1.9	6.9
1958	48.1	28.0	76.1	5.4	2.1	7.5
1959	48.9	27.6	76.5	5.7	2.4	8.1
1960	49.2	27.5	76.7	5.9	2.6	8.5
1961	52.1	32.3	84.4	6.2	2.9	9.0
1962	53.6	35.0	88.5	6.4	3.1	9.5
1963	54.2	35.6	89.8	6.6	3.4	10.0
1964	54.9	36.3	91.3	6.8	3.7	10.4
1965	55.7	37.1	92.8	6.9	3.9	10.8
			Low-Cost Assumptions (as of July 1)			
1965	54.6	36.8	91.4	7.0	4.1	11.1
1970	59.4	41.5	100.9	7.7	5.0	12.7
1980	70.8	52.4	123.2	9.3	7.4	16.7
2000	93.9	73.3	167.2	11.5	11.4	22.9
2025	132.7	103.5	236.2	19.0	18.9	37.9
			High-Cost Assumptions (as of July 1)			
1965	54.6	36.8	91.4	7.0	4.1	11.1
1970	59.9	42.1	102.0	7.8	5.1	12.9
1980	72.8	54.2	127.0	9.8	7.6	17.4
2000	95.4	76.2	171.6	12.8	12.3	25.1
2025	123.4	100.7	224.0	21.7	21.5	43.3

[a] The actual data is for all ages combined, but the projected data is for ages 20 and over.

Table 6

ESTIMATED OLD-AGE BENEFICIARIES AGED 65 AND OVER IN CURRENT PAYMENT STATUS AS PERCENT OF INSURED POPULATION AGED 65 AND OVER

Calendar Year	*Male*	*Female*	*Total*
	Actual Data (as of January 1)		
1955	70%	75%	71%
1956	75	80	76
1957	71	77	73
1958	78	81	79
1959[a]	81	85	82
1960	84	87	85
1961	85	87	85
1962	86	88	87
1963	89	89	89
1964	90	89	89
1965	89	89	89
	Low-Cost Assumptions (as of July 1)		
1965	90%	90%	90%
1970	89	90	90
1980	89	91	90
2000	91	92	92
2025	89	91	90
	High-Cost Assumptions (as of July 1)		
1965	90%	90%	90%
1970	90	91	91
1980	91	92	91
2000	93	94	93
2025	91	93	92

[a] As of December 1,1958.

Table 7

ESTIMATED OLD-AGE BENEFICIARIES IN CURRENT PAYMENT STATUS AS PERCENT OF INSURED POPULATION, BY AGE AND SEX

Calendar Year	*Aged 62–64*		*65–69*		*Aged 70–74*		*Aged 75 and Over*	
	Male	*Female*	*Male*	*Female*	*Male*	*Female*	*Male*	*Female*
			Actual Data (as of January 1)					
1955	–	–	54%	67%	76%	80%	96%	92%
1956	–	–	58	72	84	85	97	95
1957	–	16%	55	67	80	85	92	91
1958	–	35	62	73	85	88	96	93
1959 [a]	–	41	65	76	90	92	98	96
1960	–	42	69	79	90	94	98	97
1961	–	38	70	77	91	94	98	97
1962	13%	39	73	78	92	95	99	97
1963	22	42	76	78	95	97	99	98
1964	24	43	77	78	95	97	100	99
1965	25	43	76	77	96	97	100	100
			Low-Cost Assumptions (as of July 1)					
1965	25%	43%	76%	78%	96%	97%	100%	100%
1970	26	43	76	78	96	97	99	99
1980	26	43	76	78	96	97	99	99
			High-Cost Assumptions (as of July 1)					
1965	25%	43%	76%	78%	96%	97%	100%	100%
1970	26	44	77	79	97	98	100	100
1980	28	46	78	80	98	98	100	100

[a] As of December 1, 1958.

Table 8

ESTIMATED AGED[a] MONTHLY BENFICIARIES IN CURRENT PAYMENT STATUS

(in thousands)

Calendar Year	*Old-Age*		*Survivors*			
	Male	*Female*	*Wife's*[b]	*Widow's*[c]	*Parent's*	*Total*
			Actual Data (as of January 1)			
1956	3,252	1,222	1,135	701	25	6,335
1957	3,572	1,540	1,371	913	27	7,423
1958	4,198	1,999	1,746	1,095	29	9,067
1959[d]	4,617	2,303	1,929	1,233	30	10,112
1960	4,937	2,589	2,057	1,394	35	11,012
1961	5,217	2,845	2,158	1,544	36	11,800
1962	5,765	3,160	2,252	1,697	37	12,911
1963	6,244	3,494	2,365	1,857	37	13,997
1964	6,497	3,766	2,409	2,011	37	14,720
1965	6,657	4,011	2,434	2,159	36	15,297
1966	6,872	4,276	2,442	2,371	35	15,996
			Low-Cost Assumptions (as of July 1)			
1970	7,453	5,218	2,505	2,951	34	18,161
1980	9,013	7,567	2,642	3,473	32	22,727
1990	10,578	10,075	2,740	3,557	30	26,980
2000	11,125	11,514	2,544	3,501	28	28,712
2025	18,204	18,989	3,129	5,356	28	45,706
			High-Cost Assumptions (as of July 1)			
1970	7,638	5,336	2,554	3,000	35	18,563
1980	9,619	7,931	2,814	3,441	33	23,838
1990	11,639	10,697	2,964	3,547	31	28,878
2000	12,616	12,607	2,740	3,623	29	31,615
2025	21,280	22,039	3,249	4,838	23	51,429

[a] Before 1957, this implies persons aged 65 and over; in 1957–61, men aged 65 and over and women aged 62 and over; in 1962 and after, persons aged 62 and over, except that for 1966 and after widows aged 60–61 are also included.

[b] Including husband's beneficiaries, but excluding wife's beneficiaries who are caring for an entitled child.

[c] Including widower's benefits.

[d] As of December 1, 1958.

Table 9

ESTIMATED BENEFICIARIES AGED 65 AND OVER IN CURRENT PAYMENT STATUS AS PERCENT OF TOTAL POPULATION AGED 65 AND OVER

Calendar Year	*Male*	*Female*	*Total*
	Actual Data (as of January 1)		
1956	47%	38%	42%
1957	50	41	45
1958	58	48	53
1959 [a]	63	53	58
1960	66	57	61
1961	69	61	64
1962	71	64	67
1963	74	68	71
1964	75	70	73
1965	76	72	74
1966	77	74	76
	Low-Cost Assumptions (as of July 1)		
1970	79%	79%	79%
1980	83	84	84
1990	87	86	87
2000	87	88	88
2025	86	88	87
	High-Cost Assumptions (as of July 1)		
1970	80%	80%	80%
1980	86	85	85
1990	89	87	88
2000	91	90	90
2025	89	89	89

[a] As of December 1,1958.

Table 10

ESTIMATED MONTHLY SUPPLEMENTARY AND SURVIVOR BENEFICIARIES UNDER RETIREMENT AGE IN CURRENT PAYMENT STATUS AND LUMP-SUM DEATH PAYMENTS IN YEAR

(in thousands)

Calendar Year	*Supplementary Benefits* [a]		*Survivor Benefits*		*Lump-Sum Payments* [c]
	Wife's [b]	*Child's*	*Mother's*	*Child's*	
		Actual Data (as of January 1)			
1956	57	122	292	1,154	547
1957	62	131	301	1,201	689
1958	81	180	328	1,322	656
1959 [d]	93	208	354	1,398	822
1960	103	246	376	1,508	779
1961	111	268	401	1,577	813
1962	140	338	428	1,650	865
1963	167	405	452	1,755	969
1964	170	418	461	1,811	1,011
1965	170	424	470	1,873	990
1966	171	463	472	2,072	[e]
		Low-Cost Assumptions (as of July 1)			
1970	228	569	511	2,509	1,159
1980	270	676	508	2,541	1,446
1990	301	752	567	2,786	1,698
2000	294	735	611	3,082	1,944
2025	517	1,293	801	4,040	2,895
		High-Cost Assumptions (as of July 1)			
1970	233	583	501	2,046	1,172
1980	289	722	475	1,939	1,491
1990	316	790	481	1,964	1,747
2000	310	774	482	1,968	1,980
2025	533	1,333	529	2,668	3,009

[a] Payable to dependents of old-age beneficiaries (retired workers).
[b] Wives under 65 with entitled children in her care.
[c] Number of decedents on whose account payments are made in the year.
[d] As of December 1, 1958.
[e] Not available.

Table 11

ESTIMATED DISABILITY BENEFICIARIES [a]
IN CURRENT PAYMENT STATUS
(in thousands)

Calendar Year	*Disabled Worker*	*Supplementary Benefits* [b]	
		Wife's	*Child's*
	Actual Data (as of January 1)		
1958	150	—	—
1959 [c]	238	12	18
1960	334	48	78
1961	455	77	155
1962	618	118	291
1963	741	147	387
1964	827	168	457
1965	894	179	490
1966	988	193	558
	Low-Cost Assumptions (as of July 1)		
1970	1,173	233	751
1980	1,438	252	813
1990	1,576	263	823
2000	1,898	318	935
2025	2,799	491	1,328
	High-Cost Assumptions (as of July 1)		
1970	1,259	250	805
1980	1,652	290	936
1990	1,839	306	987
2000	2,242	370	1,192
2025	3,198	524	1,691

[a] Includes only persons who receive benefits from the DI Trust Fund.
[b] Payable to dependents of disabled workers.
[c] As of December 1, 1958.

Table 12

ESTIMATED FEMALE BENEFICIARIES QUALIFIED FOR BOTH OLD-AGE BENEFITS[a] AND WIFE'S OR WIDOW'S BENEFITS[b], IN CURRENT PAYMENT STATUS[c]

(in thousands)

Calendar Year	*Qualified for Old-Age and Wife's* Total Eligible	*Qualified for Old-Age and Wife's* With Smaller Old-Age Benefit	*Qualified for Old-Age and Widow's* Total Eligible	*Qualified for Old-Age and Widow's* With Smaller Old-Age Benefit
		Low-Cost Assumptions		
1970	1,157	347	2,634	579
1980	1,802	469	4,032	1,189
1990	2,603	573	5,357	1,875
2000	3,109	637	6,078	2,340
2025	6,154	1,231	8,671	3,468
		High-Cost Assumptions		
1970	1,234	370	2,704	595
1980	2,032	528	4,163	1,228
1990	2,964	652	5,559	1,946
2000	3,767	772	6,416	2,470
2025	8,014	1,603	9,511	3,804

[a] I.e., benefits for retired workers.

[b] Does not include cases in which the woman has not become a beneficiary (has not retired). There are relatively few wives in this group, since generally they retire at the same time as their husbands, but the number of widows should be substantially higher. The number eligible for both old-age and parent's benefits is negligible.

[c] As of July 1.

Table 13

ESTIMATED AVERAGE ANNUAL BENEFITS IN CURRENT PAYMENT STATUS FOR OLD-AGE BENEFICIARIES AND THEIR DEPENDENTS

Calendar Year	*Old-Age*[a] *Male*	*Old-Age*[a] *Female*	*Total*	*Supplementary Wife's*[b] *With No Old-Age Benefit*	*Supplementary Wife's*[b] *With Smaller Old-Age Benefit*[c]	*Child's*
			Actual Data (as of January 1)			
1956	$ 797	$599	$ 743	$397	$117	$240
1957	819	604	757	405	125	248
1958	846	627	775	412	132	263
1959[d]	873	643	796	421	141	276
1960	961	706	873	458	146	328
1961	982	716	888	465	149	339
1962	998	744	908	473	121	330
1963	1,005	751	914	475	130	329
1964	1,016	761	922	479	127	334
1965	1,027	771	930	483	131	337
1966	1,111	841	1,007	524	[e]	385
			Low-Cost Assumptions (as of July 1)			
1970	$1,151	$865	$1,033	$540	$149	$417
1980	1,243	895	1,084	581	160	461
1990	1,332	917	1,130	619	171	496
2000	1,389	931	1,156	645	178	517
2025	1,415	936	1,171	652	182	528
			High-Cost Assumptions (as of July 1)			
1970	$1,150	$864	$1,031	$540	$149	$417
1980	1,241	885	1,080	580	160	460
1990	1,327	896	1,121	617	170	494
2000	1,383	904	1,143	642	177	515
2025	1,408	905	1,152	650	181	525

[a] I.e., benefits for retired workers.

[b] Including husband's benefits.

[c] Figures represent the average residual wife's benefit paid in addition to their own old-age benefit.

[d] As of December 1, 1958.

[e] Not available.

Table 14

ESTIMATED AVERAGE ANNUAL SURVIVOR BENEFITS IN CURRENT PAYMENT STATUS AND LUMP-SUM DEATH PAYMENTS

Calendar Year	*Widow's* [a] *With No Old-Age Benefit*	*Widow's* [a] *With Smaller Old-Age Benefit* [b]	*Mother's*	*Child's*	*Parent's*	*Lump-Sum* [c] *Death Payments*
			Actual Data (as of January 1)			
1956	$ 584	$119	$ 551	$457	$ 599	$200
1957	602	206	568	472	609	201
1958	613	216	589	490	622	202
1959 [d]	623	228	606	505	634	208
1960	681	246	688	570	706	211
1961	692	253	711	616	724	211
1962	779	291	712	633	806	212
1963	791	293	713	643	818	213
1964	802	301	713	652	829	214
1965	814	310	713	660	841	219
1966	885	[e]	785	735	912	[e]
			Low-Cost Assumptions (as of July 1)			
1970	$ 948	$365	$ 830	$775	$ 966	$230
1980	1,059	408	906	846	1,042	232
1990	1,140	439	973	904	1,093	236
2000	1,189	458	1,014	939	1,124	239
2025	1,213	467	1,035	958	1,148	239
			High-Cost Assumptions (as of July 1)			
1970	$ 948	$365	$ 830	$775	$ 966	$229
1980	1,057	407	904	844	1,040	231
1990	1,136	437	969	900	1,088	234
2000	1,182	455	1,009	934	1,118	234
2025	1,207	465	1,028	953	1,142	233

[a] Including widower's benefits.

[b] Figures represent the average residual widow's benefit paid in addition to their own old-age benefit.

[c] Average amount paid per deceased worker.

[d] As of December 1, 1958.

[e] Not available.

Table 15

ESTIMATED AVERAGE ANNUAL DISABILITY BENEFITS[a] IN CURRENT PAYMENT STATUS

Calendar Year	*Disabled Worker*	*Supplementary Benefits*[b] *Wife's*	*Child's*
	Actual Data (as of January 1)		
1958	$ 873	—	—
1959[c]	958	$407	$327
1960	1,068	433	371
1961	1,072	413	363
1962	1,075	397	350
1963	1,080	389	343
1964	1,087	387	341
1965	1,093	387	342
1966	1,173	420	379
	Low-Cost Assumptions (as of July 1)		
1970	$1,283	$466	$425
1980	1,416	530	484
1990	1,467	557	508
2000	1,478	563	513
2025	1,479	563	513
	High-Cost Assumptions (as of July 1)		
1970	$1,277	$465	$424
1980	1,400	528	481
1990	1,450	554	505
2000	1,458	559	510
2025	1,457	559	510

[a] With respect only to persons who receive benefits from the DI Trust Fund.
[b] Payable to dependents of disabled workers.
[c] As of December 1, 1958.

Table 16

ESTIMATED OASI BENEFIT PAYMENTS

(in millions)

Calendar Year	Monthly Benefits to the Aged			Monthly Benefits to Younger Persons		Lump-Sum Death Payments	Total Benefits
	Old-Age [a]	Wife's [b]	Widow's [c]	Parent's	Child's	Mother's		
Actual Data								
1956	$ 3,793	$ 536	$ 469	$17	$ 614	$177	$109	$ 5,715
1957	4,888	756	653	19	694	198	139	7,347
1958	5,567	851	757	20	776	223	133	8,327
1959	6,548	982	921	25	931	263	171	9,842
1960	7,053	1,051	1,057	28	1,037	286	164	10,677
1961	7,802	1,124	1,232	31	1,186	316	171	11,862
1962	8,813	1,216	1,470	34	1,304	336	183	13,356
1963	9,391	1,258	1,612	34	1,368	348	206	14,217
1964	9,854	1,277	1,754	33	1,425	354	216	14,914
1965	10,984	1,383	2,041	35	1,691	388	217	16,737
Low-Cost Assumptions								
1970	$13,185	$1,558	$3,099	$33	$2,268	$445	$266	$20,854
1980	18,066	1,801	4,288	33	2,560	483	336	27,567
1990	23,448	2,021	5,024	33	3,008	580	400	34,514
2000	26,311	1,983	5,392	31	3,405	651	464	38,237
2025	43,753	2,655	8,361	32	4,735	870	691	61,097
High-Cost Assumptions								
1970	$13,472	$1,590	$3,153	$34	$2,232	$437	$268	$21,186
1980	19,046	1,921	4,261	34	2,437	453	345	28,497
1990	25,161	2,177	5,025	34	2,632	489	409	35,927
2000	28,985	2,136	5,568	32	2,777	510	463	40,471
2025	50,169	2,802	7,836	26	3,373	572	701	65,479

[a] I.e., for retired workers.

[b] Including husband's and young wife's benefits.

[c] Including widower's benefits.

Table 17

ESTIMATED DI BENEFIT PAYMENTS

(in millions)

Calendar Year	*Disabled Worker*	*Wife's*	*Child's*	*Total Benefits*
		Actual Data		
1957	$ 57	—	—	$ 57
1958	246	$ 1	$ 2	249
1959	391	29	38	457
1960	489	32	48	568
1961	724	54	109	887
1962	888	68	149	1,105
1963	965	73	172	1,210
1964	1,044	79	186	1,309
1965	1,246	95	232	1,573
		Low-Cost Assumptions		
1970	$1,670	$128	$367	$2,165
1980	2,239	154	444	2,837
1990	2,543	168	472	3,183
2000	3,086	206	542	3,834
2025	4,555	317	770	5,642
		High-Cost Assumptions		
1970	$1,784	$136	$392	$2,312
1980	2,544	176	508	3,228
1990	2,932	196	563	3,691
2000	3,596	238	687	4,521
2025	5,124	337	974	6,435

Table 18

ANALYSIS OF THE INTERMEDIATE-COST ESTIMATE FOR OASDI BY TYPE OF BENEFIT PAYMENT AS PERCENT OF TAXABLE PAYROLL [a]

Type of Payment	*OASI*	*DI*
Primary benefits	5.45%	.66%
Wife's benefits	.46	.04
Widow's benefits	1.13	[b]
Parent's benefits	.01	[b]
Child's benefits	.65	.13
Mother's benefits	.12	[b]
Lump-sum death payments	.09	[b]
Total benefits	7.91	.83
Administrative expenses	.13	.03
Railroad retirement financial interchange	.03	.00
Interest on existing trust fund [c]	—.16	—.01
Net total level-cost	7.91	.85

[a] Including adjustment to reflect the lower contribution rate on self-employment, on tips, and on multiple employer excess wages.

[b] This type of benefit is not payable under this program.

[c] This item includes reimbursement for additional cost of noncontributory credits for military service.

Table 19

INTERMEDIATE-COST ESTIMATE OF BENEFIT PAYMENTS AS PERCENT OF TAXABLE PAYROLL[a] FOR SELECTED YEARS

Calendar Year	*OASI*	*DI*	*OASDI*
	Actual Data		
1956	3.48%	[b]	3.48%
1957	4.20	.03%	4.23
1958	4.77	.14	4.91
1959	5.03	.23	5.26
1960	5.33	.28	5.61
1961	5.85	.44	6.29
1962	6.31	.52	6.83
1963	6.52	.55	7.07
1964	6.53	.57	7.10
1965	6.85	.64	7.49
	Projection		
1970	6.65%	.71%	7.36%
1975	7.05	.77	7.82
1980	7.43	.80	8.23
1985	7.89	.81	8.70
1990	8.24	.80	9.04
1995	8.21	.80	9.01
2000	7.89	.84	8.73
2005	7.65	.90	8.55
2010	7.80	.96	8.76
2015	8.38	.97	9.35
2020	9.12	.96	10.08
2025	9.76	.93	10.69
2030	10.00	.91	10.91
2035	9.91	.94	10.85
2040	9.86	.95	10.81
2045	9.96	.95	10.91

[a] Including adjustment to reflect lower contribution rate on self-employment on tips, and on multiple-employer excess wages.

[b] Under this program, benefit payments started in 1957.

Table 20

ANALYSIS OF ESTIMATED LEVEL-COST (AS OF JANUARY 1, 1967) OF OASDI SYSTEM AS PERCENT OF TAXABLE PAYROLL [a]

Level Equivalent of	*Estimate* *Low-Cost*	*High-Cost*	*Intermediate-Cost*
	OASI System		
Benefit Payments	7.45%	8.49%	7.91%
Administrative Expenses	.12	.14	.13
Railroad Interchange	.03	.04	.03
Interest on 1966 Trust Fund [b]	—.18	—.15	—.16
Net Cost [c]	7.42	8.52	7.91
Contributions [d]	8.79	8.82	8.80
Actuarial Balance [e]	1.37	.30	.89
	DI System		
Benefit Payments	.75%	.93%	.83%
Administrative Expenses	.03	.04	.03
Railroad Interchange	.00	.00	.00
Interest on 1966 Trust Fund [b]	—.02	—.01	—.01
Net Cost [c]	.76	.96	.85
Contributions [d]	.70	.70	.70
Actuarial Balance [e]	—.06	—.26	—.15

[a] Including adjustment to reflect the lower-contribution rate on the self-employed, on tips, and on multiple employer excess wages.

[b] Interest on Trust Fund existing at end of 1966 as earned in future years. Includes reimbursement for additional cost of noncontributory credits for military service.

[c] Level-equivalent of benefit payments, plus administrative expenses, less interest on existing Fund at end of 1963 and including effect of the Railroad Retirement interchange and reimbursement from the general treasury of the additional cost for noncontributory wage credits for military service.

[d] Level contribution rate for employer and employee combined equivalent to the graded rates in the 1965 Act.

[e] A negative figure indicates the extent of lack of actuarial sufficiency.

Table 21

ESTIMATED OASDI BENEFIT PAYMENTS AS PERCENT OF TAXABLE PAYROLL[a], LOW-COST AND HIGH-COST ASSUMPTIONS

Calendar Year	*Low-Cost*	*High-Cost*
	OASI System	
1970	6.56%	6.73%
1980	7.24	7.63
1990	7.94	8.55
2000	7.44	8.37
2025	8.66	11.09
	DI System	
1970	.68%	.73%
1980	.74	.86
1990	.73	.88
2000	.74	.93
2025	.80	1.09

[a] Including adjustment to reflect the lower contribution rate on self-employment, on tips, and on multiple-employer excess wages.

Table 22

ESTIMATED PROGRESS OF OASI TRUST FUND

(in millions)

Calendar Year	*Contributions* [a]	*Benefit Payments*	*Administrative Expenses*	*Railroad Retirement Financial Interchange* [b]	*Interest on Fund*	*Fund at End of Year*
			Actual Data			
1956	$6,172	$5,715	$132	$5	$526	$22,519
1957	6,825	7,347	162	2	556	22,393
1958	7,566	8,327	194	−124	552	21,864
1959	8,052	9,842	184	−282	532	20,141
1960	10,866	10,677	203	−318	516	20,324
1961	11,285	11,862	239	−332	548	19,725
1962	12,059	13,356	256	−361	526	18,337
1963	14,541	14,217	281	−423	521	18,480
1964	15,689	14,914	296	−403	569	19,125
1965	16,017	16,737	328	−436	593	18,235
			Low-Cost Assumptions			
1970	$25,825	$20,854	$370	$−498	$1,224	$34,640
1980	34,373	27,567	449	−105	4,849	124,853
1990	39,232	34,514	523	52	10,016	251,272
2000	46,318	38,237	577	112	17,946	447,853
2025	63,533	61,097	865	147	65,411	1,611,481
			High-Cost Assumptions			
1970	$25,579	$21,186	$420	$−528	$1,088	$32,526
1980	33,682	28,497	514	−155	3,009	100,561
1990	37,888	35,927	612	−7	5,239	170,718
2000	43,619	40,471	663	42	7,792	252,861
2025	53,140	65,479	963	67	16,425	521,752
			Intermediate-Cost Assumptions			
1970	$25,702	$21,020	$395	$−513	$1,154	$33,580
1980	34,028	28,031	482	−130	3,867	112,430
1990	38,560	35,220	566	23	7,385	209,245
2000	44,969	33,355	620	77	12,205	344,138
2025	58,336	63,288	914	107	36,172	1,004,202

[a] Includes reimbursement for additional cost of noncontributory credits for military service.

[b] A positive figure indicates payment to the Trust Fund from the Railroad Retirement Account, and a negative figure indicates the reverse.

Table 23

ESTIMATED PROGRESS OF DI TRUST FUND

(in millions)

Calendar Year	*Contributions* [a]	*Benefit Payments*	*Administrative Expenses*	*Railroad Retirement Financial Interchange* [b]	*Interest on Fund*	*Fund at End of Year*
			Actual Data			
1957	$ 702	$ 57	$3	..	$7	$649
1958	966	249	12	..	25	1,379
1959	891	457	50	$22	40	1,825
1960	1,010	568	36	5	53	2,289
1961	1,038	887	64	—5	66	2,437
1962	1,046	1,105	66	—11	68	2,368
1963	1,099	1,210	68	—20	66	2,235
1964	1,154	1,309	79	—19	64	2,047
1965	1,188	1,573	90	—24	59	1,606
			Low-Cost Assumptions			
1970	$2,242	$2,165	$108	$—5	$74	$2,045
1980	2,691	2,837	115	15	22	701
1990	3,070	3,183	112	18	[c]	[c]
2000	3,622	3,834	126	18	[c]	[c]
2025	4,953	5,642	185	18	[c]	[c]
			High-Cost Assumptions			
1970	$2,221	$2,312	$118	$—9	$51	$1,488
1980	2,637	3,228	144	7	[d]	[d]
1990	2,965	3,691	157	8	[d]	[d]
2000	3,412	4,521	190	8	[d]	[d]
2025	4,143	6,435	271	8	[d]	[d]
			Intermediate-Cost Assumptions			
1970	$2,232	$2,240	$113	$—7	$62	$1,763
1980	2,664	3,032	130	11	[e]	[e]
1990	3,017	3,438	134	13	[e]	[e]
2000	3,517	4,176	158	13	[e]	[e]
2025	4,548	6,039	228	13	[e]	[e]

[a] Includes reimbursement for additional cost noncontributory credits for military service.

[b] A positive figure indicates payment to the Trust Fund from the Railroad Retirement Account, and a negative figure indicates the reverse.

[c] Fund exhausted in 1983.

[d] Fund exhausted in 1975.

[e] Fund exhausted in 1977.

Table 24

COMPARISON OF ESTIMATED OASDI BENEFIT PAYMENTS AS PERCENT OF TAXABLE PAYROLL FOR VARIOUS ACTS, LOW-COST ASSUMPTIONS

Act	*Actuarial Study No.*	*Employment Assumption*	*Benefit Payments Cost in Year* 1955	1960	1970	1980	2000
			OASI				
1935	12	[a]	2.81%	4.18%	6.38%	9.35%	..
1939	14	[a]	4.46	5.36[c]	6.33[c]	7.22[c]	..
1939	17	[a]	2.58[c]	3.35	4.71	6.13	7.55%
1939	19	[a]	2.51	3.45	5.19	7.29	8.98
1939	23	Low	2.48	3.12	4.04	5.02	5.75
1939	23	High	1.32	1.75	2.57	3.33	4.19
1950	[b]	[a]	2.21	2.83	4.00	4.93	5.80
1952	[b]	[a]	2.14	2.87	4.03	4.93	5.77
1952	36	Low	3.31	4.41	5.57	6.57	6.99
1952	36	High	2.80	3.76	4.85	5.86	6.29
1954	39	[a]	2.78	4.04	5.57	6.79	7.24
1956	48	[a]	3.26[d]	4.72	6.27	7.16	6.74
1958	[b]	[a]	3.26[d]	5.04[c]	6.47	7.46	7.06
1960	[b]	[a]	3.26[d]	5.33[d]	6.69	7.75	6.94
1961	[b]	[a]	3.26[d]	5.33[d]	7.03	7.78	7.15
1961	58	[a]	3.26[d]	5.33[d]	6.98	7.70	7.19
1965	[b]	[a]	3.26[d]	5.33[d]	7.00	7.47	7.64
1965	63	[a]	3.26[d]	5.33[d]	6.56	7.24	7.44
			DI				
1956	48	[a]		.14%	.22%	.22%	.22%
1958	[b]	[a]		.20[c]	.32	.36	.30
1960	[b]	[a]		.28[d]	.40	.41	.39
1961	[b]	[a]		.28[d]	.40	.41	.39
1961	58	[a]		.28[d]	.57	.56	.52
1965	[b]	[a]		.28[d]	.56	.57	.54
1965	63	[a]		.28[d]	.68	.74	.74

[a] Only one employment assumption was made.
[b] Prepared at time of enactment.
[c] Not shown in Actuarial Study; taken from worksheets.
[d] Actual experience.

Table 25

COMPARISON OF ESTIMATED OASDI BENEFIT PAYMENTS AS PERCENT OF TAXABLE PAYROLL FOR VARIOUS ACTS, HIGH-COST ASSUMPTIONS

Act	*Actuarial Study No.*	*Employment Assumption*	*Benefit Payments Cost in Year* 1955	1960	1970	1980	2000
			OASI				
1935	12	[a]	3.46%	5.13%	8.41%	13.36%	..
1939	14	[a]	5.45	6.72	8.54[c]	10.60[c]	..
1939	17	[a]	3.70[c]	4.75	6.77	9.55	12.66%
1939	19	[a]	2.14	3.00	4.68	6.94	10.64
1939	23	Low	3.03	3.73	5.20	7.19	10.52
1939	23	High	1.89	2.46	3.65	5.18	8.12
1950	[b]	[a]	2.69	3.74	5.34	7.14	10.20
1952	[b]	[a]	2.56	3.74	5.33	7.08	10.08
1952	36	Low	3.76	4.97	6.27	7.58	9.33
1952	36	High	3.29	4.44	5.66	6.95	8.42
1954	39	[a]	3.10	4.63	6.39	7.90	9.31
1956	48	[a]	3.26[d]	4.95	6.62	8.15	9.61
1958	[b]	[a]	3.26[d]	5.29[c]	6.84	8.49	10.06
1960	[b]	[a]	3.26[d]	5.33[d]	7.02	8.57	9.89
1961	[b]	[a]	3.26[d]	5.33[d]	7.37	8.78	10.12
1961	58	[a]	3.26[d]	5.33[d]	7.45	8.78	10.01
1965	[b]	[a]	3.26[d]	5.33[d]	7.42[c]	8.88	10.51
1965	63	[a]	3.26[d]	5.33[d]	6.73	7.63	8.37
			DI				
1956	48	[a]		.23%	.45%	.48%	.50%
1958	[b]	[a]		.33[c]	.63	.72	.68
1960	[b]	[a]		.28[d]	.65	.72	.74
1961	[b]	[a]		.28[d]	.65	.72	.74
1961	58	[a]		.28[d]	.68	.69	.71
1965	[b]	[a]		.28[d]	.68	.71	.74
1965	63	[a]		.28[d]	.73	.86	.93

[a] Only one employment assumption was made.
[b] Prepared at time of enactment.
[c] Not shown in Actuarial Study; taken from worksheets.
[d] Actual experience.

*Actuarial Studies Available from the Office of the Actuary**

40. The Financial Principle of Self-Support in the OASI System—April 1955.
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* Numbers not listed are out of print.

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90TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 705

MEDICAL ENROLLMENT ACT OF 1967

SEPTEMBER 26, 1967.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. MILLS, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H.R. 13026]

The Committee on Ways and Means, to whom was referred the bill (H.R. 13026) to change the period during which an individual is permitted to enroll under part B of title XVIII of the Social Security Act (relating to supplementary medical insurance benefits for the aged), and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendment to the text is as follows:

Strike out all after the enacting clause and insert the following:

That the general enrollment period under section 1837(e) of the Social Security Act beginning October 1, 1967, and ending December 31, 1967, shall, for purposes of enrolling in the insurance program established under part B of title XVIII of such Act and of terminating such enrollment as provided in section 1838(b)(1) of such Act, be extended through March 31, 1968.

SEC. 2. Notwithstanding the provisions of section 1839 (a) and (b) of the Social Security Act—

(1) the dollar amount applicable for premiums under part B of title XVIII of such Act for each month before April 1968 shall be $3, and

(2) the Secretary of Health, Education, and Welfare may determine and promulgate such dollar amount for months after March 1968 and before January 1970 at any time on or before December 31, 1967.

SEC. 3. (a) In the case of any individual who, pursuant to section 1838(b)(1) of the Social Security Act, terminates his enrollment in the insurance program established under part B of title XVIII of such Act, his coverage period (as defined in section 1838(a) of such Act)—

(1) shall terminate at the close of December 31, 1967, if he filed his notice of termination before January 1, 1968, or

(2) shall terminate at the close of March 31, 1968, if he filed his notice of termination after December 31, 1967, and before April 1, 1968.

An individual whose coverage period terminated pursuant to paragraph (1) at the close of December 31, 1967, may, notwithstanding section 1837(b)(2) of such Act, enroll in such program before April 1, 1968, and for purposes of sections

1838(a)(2)(E) and 1837(b)(2) of such Act such enrollment shall be deemed an enrollment under section 1837(e) of such Act and a second enrollment under such part.

(b) In the case of any individual who did not enroll in the insurance program established under part B of title XVIII of the Social Security Act in his initial enrollment period, but does so enroll before April 1, 1968, the enrollment period in which he so enrolls shall, for purposes of section 1839(c) of such Act, be deemed to have closed on December 31, 1967.

Amend the title so as to read:

A bill to extend through March 1968 the first general enrollment period under part B of title XVIII of the Social Security Act (relating to supplementary medical insurance benefits for the aged), and for other purposes.

BACKGROUND AND PURPOSE OF THE BILL

The first general enrollment period provided for the supplementary medical insurance program under the present medicare law will begin October 1, 1967, and end on December 31, 1967. Subsequent general enrollment periods will begin October 1 and end December 31 of each odd-numbered year. In addition, the Secretary of Health, Education, and Welfare is required to announce by October 1, 1967, the premium rate for the supplementary medical insurance program for months in calendar years 1968 and 1969, and to announce by October 1 of each odd-numbered year thereafter the premium rate for the following 2 years.

The pending social security legislation (H.R. 12080, which was passed by the House on August 17) will not be enacted by October 1, 1967, so that the enrollment period will begin before the legislation is completed. The premium rate which is to be announced by October 1 will have to be based on present law, even though H.R. 12080 as passed by the House would increase the protection provided by supplementary medical insurance, thereby increasing the cost of the supplementary medical insurance program, and would make numerous procedural and other changes in the program. All these changes should be considered by beneficiaries in connection with the open enrollment period soon to begin for supplementary medical insurance. The final provisions of H.R. 12080 cannot be predicted with certainty at this time. It is quite possible, however, that enactment of that legislation will require a different premium than would be required under the present law. A change in law is needed to permit information to be provided to potential enrollees on what effect the new law will have on the supplementary medical insurance program and to reflect in the premium to be paid over the next 2 years the costs of the benefit provisions under that law.

The required change in the enrollment period could be made either in the course of or after enactment of H.R. 12800 but it seems far better to act now and forestall the commencement of an enrollment process based upon provisions of present law. Without the enactment of this bill people would be required to make their decisions before January 1, so that they would have to decide about enrollment before information on the new premium rate and benefit protection is available. They may then not make a properly informed decision on whether to enroll or terminate their enrollment. During the October–December period it is to be expected that a change in law would have to be made, including provisions permitting the announcement of a

new premium rate, and people would have to be reinstructed about the change in their rights and obligations. Many persons are likely to be greatly confused by such a change in instructions.

Under this bill, the new premium rate would be announced prior to January 1, 1968; persons would have until the end of March of next year to decide about enrollment or termination of enrollment; and the full informational task could begin at the close of this year when all the needed information would be available.

Another advantage to be gained by the enactment of this bill is that at this time substantial additional actuarial experience is being tabulated relating to the accrued cost of the program. Delaying the date of announcement of the change in premium rate will permit a better estimate of the required premium rate.

EXPLANATION OF PROVISIONS

Under the bill as unanimously reported by the committee, the general enrollment period scheduled to begin October 1, 1967, and to end December 31, 1967, would be preserved but extended through March 31, 1968, and the current $3 per month premium rate would apply through March 1968. The new supplementary medical insurance premium rate would be announced prior to January 1, 1968, and would be effective for supplementary medical insurance purposes (including State agreements under section 1843) for the period beginning April 1, 1968, and ending December 31, 1969 (the date on which the next general enrollment period would end). People who disenroll prior to January 1, 1968, would, (as under present law), have their enrollment period terminated on December 31, 1967, thus preserving the right under present law of people who wish to terminate their enrollment at that time to do so. Persons who disenroll in the period January–March 1968 would have their enrollment period terminated on March 31. People who enroll (or reenroll) at any time during the general enrollment period (other than those who are enrolling at age 65 and whose enrollment and coverage are therefore not dependent upon or related to a general enrollment period) would have their supplementary medical insurance coverage period begin July 1, 1968, as under present law. If a person disenrolls and then changes his mind either within the October–December period or within the January–March period, his coverage would not be affected (although of course if he disenrolls in the October–December period and changes his mind in the January–March period, he would have to reenroll and his coverage, which terminated December 31, would not resume until July 1, 1968).

O

Union Calendar No. 268

90TH CONGRESS
1ST SESSION

H. R. 13026

[Report No. 705]

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 20, 1967

Mr. MILLS introduced the following bill; which was referred to the Committee on Ways and Means

SEPTEMBER 26, 1967

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

A BILL

To change the period during which an individual is permitted to enroll under part B of title XVIII of the Social Security Act (relating to supplementary medical insurance benefits for the aged), and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, ~~That (a) section 1837(c) of the Social Security Act is amended to read as follows:~~

~~"(c) There shall be a general enrollment period, after the period described in subsection (c), during the period beginning on January 1 and ending on March 31 of each year beginning with 1968."~~

~~(b) Section 1838(b) of such Act is amended by striking out "December 31" and inserting in lieu thereof "March 31".~~

~~SEC. 2. (a)(1) Section 1839(a) of the Social Security Act is amended by striking out "1968" and inserting in lieu thereof "April 1968".~~

~~(2) Section 1839(b)(1) of such Act is amended by striking out "1967" and inserting in lieu thereof "March 1968".~~

~~(b) Section 1839(b)(2) of such Act is amended to read as follows:~~

~~"(2) The Secretary shall, during December of 1967 and of each year thereafter, determine and promulgate the dollar amount which shall be applicable for premiums for months in the 12-month period beginning with the succeeding April 1. Such dollar amount shall be such amount as the Secretary estimates to be necessary so that the aggregate premiums for such 12-month period 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 such 12-month period. In estimating the aggregate benefits payable for any period, the Secretary shall include an appropriate amount for a contingency margin; and such amount may take into consideration any unfunded accrued benefit liability or contingency re-~~

serve balance estimated to exist in the Trust Fund on the last day of the calendar year preceding such period. The unfunded accrued benefit liability at any time is the excess (if any) or (A) the aggregate benefits that are estimated to be payable in the future with respect to services rendered up to that time over (B) the estimated balance in the Trust Fund at such time. The contingency reserve balance at any time is the excess (if any) of (C) the estimated balance in the Trust Fund at such time over (D) the aggregate benefits that are estimated to be payable in the future with respect to services rendered up to that time."

(c) Section 1839(d) of such Act is repealed.

SEC. 3. (a) The general enrollment period under section 1837(c) of the Social Security Act (as amended by the first section of this Act) beginning January 1, 1968, and ending March 31, 1968, shall, for purposes of enrolling in the insurance program established under part B of title XVIII of such Act and of terminating such enrollment as provided in section 1838(b)(1) of such Act, instead begin on October 1, 1967.

(b) In the case of any individual who, pursuant to section 1838(b)(1) of the Social Security Act, terminates his enrollment in the insurance program established under part B of title XVIII of such Act, his coverage period (as defined in section 1838(a) of such Act)—

(1) shall terminate at the close of December 31,

~~1967, if he filed his notice of termination prior to January 1, 1968, or~~

~~(2) shall terminate at the close of March 31, 1968, if he filed his notice of termination after December 31, 1967, and prior to April 1, 1968.~~

~~An individual whose coverage period terminated pursuant to paragraph (1) at the close of December 31, 1967, may, notwithstanding section 1837(b)(2) of such Act, enroll in such program prior to April 1, 1968, and for purposes of sections 1838(a)(2)(E) and 1837(b)(2) of such Act such enrollment shall be deemed an enrollment under section 1837(c) of such Act and a second enrollment under such part.~~

~~(c) In the case of any individual who did not enroll in the insurance program established under part B of title XVIII of the Social Security Act in his initial enrollment period, but does so enroll prior to April 1, 1968, the enrollment period in which he so enrolled shall, for purposes of section 1839(c) of such Act, be deemed to have closed on December 31, 1967.~~

~~SEC. 4. This Act may be cited as the "Medical Enrollment Act of 1967".~~

That the general enrollment period under section 1837(e) of the Social Security Act beginning October 1, 1967, and ending December 31, 1967, shall, for purposes of enrolling in the insurance program established under part B of title

XVIII of such Act and of terminating such enrollment as provided in section 1838(b)(1) of such Act, be extended through March 31, 1968.

SEC. 2. Notwithstanding the provisions of section 1839 (a) and (b) of the Social Security Act—

(1) the dollar amount applicable for premiums under part B of title XVIII of such Act for each month before April 1968 shall be $3, and

(2) the Secretary of Health, Education, and Welfare may determine and promulgate such dollar amount for months after March 1968 and before January 1970 at any time on or before December 31, 1967.

SEC. 3. (a) In the case of any individual who, pursuant to section 1838(b)(1) of the Social Security Act, terminates his enrollment in the insurance program established under part B of title XVIII of such Act, his coverage period (as defined in section 1838(a) of such Act)—

(1) shall terminate at the close of December 31, 1967, if he filed his notice of termination before January 1, 1968, or

(2) shall terminate at the close of March 31, 1968, if he filed his notice of termination after December 31, 1967, and before April 1, 1968.

An individual whose coverage period terminated pursuant to paragraph (1) at the close of December 31, 1967, may, not-

withstanding section 1837(b)(2) of such Act, enroll in such program before April 1, 1968, and for purposes of sections 1838(a)(2)(E) and 1837(b)(2) of such Act such enrollment shall be deemed an enrollment under section 1837(e) of such Act and a second enrollment under such part.

(b) In the case of any individual who did not enroll in the insurance program established under part B of title XVIII of the Social Security Act in his initial enrollment period, but does so enroll before April 1, 1968, the enrollment period in which he so enrolls shall, for purposes of section 1839(c) of such Act, be deemed to have closed on December 31, 1967.

Amend the title so as to read: "A bill to extend through March 1968 the first general enrollment period under part B of title XVIII of the Social Security Act (relating to supplementary medical insurance benefits for the aged), and for other purposes."

Union Calendar No. 268

90TH CONGRESS
1ST SESSION

H. R. 13026

[Report No. 705]

A BILL

To change the period during which an individual is permitted to enroll under part B of title XVIII of the Social Security Act (relating to supplementary medical insurance benefits for the aged), and for other purposes.

By Mr. MILLS

SEPTEMBER 20, 1967

Referred to the Committee on Ways and Means

SEPTEMBER 26, 1967

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

MEDICAL ENROLLMENT ACT OF 1967

Mr. WATTS. Mr. Speaker, I ask unanimous consent that the Committee of the Whole House on the State of the Union be discharged from further consideration of the bill—H.R. 13026—to change the period during which an individual is permitted to enroll under part B of title XVIII of the Social Security Act—relating to supplementary medical insurance benefits for the aged—and for other purposes, which bill was unanimously reported by the Committee on Ways and Means, and ask for its immediate consideration.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky?

Mr. CURTIS. Mr. Speaker, reserving the right to object—and I shall not object—would the gentleman take a brief amount of time to explain exactly what this is to the Members?

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

Mr. CURTIS. I yield to the gentleman from Kentucky.

Mr. WATTS. Mr. Speaker, the necessity for the bill is because of the fact that the Senate has not completed action on the original social security bill which we passed.

This bill has a very limited purpose. It is a temporary measure and makes no permanent change in the medicare law. There is no controversy connected with the bill, which was reported unanimously out of the Committee on Ways and Means.

The sole purpose of the bill is to defer the date by which the Secretary of Health, Education, and Welfare is required to promulgate the revised rate of the monthly premiums paid by subscribers to the supplementary medical insurance program under part B of the medicare law.

The bill also makes several related temporary changes in the law in order to preserve the existing right of present subscribers to the supplementary medical insurance program to drop out of the program during the period of October, November, and December of this year and to afford an opportunity to present subscribers to await the announcement of the Secretary of Health, Education, and Welfare concerning the new premium rate before they decide whether or not they wish to drop out of or remain in the program.

Similarly, the bill will afford the same opportunity of awaiting the announcement of the new premium rate to persons age 65 and over who are eligible for part B coverage but who did not elect coverage under the program within the period provided in the law at the time they first became eligible; they also would be allowed to subscribe under the part B program during the first 3 months of 1968.

Now, why is this legislation needed at this time?

The reason is this. It is quite apparent that the pending social security legislation—H.R. 12080, which was passed by the House on August 17—will not be enacted by October 1, 1967. This means that the enrollment period, which under present law will begin on October 1, 1967, and end on December 31, 1967, will start before action on that legislation is completed. The premium rate which is to be

announced by October 1 will have to be based on present law, even though H.R. 12080 as passed by the House would increase the protection provided by supplementary medical insurance, thereby increasing the cost of the supplementary medical insurance program, and make numerous procedural and other changes in the program. All these changes should be considered by beneficiaries in connection with the open enrollment period soon to begin. The final provisions of H.R. 12080 cannot be predicted with certainty at this time. It is quite possible, however, that enactment of that legislation will require a different premium than would be required under the present law. A change in law is needed to permit information to be provided to potential enrollees on what effect the new law will have on the supplementary medical insurance program and to reflect in the premium to be paid over the next 2 years the costs of the benefit provisions under that law.

The required change in the enrollment period could be made either in the course of or after enactment of H.R. 12080 but it seems far better to act now and forestall the commencement of an enrollment process based upon provisions of present law. Without the enactment of this bill, people would be required to make their decisions before January 1, so that they would have to decide about enrollment before information on the new premium rate and benefit protection is available. They may then not make a properly informed decision on whether to enroll or terminate their enrollment. During the October-December period it is to be expected that a change in law would have to be made, including provisions permitting the announcement of a new premium rate, and people would have to be reinstructed about the change in their rights and obligations. Many persons are likely to be greatly confused by such a change in instructions.

Under this bill, the new premium rate would be announced prior to January 1, 1968, and would go into effect on April 1, 1968, rather than on January 1, 1968, as presently scheduled; persons would have until the end of March of next year to decide about enrollment or termination of enrollment; and the full informational task could begin at the close of this year when all the needed information would be available.

Another advantage to be gained by the enactment of this bill is that at this time substantial additional actuarial experience is being tabulated relating to the accrued cost of the program. Delaying the date of announcement of the change in premium rate will permit a better estimate of the required premium rate.

I would emphasize again that this bill is a temporary measure. It is intended to avoid problems which could occur if the new premium rate were promulgated before the pending Social Security Amendments of 1967 are enacted into law.

When this bill was introduced, it contained several permanent amendments to the medicare law. All of these permanent provisions were omitted from the bill reported by the committee. The committee felt that these permanent amendments should be studied more thoroughly than was possible in connection with this temporary legislation.

Mr. CURTIS. Mr. Speaker, I thank the gentleman.

This was unanimously approved on our side of the committee.

Mr. Speaker, I withdraw my reservation.

[Mr. BYRNES of Wisconsin addressed the House. His remarks will appear hereafter in the Appendix.]

The SPEAKER. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

The Clerk read the bill, as follows:

H.R. 13026

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 1837(e) of the Social Security Act is amended to read as follows:

"(e) There shall be a general enrollment period, after the period described in subsection (c), during the period beginning on January 1 and ending on March 31 of each year beginning with 1968."

(b) Section 1838(b) of such Act is amended by striking out "December 31" and inserting in lieu thereof "March 31".

SEC. 2. (a)(1) Section 1839(a) of the Social Security Act is amended by striking out "1968" and inserting in lieu thereof "April 1968".

(2) Section 1839(b)(1) of such Act is amended by striking out "1967" and inserting in lieu thereof "March 1968".

(b) Section 1839(b)(2) of such Act is amended to read as follows:

"(2) The Secretary shall, during December of 1967 and of each year thereafter, determine and promulgate the dollar amount which shall be applicable for premiums for months in the 12 month period beginning with the succeeding April 1. Such dollar amount shall be such amount as the Secretary estimates to be necessary so that the aggregate premiums for such 12 month period 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 such 12-month period. In estimating the aggregate benefits payable for any period, the Secretary shall include an appropriate amount for a contingency margin; and such amount may take into consideration any unfunded accrued benefit liability or contingency reserve balance estimated to exist in the Trust Fund on the last day of the calendar year preceding such period. The unfunded accrued benefit liability at any time is the excess (if any) or (A) the aggregate benefits that are estimated to be payable in the future with respect to services rendered up to that time over (B) the estimated balance in the Trust Fund at such time. The contingency reserve balance at any time is the excess (if any) of (C) the estimated balance in the Trust Fund at such time over (D) the aggregate benefits that are estimated to be payable in the future with respect to services rendered up to that time."

(c) Section 1839(d) of such Act is repealed.

SEC. 3. (a) The general enrollment period under section 1837(e) of the Social Security Act (as amended by the first section of this Act) beginning January 1, 1968, and ending March 31, 1968, shall, for purposes of enrolling in the insurance program established under part B of title XVIII of such Act and of terminating such enrollment as provided in section 1838(b)(1) of such Act, instead begin on October 1, 1967.

(b) In the case of any individual who, pursuant to section 1838(b)(1) of the Social Security Act, terminates his enrollment in the insurance program established under part B of title XVIII of such Act, his coverage period (as defined in section 1838(a) of such Act)—

(1) shall terminate at the close of December 31, 1967, if he filed his notice of termination prior to January 1, 1968, or

(2) shall terminate at the close of March 31, 1968, if he filed his notice of termination after December 31, 1967, and prior to April 1, 1968.

An individual whose coverage period terminated pursuant to paragraph (1) at the close of December 31, 1967, may, notwithstanding section 1837(b)(2) of such Act, enroll in such program prior to April 1, 1968, and for purposes of sections 1838(a)(2)(E) and 1837(b)(2) of such Act such enrollment shall be deemed an enrollment under section 1837(e) of such Act and a second enrollment under such part.

(c) In the case of any individual who did not enroll in the insurance program established under part B of title XVIII of the Social Security Act in his initial enrollment period, but does so enroll prior to April 1, 1968, the enrollment period in which he so enrolled shall, for purposes of section 1839(c) of such Act, be deemed to have closed on December 31, 1967.

SEC. 4. This Act may be cited as the "Medical Enrollment Act of 1967."

With the following committee amendment:

Strike out all after the enacting clause and insert the following:

"That the general enrollment period under section 1837(e) of the Social Security Act beginning October 1, 1967, and ending December 31, 1967, shall, for purposes of enrolling in the insurance program established under part B of title XVIII of such Act and of terminating such enrollment as provided in section 1838(b)(1) of such Act, be extended through March 31, 1968.

"SEC. 2. Notwithstanding the provisions of section 1839(a) and (b) of the Social Security Act—

"(1) the dollar amount applicable for premiums under part B of title XVIII of such Act for each month before April 1968 shall be $3, and

"(2) the Secretary of Health, Education, and Welfare may determine and promulgate such dollar amount for months after March 1968 and before January 1970 at any time on or before December 31, 1967.

"SEC. 3 (a) In the case of any individual who, pursuant to section 1838(b)(1) of the Social Security Act, terminates his enrollment in the insurance program established under part B of title XVIII of such Act, his coverage period (as defined in section 1838(a) of such Act)—

"(1) shall terminate at the close of December 31, 1967, if he filed his notice of termination before January 1, 1968, or

"(2) shall terminate at the close of March 31, 1968, if he filed his notice of termination after December 31, 1967, and before April 1, 1968.

An individual whose coverage period terminated pursuant to paragraph (1) at the close of December 31, 1967, may, notwithstanding section 1837(b)(2) of such Act, enroll in such program before April 1, 1968, and for purposes of sections 1838(a)(2)(E) and 1837(b)(2) of such Act such enrollment shall be deemed an enrollment under section 1837(e) of such Act and a second enrollment under such part.

"(b) In the case of any individual who did not enroll in the insurance program established under part B of title XVIII of the Social Security Act in his initial enrollment period, but does so enroll before April 1, 1968, the enrollment period in which he so enrolls shall, for purposes of section 1839(c) of such Act, be deemed to have closed on December 31, 1967."

Mr. WATTS (during the reading). Mr. Speaker, I ask unanimous consent that the amendment be considered as read and printed in the RECORD.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

The SPEAKER. The question is on the committee amendment.

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed.

The title was amended so as to read: "A bill to extend through March 1968 the first general enrollment period under part B of title XVIII of the Social Security Act (relating to supplementary medical insurance benefits for the aged), and for other purposes."

A motion to reconsider was laid on the table.

Commissioner's Bulletin

SOCIAL SECURITY ADMINISTRATION

Number 64 September 28, 1967

CONGRESSIONAL ACTION ON EXTENSION OF OPEN ENROLLMENT PERIOD

To Administrative, Supervisory, and Technical Employees

Yesterday evening the House passed H. R. 13026, the bill to extend the first general enrollment period for SMI through March 1968. Today the bill passed the Senate by unanimous consent.

Under the bill the current $3 per month SMI premium will remain in effect through March 1968, and the Secretary will announce before January 1 the premium rate for the period from April 1968 through the end of 1969. The legislation would not impair any rights provided under present law with respect to enrollment or disenrollment.

The enclosed report of the House Committee on Ways and Means contains a description and explanation of the new legislation, which differs from the original version of H. R. 13026. It is different from the original version, introduced in the House on September 20 and described in the Commissioner's Bulletin Number 62, in that it would affect only the first general enrollment period and would not change the terms of the law concerning future enrollment periods.

Also enclosed is a copy of a letter from Secretary Gardner to the Chairman of the Senate Committee on Finance. At the request of members of the Committee, the letter gives the premium rates that the Secretary would have announced if, as required under present law, he were to have made an announcement by October 1.

Although the letter to Chairman Long has been made public, we should not give the letter any further publicity unless it is impracticable to avoid doing so. As the Secretary has noted in the letter, the estimated premium rates referred to therein are based on incomplete data, and the new rate to be announced in December may be different from that cited in the letter.

In responding to inquiries about the new premium rates and about enrollment in the SMI program, it should be stressed that (1) the present $3 per month premium will remain in effect through March 1968, (2) the new premium that will go into effect in April will be announced by the Secretary before next January, and (3) people who would have to act before December 31, 1967, if the first general enrollment period were to remain the same as under present law will have until the end of next March to decide about enrollment in the program.

Robert M. Ball
Commissioner

Enclosures 2
/House Report No. 705--not included/

Copy

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

September 27, 1967

Dear Mr. Chairman:

I am writing in response to the request made by Senate Finance Committee members at the hearings yesterday on the Social Security Amendments of 1967, H.R. 12080. The Committee asked for our best estimate on the cost of the Supplementary Medical Insurance plan to date and our best estimates concerning a proper rate for the program for 1968 and 1969.

As I indicated at the hearings, because of the time lag in the submission and processing of bills in this program, we do not yet have complete figures for the 6 months of 1966 and have only very incomplete data for the first 8 months of 1967.

We do, of course, have up-to-date figures of cash expenditures under the program, but these figures taken alone would be misleading because they do not take into account liabilities of the program arising from the natural delay in benefit payments until well after the date that services were received. Such delay is due to the tendency of enrollees to accumulate a number of bills before submitting a claim, the inherent delays by physicians and enrollees in completing the claim forms, and the time required by the carriers to adjudicate and pay claims. There was a balance of $426 million in the Supplementary Medical Insurance Trust Fund at the end of July but there are also many outstanding liabilities. On the basis of claims paid (a cash basis), the average monthly per capita expenditures of the program, including the administrative costs, for the six months of 1966 were $1.93 and in 1967, for the seven months through July, $5.71. As indicated, however, these figures need to be adjusted for the estimated increase in liability that took place during the period.

Figures on an accrual basis (the proper basis for rate determination) for the six months of 1966 are, of course, much more complete than for 1967 on the basis of the 1966 accrual figures we now estimate that the $3 premium rate for that period was about 15 cents too low. It is the best estimate of our experts that the liability of the system for the entire year-and-a-half period of 1966 and 1967 will be about 8% higher than is provided for by the $3 premium plus the matching government contribution. In other words, we expect that the $3 premium for the entire 1966-67 period will be low by about 25 cents. About 15 cents is accounted for by the fact that physicians' fees have been rising at a faster rate during this

period than was assumed in setting the premium: about 10 cents arises from the fact that there has apparently been a somewhat greater utilization of services under the program than had been anticipated. These estimates are based upon incomplete data for past periods and upon projection for the period September through December and may be somewhat more or less when the final accounts are in.

In estimating the cost of the program for 1968 and 1969, we cannot, of course, project the same per capita costs as for the past period. To be reasonably certain that the rate is properly set it is necessary to assume further increases in physicians' fees and in utilization.

Based upon our estimates of the cost for the present program over the two years of 1968 and 1969, we now anticipate the need for an increase of about 50 cents in the premium rate in addition to what we estimate was needed for 1966 and 1967. The 50 cents would be matched, of course, by an equal amount from the government. This figure allows for approximately a 3% annual increase in utilization and a 5% annual increase in physicians' fees in each of the years 1968 and 1969.

As you know, H.R. 13026 as reported out by the House Ways and Means Committee yesterday would make it unnecessary for us to proceed with the announcement of a rate for 1968 and 1969 based upon present law, but rather would postpone a setting of the premium rate until the end of December. The Committee believed it would be best to postpone the setting of the rate until a time when our information would be more complete and when the changes in the program now under consideration by Congress could also be taken into account.

Members of the Senate Finance Committee have asked, nevertheless, what rate I would promulgate if it were necessary to proceed by October 1 as required by present law. My answer is that I would promulgate a rate of $3.80 for the two-year period of 1968 and 1969, 25 cents of the increase being based upon our evaluation, as yet incomplete, of the extent to which we believe the premium rate was below the actual cost for 1966-67 and 55 cents being the estimated additional cost to be expected in 1968-69 arising from an estimated increase in utilization and in physicians' fees and an allowance for a contingency margin.

Under H.R. 13026 it would not be necessary to promulgate a premium rate until the end of December, at which time we would have better information concerning the liabilities of the program for the 1966-1967 period and,

therefore, a better basis for estimating 1968 and 1969 costs. Thus, any rate promulgated at that time may or may not be entirely consistent with the figures supplied in this letter. Moreover, of course, the rate promulgated in December would cover any additional benefits included in social security legislation as finally enacted. As you know, we estimate that the additional benefits included in H.R. 12080 as it passed the House would call for a premium rate increase of about 20 cents per month.

I would also like to make clear in response to a further request for information at the hearing yesterday that the Administration does not propose any changes in the provisions of H.R. 12080 which would change the cost of the Supplementary Medical Insurance program.

Sincerely,

John W Gardner

Secretary

Honorable Russell B. Long
Chairman, Committee on
Finance
United States Senate
Washington, D.C. 20510

EXTENSION OF MEDICARE ENROLLMENT PERIOD

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of H.R. 13026, a bill just messaged over from the House.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (H.R. 13026) to extend through March 1968 the first general enrollment period under part B of title XVIII of the Social Security Act (relating to supplementary medical insurance benefits for the aged), and for other purposes.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which was read twice by its title.

Mr. LONG of Louisiana. Mr. President, this is a matter which must be signed into law before October 1, during the next 2 days. Under present law, persons who are eligible to enroll in part B of medicare, but who did not enroll at the time of initial eligibility are given an opportunity to secure this supplemental medical insurance during an open enrollment period held every 2 years. That open period is scheduled to be held from October 1, 1967—2 days from now—through December 31, 1967. Coverage of those enrolling during that period would become effective July 1, 1968. The Secretary of Health, Education, and Welfare is also required to announce any changes in the part B premium rate prior to October 1. That rate is now $3 per month to the beneficiary—with an equal amount paid by the Federal Government.

H.R. 13026 makes the following changes in the enrollment procedure effective for this first open enrollment period only. They would not apply to subsequent open enrollment periods:

First, the open enrollment period is extended for an additional period of 3 months. Thus, it will run from October 1, 1967, through March 31, 1968. Coverage of those enrolling during those 6 months would still become effective as of July 1, 1968.

Second, the changes in the part B premium rate, if any, would not have to be announced by the Secretary until December 31, 1967. The new rate would be effective for the period beginning April 1, through December 1969.

These amendments are nothing more than a "stopgap" measure. They are necessary because H.R. 12080, the social security bill, contemplates changes in the benefits under part B which will effect the premium cost.

Obviously, the Congress will not have completed action on the social security amendments by October 1, when HEW, under present law, is required to act. This is simply a means of giving HEW breathing room while the Congress decides what it wants to do about part B of medicare.

If the Secretary is required to announce that rate on October 1, as would otherwise be the case, whatever he announced is likely to be incorrect, and will simply confuse 17 million old people, because we have a social security bill upon which the committee has just concluded hearings, that if passed will undoubtedly change whatever rate the Secretary would announce.

Rather than confuse the elderly people of this Nation with regard to a decision that may have to be changed, it would be best, it was felt, simply to give the Secretary more time to decide that matter.

The ranking minority member of the Committee on Finance [Mr. WILLIAMS of Delaware] has quite properly inquired in depth about this situation, and I believe that he has certain information which further expands the record on that subject. As always, he has been diligent in seeking to determine just exactly what the whole problem is. While I regard it as somewhat technical, I think it is very well that the Senator has obtained the information that he has sought on this matter, to find out what the rate would have to be if the Secretary of Health, Education, and Welfare acted right now, when, in all probability, he will declare a different rate after we have passed a social security bill which I am confident we will pass, if not this year, in the early months of next year.

I urge the Senator from Delaware, therefore, to address himself to that subject.

Mr. WILLIAMS of Delaware. Mr. President, as the Senator from Louisiana points out, under existing law not later than October 1 of each uneven year the Secretary of Health, Education, and Welfare must announce the rates of the medicare insurance program as they would apply for the ensuing 2 years.

That would mean that not later than October 1 of this year he would announce the effective rate for the 2 years 1968 and 1969.

As the Senator from Louisiana has pointed out, in view of the fact that Congress is considering a revision of the Social Security Act the Department of Health, Education, and Welfare has requested an opportunity to withhold its decision until January 1, 1968, or until it sees exactly what Congress will do in connection with the 1967 Social Security Act, H.R. 12080.

During the hearings, I propounded several questions. I asked first the question. What would the rate for medicare have been for the next 2 years if Congress were taking no steps whatever to amend the law? In other words, what would the rate be under the existing law if no revision were to be made at this session of Congress?

My second question was, What would the rate be if the Senate should accept the bill—H.R. 12080—as it has been passed by the House of Representatives with no major changes?

The third question was, What would the rate be if the Senate adopted the recommendations of the administration for changes in connection with this title of H.R. 12080?

I felt that this information should be available to Congress when we acted and that at the same time the information should be available to the 17 million participants in this program and to those

who may be signing up under the medicare plan in the next few months.

We have a letter addressed to the chairman and delivered today, which I shall ask to have printed in the RECORD. I shall, however, read just two paragraphs in which this information is contained.

The letter begins:

I am writing in response to the request made by Senate Finance Committee members at the hearings yesterday on the Social Security Amendments of 1967, H.R. 12080. The Committee asked for our best estimate on the cost of the Supplementary Medical Insurance plan to date and our best estimates concerning a proper rate for the program for 1968 and 1969.

I am skipping some of it. The entire letter will be printed in the RECORD:

Members of the Senate Finance Committee have asked, nevertheless, what rate I would promulgate if it were necessary to proceed by October 1 as required by present law. My answer is that I would promulgate a rate of $3.80 for the two-year period of 1968 and 1969, 25 cents of the increase being based upon our evaluation, as yet incomplete, of the extent to which we believe the premium rate was below the actual cost for 1966–67 and 55 cents being the estimated additional cost to be expected in 1968–69 arising from an estimated increase in utilization and in physicians' fees and an allowance for a contingency margin.

Continuing, he said:

As you know, we estimate that the additional benefits included in H.R. 12080 as it passed the House would call for a premium rate increase of about 20 cents per month.

In the letter he states that adding the recommendations of the administration to the House-passed bill in this section would make but a minimal change in this rate.

So, therefore, we have information—all of which is detailed in this letter and is to be printed in the RECORD—which states that under existing law the administration was going to announce the new rate of $3.80 and the proposals before the Congress would, if adopted, increase that rate further by 20 cents, to a total $4 monthly rate.

It should be noted as these increases are mentioned, that they are monthly charges equally applicable not only to the participants but also to the Federal participation matching.

In summary the costs of the administration's medicare plan is costing about 30 percent more than originally planned, or as had been sold to the participants when enacted.

I ask unanimous consent that the entire letter from the Secretary of Health, Education, and Welfare be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

THE SECRETARY OF HEALTH,
EDUCATION, AND WELFARE,
Washington, September 27, 1967.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: I am writing in response to the request made by Senate Finance Committee members at the hearings yesterday on the Social Security Amendments of 1967, H.R. 12080. The Committee asked for our best estimate on the cost of the Supplementary Medical Insurance plan to date and our best estimates concerning a proper rate for the program for 1968 and 1969.

As I indicated at the hearings, because of the time lag in the submission and processing of bills in this program, we do not yet have complete figures for the 6 months of 1966 and have only very incomplete data for the first 8 months of 1967.

We do, of course, have up-to-date figures of cash expenditures under the program, but these figures taken alone would be misleading because they do not take into account liabilities of the program arising from the natural delay in benefit payments until well after the date that services were received. Such delay is due to the tendency of enrollees to accumulate a number of bills before submiting a claim, the inherent delays by physicians and enrollees in completing the claim forms, and the time required by the carriers to adjudicate and pay claims. There was a balance of $426 million in the Supplementary Medical Insurance Trust Fund at the end of July but there are also many outstanding liabilities. On the basis of claims paid (a cash basis), the average monthly per capita expenditures of the program, including administrative costs, for the six months of 1966 were $1.93 and in 1967, for the seven months through July, $5.71. As indicated, however, these figures need to be adjusted for the estimated increase in liability that took place during the period.

Figures on an accrual basis (the proper basis for rate determination) for the six months of 1966 are, of course, much more complete than for 1967. On the basis of the 1966 accrual figures we now estimate that the $3 premium rate for that period was about 15 cents too low. It is the best estimate of our experts that the liability of the system for the entire year and a half period of 1966 and 1967 will be about 8% higher than is provided for by the $3 premium plus the matching government contribution. In other words, we expect that the $3 premium for the entire 1966–67 period will be low by about 25 cents. About 15 cents is accounted for by the fact that physicians' fees have been rising at a faster rate during this period than was assumed in setting the premium; about 10 cents arises from the fact that there has apparently been a somewhat greater utilization of services under the program than had been anticipated. These estimates are based upon incomplete data for past periods and upon projection for the period September through December and may be somewhat more or less when the final accounts are in.

In estimating the cost of the program for 1968 and 1969, we cannot, of course, project the same per capita costs as for the past period. To be reasonably certain that the rate is properly set it is necessary to assume further increases in physicians' fees and in utilization.

Based upon our estimates of the cost for the present program over the two years of 1968 and 1969, we now anticipate the need for an increase of about 50 cents in the premium rate in addition to what we estimate was needed for 1966 and 1967. The 50 cents would be matched, of course, by an equal amount from the government. This figure allows for approximately a 3% annual increase in utilization and a 5% annual increase in physicians' fees in each of the years 1968 and 1969.

As you know, H.R. 13026 as reported out by the House Ways and Means Committee yesterday would make it unnecessary for us to proceed with the announcement of a rate for 1968 and 1969 based upon present law, but rather would postpone a setting of the premium rate until the end of December. The Committee believed it would be best to postpone the setting of the rate until a time when our information would be more complete and when the changes in the program now under consideration by Congress could also be taken into account.

Members of the Senate Finance Committee have asked, nevertheless, what rate I would promulgate if it were necessary to proceed by October 1 as required by present law. My answer is that I would promulgate a rate of $3.80 for the two-year period of 1968 and 1969, 25 cents of the increase being based upon our evaluation, as yet incomplete, of the extent to which we believe the premium rate was below the actual cost for 1966–67 and 55 cents being the estimated additional cost to be expected in 1968–69 arising from an estimated increase in utilization and in physicians' fees and an allowance for a contingency margin.

Under H.R. 13026 it would not be necessary to promulgate a premium rate until the end of December, at which time we would have better information concerning the liabilities of the program for the 1966–1967 period and, therefore, a better basis for estimating 1968 and 1969 costs. Thus, any rate promulgated at that time may or may not be entirely consistent with the figures supplied in this letter. Moreover, of course, the rate promulgated in December would cover any additional benefits included in social security legislation as finally enacted. As you know, we estimate that the additional benefits included in H.R. 12080 as it passed the House would call for a premium rate increase of about 20 cents per month.

I would also like to make clear in response to a further request for information at the hearing yesterday that the Administration does not propose any changes in the provisions of H.R. 12080 which would change the cost of the Supplementary Medical Insurance program.

Sincerely,

JOHN W. GARDNER,
Secretary.

Mr. LONG of Louisiana. Mr. President, I compliment the distinguished Senator from Delaware for his thoroughness in this matter, which is typical of him. It is most appropriate that the legislative record reflect the facts on which the Senator from Delaware has insisted. The letter, while it was directed to the chairman of the committee as a matter of protocol, could probably more properly have been addressed to the Senator from Delaware, who, with his usual diligence, insisted on obtaining the information, to which the Senate certainly is entitled.

Mr. CARLSON. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. CARLSON. Mr. President, I wish to concur in the record of what has been accomplished as of this moment. I think it is essential that we do this.

On the other hand, I cannot stress too much the importance of obtaining this information. This is information that we must have before we conclude final executive action on the proposed changes in the Social Security Act for 1967 so that the changes may become effective.

I hope therefore that the action we take will be taken promptly. I hope that we get the information in time so that the changes can be made in the act.

The PRESIDING OFFICER. The question is on the third reading and passage of the bill.

The bill (H.R. 13026) was ordered to a third reading, read the third time, and passed.

Public Law 90-97
90th Congress, H. R. 13026
September 30, 1967

An Act

To extend through March 1968 the first general enrollment period under part B of title XVIII of the Social Security Act (relating to supplementary medical insurance benefits for the aged), and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the general enrollment period under section 1837(e) of the Social Security Act beginning October 1, 1967, and ending December 31, 1967, shall, for purposes of enrolling in the insurance program established under part B of title XVIII of such Act and of terminating such enrollment as provided in section 1838(b)(1) of such Act, be extended through March 31, 1968.

Social Security. Medical insurance. Enrollment period, extension. 79 Stat. 304. 42 USC 1395p. 42 USC 1395q.

SEC. 2. Notwithstanding the provisions of section 1839 (a) and (b) of the Social Security Act—

Premium amounts. Determination by HEW Secretary. 42 USC 1395r.

(1) the dollar amount applicable for premiums under part B of title XVIII of such Act for each month before April 1968 shall be $3, and

(2) the Secretary of Health, Education, and Welfare may determine and promulgate such dollar amount for months after March 1968 and before January 1970 at any time on or before December 31, 1967.

SEC. 3. (a) In the case of any individual who, pursuant to section 1838(b)(1) of the Social Security Act, terminates his enrollment in the insurance program established under part B of title XVIII of such Act, his coverage period (as defined in section 1838(a) of such Act)—

Coverage period, termination dates.

(1) shall terminate at the close of December 31, 1967, if he filed his notice of termination before January 1, 1968, or 81 STAT. 249

(2) shall terminate at the close of March 31, 1968, if he filed his notice of termination after December 31, 1967, and before April 1, 1968. 81 STAT. 250

An individual whose coverage period terminated pursuant to paragraph (1) at the close of December 31, 1967, may, notwithstanding section 1837(b)(2) of such Act, enroll in such program before April 1, 1968, and for purposes of sections 1838(a)(2)(E) and 1837(b)(2) of such Act such enrollment shall be deemed an enrollment under section 1837(e) of such Act and a second enrollment under such part.

(b) In the case of any individual who did not enroll in the insurance program established under part B of title XVIII of the Social Security Act in his initial enrollment period, but does so enroll before April 1, 1968, the enrollment period in which he so enrolls shall, for purposes of section 1839(c) of such Act, be deemed to have closed on December 31, 1967.

Approved September 30, 1967.

Commissioner's Bulletin

SOCIAL SECURITY ADMINISTRATION

Number 62 September 22, 1967

PROPOSED CHANGES IN OPEN ENROLLMENT PERIOD

To Administrative, Supervisory,
and Technical Employees

On Wednesday, September 20, Congressman Wilbur D. Mills, Chairman of the House Committee on Ways and Means, introduced a bill, H. R. 13026, to revise the provisions of the medicare law relating to the dates of the open enrollment period and the period over which the supplementary medical insurance premium rate would be effective.

This legislation would make it possible for people to postpone consideration of coverage under the voluntary part of medicare until after the Congress has acted finally on the pending social security bill. Under present law, the first open enrollment period would begin on October 1 and run for 3 months. However, until the pending social security bill is finally disposed of, older people would not know what new benefits are to be included or what the premium rate will be.

Under the legislation introduced by Mr. Mills, the announcement of a new premium rate would be postponed until December 1967 and the rate would be effective April 1, 1968. The general enrollment period beginning October 1, 1967, would continue through March 1968. Thus, it would not be necessary for people to make a decision based upon present law and then have to reconsider their decision when the benefits and premiums are revised. It would be possible under the proposed legislation as under present law for people to drop out of the program in January if they decide to do so during the October-December quarter. As under present law, those newly electing coverage would have their coverage effective July 1, 1968.

Under the bill in future years, the enrollment period will be January through March with an effective date of April 1 for any new premium rate and an effective date of July 1 for coverage of persons newly signed up during the preceding enrollment period. The legislation also puts the premium rate on an annual basis rather than covering a 2-year period, in order that the rate may reflect the most recent experience.

Enclosed is a statement on the proposed changes and an explanation of the reasons for them. We will, of course, keep you informed of further developments.

Robert M. Ball
Commissioner

Enclosure

Proposed Amendments to Provisions of Present Law Relating to Dates of Open Enrollment Period

Background

Under present law the first general enrollment period will begin October 1, 1967, and end on December 31, 1967. Subsequent general enrollment periods will begin October 1 and end December 31 of each odd-numbered year thereafter. The Secretary of Health, Education, and Welfare is required to announce by October 1, 1967, the SMI premium rate for months occurring in calendar years 1968 and 1969, and to announce between July 1 and October 1 of each odd-numbered year thereafter the premium rate for the following two years.

If, as seems likely, the pending social security legislation (the benefit increases and other amendments) is not enacted by October 1, 1967, any premium rate announced in September would need to be based on present law. Provision then might later be needed to modify the premium so as to recognize the costs of the SMI provisions under the amended law. Persons who would have to decide about enrollment before information about the 1967 amendments and any resulting changes in the premium rate were available might not make a properly informed decision to continue or terminate their enrollment. They would be uncertain about the nature of the improvements before the Congress, about whether the changes would be adopted, and about the amount of the premium rate increase which would result from the changes.

In the absence of a change in the October-December 1967 enrollment period, the late enactment of the major social security legislation now pending could have several untoward results. It could, for instance, result in there being only a relatively brief period in which those who changed their minds because of the content of the pending legislation could act to enroll or terminate their coverage. It might result in many people failing to make their decision before the end-of-the-year deadline. Further, it would be virtually impossible in a short space of time to prepare and distribute informational materials about the new legislation needed by potential enrollees to make an informed choice. These same kinds of problems will occur in the future whenever social security legislation is pending close to the October 1 scheduled announcement of the new premium rate, and the beginning of a new general enrollment period.

Furthermore, at this time, substantial additional actuarial experience is being tabulated relating to the accrued cost of the program. Moving forward slightly the date of announcement of the change in premium rate will permit a more precise estimate of the required premium rate. Over the long-run, it will always be possible to make more precise forecasts of one-year changes in premium rates than two-year ones.

Proposal

The major provision of the proposal is to change the dates for the general enrollment periods from October-December, as provided under present law, to January-March, moving the enrollment period up 3 months.

A. The changes as they would operate for the current enrollment period, which is now scheduled for October-December, would be as follows: To apply the changes in the dates of the general enrollment period to the first general enrollment period, which is now scheduled to begin October 1, 1967 and to end December 31, 1967, without any possible loss of rights to the present aged, the present enrollment period would be preserved but extended through March 31, 1968, and the current $3 per month premium rate would apply through March 1968. The new SMI premium rate would be announced in December 1967, and would be effective for the 12-month period beginning April 1, 1968. Persons who disenroll prior to January 1, 1968, would (as under present law) have their enrollment period terminated on December 31, 1967, thus preserving the right under present law of persons who wish to terminate their enrollment to do so at that time. Persons who disenroll in the period January-March 1968 would have their enrollment period terminated on March 31. Those who enroll (or re-enroll) at any time during the general enrollment period would have their SMI coverage period begin July 1, 1968, as under present law, so that the time between the end of the enrollment period and the effective date of new coverage would be reduced to three months from the six months provided in present law. If a person disenrolls and then changes his mind within either the October-December period, or within the January-March extended enrollment period, his coverage would not be affected.

B. The proposal provides, as a regular annual procedure, that all future general enrollment periods shall occur beginning January 1 and ending March 31, with the announcement of the premium rate to be made each year in December, effective for the 12-month period beginning the following April 1. Persons who disenroll in the January-March enrollment period would have their enrollment period terminated on March 31 of that year. Persons who enroll during this period would have their coverage period begin July 1 of that year. The proposed legislation would make explicit an authority implicit in present law that the Secretary could, if the situation called for such action, in determining the premium amount take into account the benefit-premium relationship in prior periods as well as the need for funds to meet possible contingencies in the future. It would also eliminate the requirement in present law that the premium rate be rounded to the nearest multiple of 10 cents.

Reasons for Proposed Changes

1. An enrollment period of January-March, with the announcement of the new premium rate in the preceding December, would avoid the confusion that would result if the enrollment process were to be initially based on current law and people had to be informed of the effects of a new law enacted soon thereafter.

2. An annual enrollment period of January-March is more likely to provide systematically for enrollment and premium rate adjustments at a convenient time and within a short period after the enactment of legislation, if any, affecting the SMI program than is an enrollment period of October-December every other year. Under present law, the scheduled enrollment and premium rate changes may be too long after the enactment date, or, as seems likely this year, they may overlap. Under the change, persons are likely to be in a better position to know what the benefits under the SMI program are going to be and to make an informed choice about whether they wish to enroll in the program or to terminate their coverage at the time of the regularly scheduled enrollment period.

3. A premium rate set every year, rather than every other year, can more accurately reflect current experience and can take into account recent legislative changes in the SMI program.

4. The mail distribution of informational and other materials can be handled more expeditiously in the January-March period than in the October-December period when the postal system is most heavily burdened because of Christmas mailing.

DEPARTMENT OF HEALTH,
EDUCATION AND WELFARE
Social Security Administration
Washington, D.C.

December 30, 1967

STATEMENT OF ACTUARIAL ASSUMPTIONS AND BASES EMPLOYED IN ARRIVING AT THE AMOUNT OF THE STANDARD PREMIUM RATE FOR THE SUPPLEMENTARY MEDICAL INSURANCE PROGRAM BEGINNING APRIL 1968

There follows a statement of actuarial assumptions and bases employed in arriving at the amount of the standard premium rate for the Supplementary Medical Insurance program beginning April 1968. The standard premium rate is that rate which is payable by those who enroll in their initial enrollment period and by those who enroll in a general enrollment period that terminates less than 12 months after the close of their initial enrollment period.

The actuarial determination has been made on the basis of both the actual operating experience under the program and the results of a current continuing sample survey of beneficiaries (which gives certain information more promptly than do the aggregate operations of the program). Because of the time lag in the submission of bills in this program, complete figures for the 6 months of 1966 are not yet available, and the processed data for the first 10 months of 1967 are rather incomplete.

There are current figures for cash expenditures under the program, but these figures taken alone are misleading because they do not take into account the liabilities arising from the natural delay in benefit payments until well after the date that services were received. Such delay is due to the tendency of enrollees to accumulate a number of bills before submitting a claim, the inherent delays by physicians and enrollees in making requests for payment, and the time required by the carriers to adjudicate and pay claims. There

was a balance of $394 million in the Supplementary Medical Insurance Trust Fund at the end of October 1967 (a decline from a peak of $570 million at the end of March 1967), but there were at that time substantial outstanding liabilities incurred for services rendered during the first 16 months of the program.

On the basis of claims and administrative expenses paid (cash basis), the average monthly per capita expenditures of the program for the 6 months of 1966 were $1.93; for the first 10 months of 1967, the average was $6.06. However, these figures need to be adjusted for the estimated increase in liability that took place during the period for benefits that will be paid for services rendered during the period but had not been paid at the end of the period; i.e., the premium rate must be set on an accrual basis, rather than a cash basis.

Figures on an accrual basis for the 6 months of 1966 are, of course, much more complete than for 1967. On the basis of the 1966 accrual figures, it is now estimated that, for this 6-month period, benefits and administrative expenses per capita exceeded the income from premiums and matching Government contributions by 30 cents per month (i.e., 15 cents each). It is further estimated that the liability of the system for the entire 1½ year period, July 1966-December 1967, will be about 7 percent higher than the income from the premiums and the matching Government contribution. In other words, it is expected that the $3 premium for the entire period will be lower than half the cost for benefits and administrative expenses by about 20 cents. About 12 cents of this 20 cents is accounted for by the fact that apparently physicians' fees were higher during this period than had been assumed in setting the premium; the remaining 8 cents arises from the fact that there has apparently been a somewhat greater utilization of services under the program than had been anticipated. Projecting costs of the program for the 15-month period following March 1968 at the level of operation in 1966-67 thus would require an additional 20 cents in the premium rate. These estimates are based upon incomplete data for past periods and upon projections thereof and may be somewhat more or less when the final accounts are in.

In estimating the cost of the program for April 1968 through June 1969, it is necessary to provide for the long-term trend toward greater utilization of medical services (including the effects of the discovery and more frequent use of new, highly expensive medical techniques) and the long-range upward trend of the general earnings levels, which will be reflected in higher physicians' fees and administrative expenses.

It is assumed that, in 1968-69, physicians' fees will increase at an annual rate of 5 percent and utilization of medical services by enrollees will increase at an annual rate of 2 percent. Administrative expenses are assumed to represent 9½ percent of the benefit payments; this figure is based on the actual operating results in 1967, when the average per capita administrative expenses of $.56 per month represented 9.5 percent of the average per capita benefit costs on an incurred basis. (The administrative expenses, on a paid basis, represented an average monthly per capita amount of $.70 for the 6 months of 1966. The 1966 average was relatively high because of the necessary one-time start-up costs.) The average interest rate on the invested assets of the trust is assumed to be 4 3/4 percent (the rate applicable to virtually the entire portfolio as of October 31, 1967).

It is estimated that the monthly per capita cost on a calendar-year basis would be $7.18 for 1968 and $7.81 for 1969 under the law now in effect. The cost for the 15-month period beginning April 1968 would average out at $7.43 a month. The effect of the pending amendments, H.R. 12080 (by moving the hospital outpatient diagnostic benefits to Supplementary Medical Insurance from Hospital Insurance; by eliminating the cost-sharing provisions for inpatient radiology and pathology; and by liberalizing the outpatient physical therapy services) would increase the cost of the program by 6 percent relatively--or to $7.89 per month (half of which is $3.95). Thus a standard premium rate of $4 per month for the 15-month period beginning April 1968 would allow a margin for contingencies, as required by law, even after the enactment of the pending amendments of 1967.

In addition, the interest earnings of the trust fund are available as a margin for contingencies and, if not needed to pay benefits and administrative expenses in the current period, will reduce the unfunded liability for the past deficiency in the premium rate. Interest earnings are the equivalent of another 10 cents per capita in available income.

The explanation of the $1 increase in the monthly premium rate for the new premium period can be summarized in the following manner:

(a) The cost of the protection under the program as in effect in 1966-67 is estimated to have exceeded the income from premiums and Government matching contribution by about 7 percent--an increase of about 20 cents.

(b) The cost of the program in 1966-67 was abnormally low as a result of the fact that in the 6 months of operation in 1966 the full $50 deductible was applicable, and it had a much stronger effect in reducing benefit costs than will be the case in later years; in other words, with all other things being the same, the program cost is higher for future years, in which the $50 deductible is usually applicable for 12-month periods, than for the initial period--an increase of about 3 cents.

(c) The $50 deductible represents a smaller proportion of the total covered medical charges when these increase as a result of either higher physician fees or higher utilization--an increase of about 11 cents.

(d) The utilization of medical services is assumed to be higher in the new premium period than in 1966-67, and so the program cost is higher--an increase of about 11 cents.

(e) The level of physicians' fees is assumed to be higher in the new premium period than in 1966-67, and so the program cost is higher--an increase of about 27 cents.

(f) The promulgated rate includes an amount to provide a margin for contingencies--an increase of 28 cents. Twenty-three cents of this amount would be needed to cover the cost of the increased benefit protection that would be provided under the pending amendments.

As indicated previously, the program has more than ample funds, on a cash basis, to meet its expected obligations for benefit payments and administrative expenses now and in the period to which the promulgated premium rate applies.

90TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } { No. 1054

AMENDING THE RAILROAD RETIREMENT ACT OF 1937 AND THE RAILROAD UNEMPLOYMENT INSURANCE ACT

JANUARY 17, 1968.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. STAGGERS, from the Committee on Interstate and Foreign Commerce, submitted the following

REPORT

[To accompany H.R. 14563]

The Committee on Interstate and Foreign Commerce, to whom was referred the bill (H.R. 14563) to amend the Railroad Retirement Act of 1937 and the Railroad Unemployment Insurance Act to provide for increase in benefits and for other purposes, having considered the same, report favorably thereon with amendments, and recommend that the bill as amended do pass.

The amendments are as follows:

1. On page 2, in line 14, change "(a)3(1)" to "3(a)(1)".
2. On page 2, in line 17, change the word "provisions" to "provisos".
3. On page 2, in line 23, insert "title II of" after "under".
4. On page 3, in line 23, change "(c)" to "(e)".
5. On page 4, after line 2, opposite "Monthly compensation:" and above "$9.13", insert "Increase", and in the second line of the table change "$250" to "$150".
6. On page 7, in line 19, change "IV" to "II".
7. On page 8, in line 3, change the word "services" to "service".
8. On page 10, in line 9, strike out the colon.
9. On page 12, in line 25, strike out the word "be", and insert in lieu thereof "have been".
10. On page 15, in line 5, insert a comma after "of 1937".
11. On page 15, in line 6, insert a comma after "of 1935".
12. On page 16, in line 2, change "14(a)" to "104(a)".
13. On page 16, in line 9, change "icrease" to "increases".
14. On page 18, in line 16, strike out the word "and".
15. On page 19, in line 2, insert a quotation mark before "(l)(1)" where it appears the second time in that line.
16. On page 21, in line 7, change "such employment" to "such unemployment".

17. On page 21, in line 8, change "inthe" to "in the".
18. On page 21, in lines 15 to 16, delete "except in the case of a succeeding benefit year beginning with a day of unemployment, the next preceding", and substitute therefor the following: "in the case of a succeeding benefit year beginning in accordance with the next preceding sentence by reason of sickness, such".
19. On page 22, in line 18, change "A" to "(A)".
20. On page 25, in line 25, strike out the comma after "206".
21. On page 26, in line 19, change "sections" to "section".

The amendments above are technical, clerical, or clarifying.

Principal Purpose of the Bill

Title I of the bill provides an increase in railroad retirement benefits for persons who will not receive an increase in either their railroad retirement or social security benefits as a result of the recent amendments to the Social Security Act. This increase, subject to certain offsets explained hereafter, will equal 110 percent of the increases the affected individuals would have received under the Social Security Act had that act been applicable to the railroad service involved rather than the Railroad Retirement Act. Many persons automatically receive increases in railroad retirement benefits when social security benefits increase, because their benefits are computed under the social security formula, which was increased by last years amendments. These individuals are not affected by the bill. All other beneficiaries will receive increases of $10 or more, in the case of retired employees, or $5 or more in the case of wives, widows, parents, and children (before any reductions for early payment of benefits).

Title I also makes certain disabled widows and widowers eligible for benefits, makes certain additional family members eligible for benefits, provides an increase in the credit for future military service, and liberalizes the earnings test for persons eligible for disability annuities, under the Railroad Retirement Act. The cost of these benefits will be financed out of increases in the income of the railroad retirement fund arising out of the recent Social Security Act amendments and will not require a further increase in railroad retirement taxes.

Title II of the bill would increase by $2.50 per day benefits for unemployment and sickness, and would provide some restrictions on eligibility for those benefits.

The bill reflects the terms of an agreement entered into by representatives of railway labor and management and is supported by the administration.

BRIEF EXPLANATION OF THE BILL

Title I

There are two formulas for computing annuities under the Railroad Retirement Act, the social security minimum guarantee formula in section 3(e) of act, and the regular formula. The vast majority of survivor annuities and some retirement and spouses' annuities are computed under the formula in section 3(e) which, in effect, provides for payment of 110 percent of the amount which would be payable

under the Social Security Act if the railroad service had been social security employment; and many spouses' annuities would be larger except for a limit to 110 percent of the highest amount that could be paid to anyone as a wife's benefit under the Social Security Act. On the other hand, the vast majority of employee annuities and a significant proportion of aged widows' annuities are computed under the regular railroad retirement formula. The enactment of the 1967 Social Security Amendments will result in increases in the annuities of individuals described in the first sentence above, without the aid of this bill. With respect to the individuals described in the second sentence above, title I of the bill would increase their annuities by an amount approximately equivalent to 110 percent of the dollar amount resulting from the percentage increase in benefits provided by the Social Security Amendments of 1967 under the Social Security Act, subject to certain adjustments which are described below.

The increase in annuity amounts, described in the last sentence above, would relate only to the percentage increase in the amount of social security benefits over the amount payable under the 1965 amendments to the Social Security Act. The reason for this restriction is that higher social security benefits attributable solely to the higher limit on creditable earnings would come about from the increase in the social security earnings base by the Social Security Amendments of 1967 and from the maximum creditable monthly compensation under the Railroad Retirement Act which is automatically increased from $550 to $650 per month by the operation of existing provisions of the Railroad Retirement Act. This increase in the maximum creditable compensation of itself will produce higher annuity amounts for those employees who earn in excess of $550 a month. Further, the 7-percent increase in annuity amounts provided by the 1966 amendments to the Railroad Retirement Act (Public Law 89–699) which do not now apply to monthly compensation over $450 would be made to apply to such monthly compensation.

Where a railroad retirement annuitant is also being paid social security benefits, there would be an offset against the schedule increase in his annuity by the amount of the percentage increase in his social security benefits provided by the Social Security Amendments of 1967; however, before any reduction required for age, there would be an increase of at least $10 a month in employee annuities (and this increase would be in addition to the higher amount payable due to the raise in the compensation limit and to the application of the 7-percent increase in 1966 to compensation above $450), and of at least $5 a month in each spouse and survivor annuity; and these minimum increases would be without regard to the offset for entitlement to social security benefits.

The increases in annuities provided by the bill will be effective beginning with annuities accruing on February 1, 1968.

In the opinion of the Board's Chief Actuary, the bulk of the costs of the amendments to the Railroad Retirement Act (75 percent) would be offset by the actuarial gains from the 1967 Social Security Amendments. Therefore, the enactment of this title of the bill would not cause a material change in the actuarial condition of the railroad retirement system; it would be nearly the same as it was before the enactment of the Social Security Amendments of 1967.

TITLE II

This title of the bill would eliminate maternity benefits, as such, but with respect to a female employee, a day of sickness would include a day on which, because of pregnancy, miscarriage, or the birth of a child (i) she is unable to work or (ii) working would be injurious to her health.

The amount of compensation to be earned in a base year as a basic qualification for benefits would be increased from $750 to $1,000.

The benefit rate schedule would be revised and the maximum daily benefit rate would be increased from $10.20 to $12.70 for days of unemployment and days of sickness.

Provision would be made for extended sickness benefits, similar to the extended unemployment benefits now available, and for accelerated sickness benefits through possible early beginning of a benefit year with a day of sickness, similar to the possible early beginning of an accelerated benefit year with a day of unemployment as now provided for.

Extended and accelerated sickness benefits would not be paid for days after attainment of age 65. In an accelerated benefit year begun by reason of sickness, attainment of age 65 prior to the beginning of the general benefit year which was accelerated would end all rights to further sickness benefits until the beginning of the general benefit year. This limitation would not deprive any employee of rights he now has to sickness benefits under the present law. It would also have no effect upon his rights to normal, extended, or accelerated unemployment benefits after attainment of age 65.

With respect to every employee who, upon application therefor, would have been entitled to a disability annuity under section 2 of the Railroad Retirement Act for a period which includes days for which extended or accelerated sickness benefits had been paid, there would be transferred from the railroad retirement account to the railroad unemployment insurance account at the close of each fiscal year the amount which would have been paid as such annuity if the employee had applied for it, up to that total amount of all sickness benefits paid him during that fiscal year for days for which the disability annuity could have accrued. Provision is made for interest on the amount transferred from the close of the fiscal year to the date of certification on the amount for transfer.

An additional disqualifying condition would be added, with the effect that an employee who has been paid a separation allowance would not receive any unemployment or sickness benefits for a period following his separation from service; the length of the period is determined by a formula taking into account the amount of his separation allowance, his last daily rate of pay, and his normal workweek.

The amendments proposed by this title of the bill to the Railroad Unemployment Insurance Act would not require an increase in the contribution base or the contribution rate.

EXPLANATION OF THE AMENDMENTS

TITLE I—AMENDMENTS TO THE RAILROAD RETIREMENT ACT

The amendments to the Railroad Retirement Act proposed by title I of the bill have their origin in congressional enactments of 1965, 1966, and 1967, as follows:

(1) The Social Security Amendments of 1965 (Public Law 89–97, approved July 30, 1965) increased benefits under the Social Security Act by 7 percent. Although these same amendments increased the maximum annual creditable and taxable wage base for the Social Security Act from $4,800 to $6,600 (the equivalent of an increase from the old maximum average monthly wage of $400 a month to a new maximum average monthly wage of $550), the 7-percent increase in the benefit formula was limited to the part of the benefit based on the first $400 of an individual's average monthly wage (the former maximum);

(2) The 1965 amendments to the Railroad Retirement Act (Public Law 89–212, approved September 29, 1965) made the railroad retirement creditable and taxable monthly compensation base one-twelfth of the social security annual limit and had the effect of increasing the maximum creditable compensation from $450 to $550 per month; and the 1966 amendments to the Railroad Retirement Act (Public Law 89–699, approved October 30, 1966) also increased annuities by 7 percent, but (as in the case of the 7-percent increase in the social security benefits) limited such increase to the part of the annuity based on the first $450 of an individual's monthly compensation (the former maximum);

(3) The 7-percent increase in annuities was achieved by increasing by 7 percent the factors in the formula in section 3(a) of the Railroad Retirement Act for computing an annuity (3.35 percent of the first $50 of the monthly compensation was increased to 3.58 percent, 2.51 percent of the next $100 was increased to 2.69 percent, and 1.67 percent of the next $300 was increased to 1.79 percent). The limitation of the 7-percent increase to the part of the annuity based on the first $450 of an individual's monthly compensation was achieved by adding the former 1.67-percent factor to the remainder of the monthly compensation over $450 as a fourth factor (the effect of this is to limit the application of the increased factors to the first $450 of the individual's monthly compensation);

(4) In cases where individuals are entitled to benefits under the Social Security Act, the 7-percent increase in their railroad retirement annuities is subject to a reduction by the amount of the 7-percent increase in benefits under the 1965 Social Security Amendments. The amount of the reduction is obtained by multiplying the social security benefit, as increased, by 6.55 percent;[1]

(5) The 7-percent increase in annuity is not payable, however, if the individual is entitled to a supplemental annuity under section (3(j) of the act as provided for in the same 1966 amendments to the Railroad Retirement Act; but if the amount of the supplemental annuity is less than the individual would receive as a

[1] For example, if the individual's social security benefit of $100 was increased by 7 percent to $107, the offset against the increase of the annuity is by $7 ($107 times 6.55 percent equals $7.0085).

7-percent increase in his regular annuity, the 7-percent increase in the regular annuity is reduced by the amount of his supplemental annuity;

(6) There is an overall guarantee that in no case would the regular annuity be less in amount than it would have been if the 1966 amendments to the Railroad Retirement Act had not been enacted; and

(7) The 1967 amendments to the Social Security Act provide:

(*a*) An across-the-board increase in benefits of 13 percent, with a minimum primary insurance amount of $55;

(*b*) An increase in the earnings base from $6,600 to $7,800 beginning in 1968;

(*c*) An increase in the amount an individual may earn without losing benefits, and other favorable changes in the provisions requiring a loss of benefits because of earnings;

(*d*) New guidelines for determining when an individual is so disabled as to qualify for benefits;

(*e*) An alternative insured-status test for individuals disabled before age 31;

(*f*) Monthly cash benefits for disabled widows and disabled dependent widowers after age 50 on a reduced basis;

(*g*) A new definition of dependency for a child on his mother;

(*h*) Additional wage credits for military service; and

(*i*) Other improvements in the social security cash benefits and health insurance programs.

The cost of the changes in the Social Security Act would be financed through an increase in the earnings base from $6,600 to $7,800, after 1967, and a small increase in the tax rates, as shown in the table below:

[In percent]

Period	OASDI		Health insurance		Total	
	Present law	1967 amendments	Present law	1967 amendments	Present law	1967 amendments
Combined employer-employee contribution rates:						
1967	7.8	7.8	1.0	1.0	8.8	8.8
1968	7.8	7.6	1.0	1.2	8.8	8.8
1969–70	8.8	8.4	1.0	1.2	9.8	9.6
1971–72	8.8	9.2	1.0	1.2	9.8	10.4
1973–75	9.7	10.0	1.1	1.3	10.8	11.3
1987 and after	9.7	10.0	1.6	1.8	11.3	11.8
Self-employed contribution rates:						
1967	5.9	5.9	.5	.5	6.4	6.4
1968	5.9	5.8	.5	.6	6.4	6.4
1969–70	6.6	6.3	.5	.6	7.1	6.9
1971–72	6.6	6.9	.5	.6	7.1	7.5
1973–75[1]	7.0	7.0	.55	.65	7.55	7.65
1987 and after	7.0	7.0	.8	.9	7.8	7.9

[1] The hospital insurance tax rate would increase to 1.4 percent 1976–79 and to 1.6 percent 1980–86.

PRINCIPAL AUTOMATIC EFFECTS ON THE RAILROAD RETIREMENT SYSTEM OF THE 1967 AMENDMENTS TO THE SOCIAL SECURITY ACT

Those annuities which are payable under the special social security minimum guarantee of the Railroad Retirement Act will be automatically increased as a result of the social security amendments. The slight increase in tax rates for the social security system will auto-

matically result in a similar increase in tax rates for the railroad retirement system (secs. 3201, 3211, and 3221 of the Railroad Retirement Tax Act). The increase in the maximum annual creditable and taxable wage base for social security purposes automatically results in an increase in the maximum monthly creditable and taxable compensation base for railroad retirement purposes (see sec. 3 of Public Law 89–212, approved Sept. 29, 1965), and this also will result in an increase in benefits under the Railroad Retirement Act for employees earning more than $550 a month. The improvements in the hospital insurance program for persons covered under the Social Security Act would automatically result in like improvements for persons covered under the Railroad Retirement Act. The maximum of a spouse's annuity would be increased to not more than $115.50 ($105 plus 10 percent) effective January 1, 1970.

PROPOSALS TO AMEND THE RAILROAD RETIREMENT ACT OF 1937

The bill H.R. 14563

Title I of the bill would amend the Railroad Retirement Act of 1937 as shown below.

(1) Increase in annuities

Annuities would be increased by an amount *approximately* equal to 110 percent of the dollar amount of the increase resulting from the percentage increase in benefits under the Social Security Amendments of 1967 for corresponding monthly earnings, subject to certain adjustments described below. This increase in annuities would relate only to the percentage increase in the formula for determining the amount of the social security benefit over the corresponding formula under the 1965 amendments to the Social Security Act. Further, this increase in annuities would not take account of the increase in the social security benefit resulting solely from the increase in the social security creditable and taxable wage base because (i) such increase in the wage base automatically results in an equivalent increase in the monthly creditable and taxable compensation base for the Railroad Retirement Act, and this, in turn, will produce an increase in annuities for individuals earning more than the former creditable and taxable maximum of $550 a month, and (ii) otherwise, the increase in annuities would be higher than the financing would permit.[2] The increase in annuities, as above stated, would be in addition to the increase resulting from the proposal in this bill to apply the 7-percent increase in benefits provided by the 1966 amendments to the Railroad Retirement Act, to monthly compensation in excess of $450.

[2] The highest benefit in the 1965 Social Security Act was one based on average earnings of $550. This benefit applied to all individuals whose total earnings averaged $550 or higher. The 1967 Social Security Amendments raised the maximum benefit in two ways: (1) the formula was changed to produce a higher benefit, and (2) the maximum on creditable earnings was raised, which will make possible higher average earnings (up to $650 in the future). Since the regular railroad retirement formula automatically gives an increase for the higher ceiling on creditable earnings, the part of the social security increase resulting from the higher earnings base must be eliminated to avoid duplication of increases. For example, the 1967 social security table provides a full retirement benefit of $204 for average earnings of $600 a month as compared to a maximum of $168 for average earnings of $550 in the 1965 table. The difference is $36 (due to both the change in the formula and the increase in average earnings) which becomes $39.60 when increased by 10 percent. Without a change in formula, the benefit for a $600 average monthly wage would have been $178.70. The difference between $204 and $178.70 is $25.30, and is due to the change in the formula only. Increasing the $25.30 by 10 percent gives $27.83, which is the increase shown in the schedule of section 3(a)(2). The difference between $39.60 and $27.83 is the amount provided by the increase in the earnings limit under the Social Security Act, and duplicates an increase already provided for under the regular railroad retirement formula. Obviously, permitting the duplicate increase for the higher earnings base would cost considerably more money which is not now available.

(2) Removal of the limitation of the 7-percent increase in annuities

The provision which limits the 7-percent increase in annuities in 1966 to the part of the annuity based on the first $450 of an individual's monthly compensation would be changed to make such increase applicable to the individual's entire creditable monthly compensation.

(3) Reduction of the increase in annuities

(*a*) *Reduction for entitlement to a supplemental annuity.*—There would be no reduction in the increase provided in this bill for the individual's entitlement to a supplemental annuity. However, for administrative reasons, the reduction for the 7 percent 1966 increase in annuities to individuals entitled to supplemental annuities will be made in the schedule increases of section 3(a)(2) rather than in the basic benefit of section 3(a)(1) as is done under the 1966 amendments. Such reduction would be computed by reducing the 1967 increase provided by the proposed new section 3(a)(2) by (i) 6.55 percent of the amount calculated (under the amended sec. 3(a)(1) of the act) on the basis of the first $450 of monthly compensation, or (ii) an amount equal to the supplemental annuity payable, whichever is less.

(*b*) *Reduction for entitlement to a social security benefit.*—There would be a reduction of the increase in annuities described in (1) above by the amount of the increase to which the individual would be entitled in benefits under the Social Security Act (other than the increase due to the increase in wage base) by virtue of both the 1965 and 1967 increases. The amount of the reduction would be computed by multiplying the individual's increased social security benefit by 17.3 percent, or, in cases where he is being paid a supplemental annuity, by 11.5 percent. The reason for the 11.5 percent figure is that if he is being paid a supplemental annuity, the reduction for the 7 percent 1966 increase in annuities is being made under the provision explained in item 3(a) so there would be no offset for the 7 percent 1965 increase in his social security benefit under the 1965 amendments and none would be desired under the bill; but there would be an offset for the 13-percent increase of 1967 in his social security benefit, and this offset would be computed by deducting 11.5 percent of the increased social security benefit.[3]

(*c*) *Reduction on account of age.*—All employee annuities under the Railroad Retirement Act (compute as provided in section 3, other than annuities to women age 60 with 30 years of service and annuities based on disability) are reduced on account of age when the annuitant is under age 65 (see sec. 2(a)(3)). Therefore, the increases in annuities (including the minimum increase) provided for by the amendments to section 3 (as well as the adjustments for entitlement to social security benefits) would be before any reduction on account of age. There are specific provisions in this bill for such reductions of spouses' annuities and in the newly provided for survivor annuities on the basis of disability.

[3] For example, an individual's social security benefit of $100 was increased, pursuant to the 1965 amendments to the Social Security Act, by 7 percent to $107 ($100 plus $7 equals $107), and the latter amount was increased, pursuant to the 1967 amendments to the Social Security Act, by 13 percent to $121 ($107 plus $13.91 equals approximately $121); $121 times 17.3 percent equals approximately $20.93 ($7 plus $13.91 equals $20.91). Thus, in the above example, to decrease the individual's annuity by the 7 percent of his increased social security benefit of $121, or by $7, multiply $121 by 5.8 percent ($121 times 5.8 percent equals $7.02); and to reduce the increased annuity by the percentage of his increased social security benefit of $121, multiply $121 by 11.5 percent. Thus, 5.8 percent plus 11.5 percent equals 17.3 percent.

(4) *Minimum increase in annuities*

The current guaranty that in no case shall the annuity be less than it would be if the 1966 amendments to the Railroad Retirement Act had not been enacted would be replaced by a guaranty that in no case would the increase (before any reduction for early retirement or by reason of other benefits based on military service) above the amount that would be payable under the 1966 amendments to the Railroad Retirement Act be less (after applying all the provisions of the bill) than about $10 for an employee annuity or less than about $5 in spouses' and survivors' annuities; but the increase in a spouse's annuity would not produce an amount in excess of the applicable maximum in the spouse's annuity payable under the Railroad Retirement Act. Benefits payable under the overall minimum provision of section 3(e) would not be subject to this guaranty so that some of such beneficiaries may not receive increases of as much as $10 in the case of employees and $5 in the case of wives and survivors.

(5) *Disability annuities for widows and widowers*

Disabled widows and widowers age 50 to 60, would be entitled to annuities, subject to a reduction.

(6) *Family relationships*

The provisions in the Railroad Retirement Act with regard to the determination of family relationships would be made to accord with current provisions of the Social Security Act.

All of the foregoing provisions would be made applicable to railroad retirement beneficiaries now on the rolls of the Railroad Retirement Board.

(There is no provision in the bill for increasing tax rates under the Railroad Retirement Tax Act. As stated above, the increase in social security tax rates will automatically increase the railroad retirement scheduled tax rates for employees and employers alike by 0.3 percent for 1971–72, by 0.25 percent for 1973–75, by 0.25 percent for 1987 and later, and would also cause the taxable and creditable compensation limit to increase to $650 after 1967. For 1969–70, the rate would be decreased by 0.1 percent.)

AMENDMENTS TO SECTION 3(a) OF THE RAILROAD RETIREMENT ACT

(A) *The formula for computing an employee annuity*

The removal of the provision which limits the 7-percent 1966 increase to the part of the annuity based on the first $450 a month of an individual's monthly compensation is achieved by eliminating the fourth factor (1.67 percent) from the formula in section 3(a) of the Railroad Retirement Act for computing an employee annuity. (See pars. (1), (2), and (3) under "Background.") The effect of this will be that the 7-percent increase of 1966 will apply to the individual's annuity based on his entire creditable monthly compensation. Since the 7-percent increase (which would now be included in the formula factors applicable to the entire monthly compensation) is (i) subject to an offset for the 7-percent increase in the individual's social security benefit (see par. (4) under "Background"), and (ii) is not payable if the individual is entitled to a supplemental annuity (see par. (5) under "Background"), an adjustment in the increase in annuity will have

to be made, but for administrative convenience, it will be made in the schedule increases discussed below.

(*B*) *The increase in the employee annuity (see item (1) under "The bill, H.R. 14563")*

To provide an increase equal to exactly 110 percent of the increase, the individual would have received under the Social Security Act if his service covered under the Railroad Retirement Act had been employment covered under the Social Security Act, it would be necessary to secure information from the Social Security Administration as to the individual's wages (in cases where the individual also had employment and wage credits under the Social Security Act), and this would result in delays and other complications in the adjudication of the claim. The bill would avoid this by treating the individual's average monthly compensation (on which his annuity is based) as if it were his average monthly wage under the Social Security Act, and arrive at an approximation of 110 percent of the dollar amount of the social security percentage increases as shown in the table below:

DERIVATION OF INCREASES IN TABLE IN SEC. 104(a) OF THE BILL TO AMEND THE RAILROAD RETIREMENT ACT[1]

(Revised sec. 3(a) of the Railroad Retirement Act)

Average monthly compensation	1965 act primary insurance amount as extended	1967 act primary insurance amount	110 percent of increase in primary insurance amount
(I)	(II)	(III)	(IV)
Up to $100	$63.20	$71.50	$9.13
$101 to $150	78.20	88.40	11.22
$151 to $200	89.90	101.60	12.87
$201 to $250	101.70	115.00	14.63
$251 to $300	112.40	127.10	16.17
$301 to $350	124.20	140.40	17.82
$351 to $400	135.90	153.60	19.47
$401 to $450	146.00	165.00	20.90
$451 to $500	157.00	177.50	22.55
$501 to $550	168.00	189.90	24.09
$551 to $600	178.70	204.00	27.83
$601 and over	189.40	218.00	31.46

[1] The primary insurance amounts and the increases are those for an average monthly wage corresponding to the highes average monthly compensation in the intervals shown with those on the last line being for an average monthly wage of $650

As constructed, the first two columns of the above table are an extension of the table in section 215(a) of the Social Security Act before its amendment in 1967. This extension is achieved by adding 21.4 percent of the average monthly wage in excess of $550 to the primary insurance amount of $168 applicable to the former maximum average monthly wage under the Social Security Act of $550. The formula underlying this table for computing a social security benefit in the Social Security Act before it was amended in 1967 calls for 62.97 percent of the first $110, 22.90 percent of the next $290, and 21.4 percent of the average monthly wage in excess of $400.

The monthly compensation in column I of the table is deemed to be the individual's average monthly wage. The figures above $550 show what his monthly benefit would have been under the Social Security Act as amended in 1965 if the social security wage base had then been increased to the maximum provided by the 1967 Social Security Amendments. The amount determined accordingly is shown in column II. The benefit from the table in section 215(a) of the

Social Security Act as amended in 1967 is shown in column III; and the difference between the amount in column III and the amount in column II is increased by 10 percent to the amount shown in column IV.[4]

Since columns II and III above merely show how the amounts in column IV are arrived at, they are not necessary for the purposes of the bill and are omitted from the table in the proposed section 3(a)(2).

The table takes account of the change in formula for increasing benefits under the Social Security Act due to the higher percentages used in fixing the amounts in the 1967 social security table (by taking the difference between the 1967 social security formula amounts in the 1967 table over the amounts in the 1965 table as extended to include an average monthly wage in excess of $550) but would disregard the effect of the raises in social security benefits due solely to the increase in the average monthly wage to amounts in excess of $550. The table in the bill is thus intended to avoid duplication of benefit increases on the basis of earnings in excess of $550 a month because, as stated earlier, the increase in the wage base under the Social Security Act would automatically result in an increase in the monthly compensation limit for the railroad retirement system from the present $550 to $650 a month. Since such increase in the compensation limit would, of itself, produce higher annuity amounts, there would be a duplication of increases derived from the higher earnings (which would be very costly) if the table reflected also the social security increases due to the higher average monthly wage. As so extended, the table includes an average monthly wage up to the new limit ($650 a month), using, throughout the extended portion of the table, the formula applied in deriving the primary insurance amounts from an average monthly wage up to $550 (which, as to an average monthly wage up to $400 only, included the 7 percent social security increase in 1965) and subtracting the primary insurance amount thus determined (see col. II) from the primary insurance amount in the 1967 social security table which is derived by using a formula which includes both the 1965 and 1967 increases in benefits under the Social Security Act (see col. III), and increasing the difference by 10 percent (see col. IV).

(c) The first proviso of the proposed section 3(a)(2)

It is the intent of the bill to make certain that every employee annuitant receives an increase in benefits by an amount in excess of the amount to which he would be entitled under the 1966 amendments to the Railroad Retirement Act, and that in no case shall such increase (before any reduction for early retirement) be less than about $10. The 1966 amendments, as stated earlier, provided (i) for a supplemental annuity, (ii) for a 7-percent increase in benefits based on the first $450 of his average monthly compensation, (iii) that the 7-percent increase be not payable to anyone entitled to a supplemental annuity (unless the supplemental annuity is reduced by reason of a

[4] Thus, the $100 monthly compensation, if it were the individual's average monthly wage, would, under the 1965 table, produce a primary insurance amount (the amount of the employee's benefit, except where there is a reduction for age) of $63.20, and under the 1967 social security formula, $71.50, an increase of $8.30 which, when increased by 10 percent, becomes $9.13; and this is the amount by which the annuity would be increased, subject, of course, to any offsets for the increases in his social security benefit. Similarly, if the individual's monthly compensation of $650 were his average monthly wage, his primary insurance amount under the 1965 table, as extended (as above stated), would be $189.40, and under the 1967 social security formula, would be $218, an increase of $28.60; and 110 percent of $28.60 equals $31.46, which is the amount by which the individual's annuity would be increased, subject, also, to any offsets for the increase in his social security benefits. (See (C) and (D) below for explanation of offsets.) However, note that in every case there will be a minimum increase in the employee's annuity, before any reduction for early retirement and after any offsets, of $10. (See (E) below for explanation of minimum increase of $10.)

supplemental pension to an amount less than the 7-percent increase, in which case the difference is paid) and (iv) that the 7-percent increase be offset by the amount of the 1965 increase in any social security benefits to which the individual is entitled. The amount computed under section 3(a)(1) plus the increase computed under that part of section 3(a)(2) which precedes the provisos in that section includes the 7-percent increase of 1966 even though the individual is not entitled to that increase by virtue of his entitlement to a supplemental annuity. Therefore, this first proviso of section 3(a)(2) adjusts the increase calculated under that section to take away the 7-percent increase or that part thereof to which the individual, being paid a supplemental annuity, is not entitled.[5]

(D) The second proviso in the proposed section 3(a)(2)

As stated earlier, the 1966 amendments to the Railroad Retirement Act, which provided for an increase in annuities by 7 percent, provided that such increase of an individual's annuity be reduced by the 7 percent increase in benefits to which the same individual is entitled under the 1965 amendments to the Social Security Act. Thus, under present law, if an individual's regular annuity of, say, $150 is increased by 7 percent to $160.50, and the same individual is entitled to a monthly social security benefit of $107 ($100 plus $7 as a result of the 1965 amendments to the Social Security Act), the $10.50 increase in his annuity is reduced by the $7 increase he received under the Social Security Act to $3.50, resulting in an annuity of $153.50. This reduction in his annuity for the 1965 increase in social security benefits is now achieved by multiplying his increased social security benefit of $107 by 6.55 percent ($107 times 6.55 equals approximately $7). The second proviso of the new section 3(a)(2), however, would require that the reduction for 1965 as well as for the 1967 increases in his social security benefits be made from the amount calculated under paragraph (2) of the new section 3(a). Since the amount calculated under the new section 3(a)(1) and that part of the new section 3(a)(2) which precedes the provisos, would include both the 7 percent increase effected in 1966, and the increase provided by the table in paragraph (2), without any reduction of such amount by the increases in his social security benefits effected in 1965 and 1967, the amount thus calculated must be reduced for both of such increases.[6]

[5] For example, if the individual is entitled to a regular annuity of $150 a month under the Railroad Retirement Act as amended in 1966 and to a supplemental annuity of $70 a month, his regular annuity is not increased from $150 by 7 percent (by $10.50 to $160.50) as it would if he were not entitled to a supplemental annuity; his annuity would be computed under the new section 3(a)(1) which already includes the 7 percent increase effected by the 1966 amendments, and under that part of section 3(a)(2) which precedes this proviso. Thus, the amount computed under the new section 3(a)(1) would be $160.50 (because such formula already includes the 7 percent increase). To this amount (assuming the individual's monthly compensation is in the $151 to $200 bracket of the table in section 3(a)(2), would be added $12.87 (see col. IV of the table), making a total of $173.37. Since the individual is also entitled to a supplemental annuity, the first proviso requires that the $12.87 increase in his case be reduced by 6.55 percent of $160.50 (the amount computed under the first paragraph of the new sec. 3(a)), or by $10.50 ($160.50 x 6.55 percent equals $10.50) to $2.37 which when added to $160.50 (the amount computed under para. (1) of sec. 3(a)) provides an annuity of $162.87. This is, of course, the same as the amount of his regular annuity of $150, payable before the enactment of this bill, plus an increase of $12.87.

[6] Thus, in a case like that in the example given in note 5 above (except that the individual is also entitled to a supplemental annuity), the increase of $12.87 would be subject to a reduction of $10.50 under the first proviso, and of $13.91 ($121—the new 1967 social security benefit—times 11.5 percent) under the second proviso. Since $24.41 ($10.50 plus $13.91) wipes out the $12.87 increase—under the new section 3(a)(2), the amount calculated under the new section 3(a)(1), of $160.50, would remain payable. This gives an increase of $10.50 over the amount of $150 payable under present law.

If, however, the individual is not entitled to a supplemental annuity, and is entitled to a social security benefit, there would be no reduction by the first proviso to account for the 1966 increase of 7 percent.[7]

(E) The third proviso of the proposed section 3(a)(2)

The third proviso of the new section 3(a)(2) is intended to make certain that after all the other computations provided for in section 3(a)(1) and (2), the increase (before any reduction for early retirement) would be about $10 above the amount to which the individual would be entitled under the 1966 amendments to the Railroad Retirement Act. Thus, if the amount calculated under the new section 3(a)(1) and that part of the new section 3(a)(2) which precedes the third proviso does not, in effect, exceed by $10 or more the amount calculated under the 1966 law, the third proviso of the new section 3(a)(2) would apply. In such a case, there would be added to the amount computed under the new section 3(a)(1), which includes the 7 percent increase of 1966, $10, minus 6.55 percent of that part of the amount calculated under the new section 3(a)(1) based on the first $450 of monthly compensation if he is entitled to a supplemental annuity (this would, in effect, take away from the $10 the 7 percent increase to which he is not entitled under the 1966 amendments to the Railroad Retirement Act, but which is included in the computation under the new section 3(a)(1)). However, the third proviso of the new section 3(a)(2) would seldom apply where the individual is entitled to a supplemental annuity but not to social security benefits because the increase under the other provisions would ordinarily be in excess of $10.[8]

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[7] Thus, in a case like that in the example given in note 6 above (except that the individual is not entitled to a supplemental annuity), the 7 percent ($10.50) increase provided by section 3(a)(1) and the $12.87 increase provided by that part of section 3(a)(2) which precedes the provisos, would have to be reduced for both the 1965 and 1967 increases in the individual's social security benefit. This reduction would be by 5.8 percent for the 7 percent social security increase in 1965 (5.8 percent of a social security benefit as increased by 13 percent is approximately the same as 6.55 percent of the benefit before such increase; thus, $107 times 6.55 percent equals approximately $7; $107 plus 13 percent thereof equals approximately $121; and 5.8 percent of $121 equals approximately $7), and by 11.5 percent for the 13 percent social security increase in 1967 (11.5 percent of his new social security benefit of $121 (see above) equals approximately $13.91, making a total of ($7 plus $13.91) or about $121), or by a total of 17.3 percent of his increased social security benefit. The social security benefit of $121 multiplied by 17.3 percent gives an amount of approximately $20.93. Since the $20.93 wipes out the $12.87 increase, the amount calculated under the new section 3(a)(1) would be payable (that amount is $160.50, which exceeds by $7 the amount of $153.50 payable under present law (the amount of $150 payable before the 1966 amendments was increased by those amendments to $160.50 and reduced under the same amendments by the $7 he received as a 1965 increase in the social security benefit to $153.50)).

This amount of $160.50, however, would be increased by $3 under the third proviso of the new section 3(a)(2) which provides a minimum increase of $10 (see (E) below for an explanation of such third proviso).

For another example, assume that the annuity of an individual who is not entitled to a supplemental annuity, is $170 after the 7 percent increase in 1966 but before any reduction for the 1965 increase in his social security benefits; he is actually being paid $163.06 because the $170 had to be reduced by 6.55 percent of his social security benefit which, in his case, is $106, or by $6.94 (approximately the amount of the increase by 7 percent in 1965). The amount calculated under the new section 3(a)(1) would treat him as if he was paid the full amount of $170, which, when increased (assuming that his monthly compensation is in the $201–$250 bracket of the table in section 3(a)(2)) by $14.63 would be $184.63. Since this amount would include the $6.94 which had already been deducted under the 1966 amendments to the Railroad Retirement Act, it would be without any reduction by the second proviso in the new section 3(a)(2) for the 1965 and 1967 increases in social security benefits. Therefore, under the second proviso of the new section 3(a)(2), the increase of $14.63 would be reduced by 17.3 percent of his social security benefit as increased by 13 percent in 1967 to $119.80 ($106 plus $13.80), or by $20.72. Since $20.72 is greater than the $14,63 increase, there would be no increase in the amount of $170 calculated under the new section 3(a)(1). The amount of $170 exceeds the amount of $163.06, payable under the present law, by less than $10; therefore, the third proviso would apply to increase the annuity to $173.06, which is $10 above the amount payable under present law (see (E) below for the minimum increase of about $10).

[8] For example, the individual's annuity under the 1966 amendments to the Railroad Retirement Act is $150, and he is not entitled to social security benefits. This does not include the 1966 increase of 7 percent which is not payable because of his rights to a supplemental annuity; but the amount calculated under the formula in the new section 3(a)(1), which includes the 1966 increase of 7 percent, would be $160.50 ($150 plus 7 percent thereof, or $10.50). That part of the new section 3(a)(2) which precedes the provisos would add (assuming a monthly compensation in the $151–$200 bracket of the table in section 3(a)(2)) $12.87, producing a total of $173.37. The first proviso of the new section 3(a)(2) would reduce the $12.87 by 6.55 percent of $160.50, or by $10.51, leaving $2.36 to be added to $160.50, producing $162.86. This would be the amount payable under the bill and is more than $10 in excess of the amount of $150 payable under the 1966 amendments to the Railroad Retirement Act. In this example, the third proviso of the new section 3(a)(2) would have no effect.

If the individual is entitled to a social security benefit but not to a supplemental annuity, and his annuity as computed under the new section 3(a)(1) and that part of the new section 3(a)(2) which precedes the third proviso does not, in effect, exceed the amount to which he would be entitled under the 1966 law by about $10, the third proviso of the new section 3(a)(2) would apply. In such a case, the amount calculated under the new section 3(a)(1) would be increased by $10 minus 5.8 per centum of (i) his social security benefit, or (ii) the amount computed under the new section 3(a)(1), whichever would produce the smaller reduction. This would take away from the $10 (where the 5.8 per centum is taken of his social security benefit), the amount of the reduction for social security benefits required under the 1966 amendments to the Railroad Retirement Act, and, by limiting this reduction to 5.8 per centum of the amount computed under the new section 3(a)(1), avoids taking away more than an amount equal to the 7 percent increase of 1966.[9]

If the individual is entitled to both a supplemental annuity and a social security benefit, the third proviso of the new section 3(a)(2) would apply in the same manner as if he were not entitled to the social security benefit. This is so because the supplemental annuity would preclude entitlement to the 7 percent 1966 increase in annuities, and the third proviso guarantees that the 1967 increase in annuities would be by about $10.

INCREASES IN ANNUITIES TO SPOUSES AND SURVIVORS OF AN EMPLOYEE

Annuities to spouses and survivors of an employee would be increased in a way similar to that provided for increasing employee annuities, except that the minimum increase above the amount payable under the 1966 amendments to the Railroad Retirement Act would be about $5 a month instead of about $10, and except that the spouse's annuity would not be increased over the maximum amount provided in section 2(e) of the Railroad Retirement Act.

OTHER AMENDMENTS PROPOSED IN TITLE I OF THE BILL

In addition to the increase in annuities, title I of the bill would provide reduced annuities for disabled widows and widowers who have attained age 50 on roughly the same conditions as monthly benefits would be provided for totally disabled widows and widowers covered under the Social Security Amendments of 1967; except that there would be no waiting period after disability occurs before an annuity could be paid. The reduction would be by three-tenths of 1 percent for each month the individual is under age 60 when the annuity begins.

[9] For example, the individual's annuity under the 1966 amendments to the Railroad Retirement Act is $170 reduced by $6.94 (6.55 percent of his social security benefit of $106) to $163.06. The amount computed under the new sec. 3(a)(1) would be $170, and that part of the new sec. 3(a)(2) which precedes the provisos would add (assuming a monthly compensation in the $201–$250 bracket of the table in sec. 3(a)(2)) $14.63, producing a total of $184.63. By deducting from $14.63 an amount derived by taking 17.3 percent of his 1967 social security benefit of $119.80 (produced by increasing his social security benefit of $106 by 13 percent) or $20.72 (through the application of the second proviso of the new sec. 3(a)(2)), there would be no increase by that part of the new sec. 3(a)(2) before the third proviso. Therefore, the third proviso would apply in this manner: 5.8 percent of his social security benefit as raised in 1967 (which is $119.80) would produce $6.95; while 5.8 percent of the amount calculated under the new sec. 3(a)(1) would produce $9.86. Since $6.95 is the smaller reduction, the $10 would be reduced by $6.95, leaving $3.05, which, when added to the amount computed under the new sec. 3(a)(1) of $170, would produce $173.05. This would be the amount payable under the bill and exceeds $163.06 the amount payable under the 1966 amendments to the Railroad Retirement Act, by about $10. The rounding provisions of the Railroad Retirement Act have been ignored in this and all other examples shown in this report.

This is almost the same reduction that would be applied under the Social Security Act.

The reduction would remain in effect throughout the indivudal's life. If the annuity is not paid for some months after it begins (for example, in the case of a recovery from disability) the reduction would be adjusted after age 60 is attained by removing from the reduction period the months for which the annuity is not paid.

This title of the bill would also remove a glaring inequity. Prior to 1957, the Railroad Retirement Act and the Social Security Act required, for the purpose of benefits based on a marital relationship, that there would be a marriage valid in all respects. In 1957, the Social Security Act was amended to provide benefits in some cases even if the marriage was not valid as theretofore required. The strict requirements in this respect under the Railroad Retirement Act, however, remained unchanged. This resulted in the denial, under the Railroad Retirement Act, of benefits in cases where, in similar situations, the Social Security Administration would have paid the benefits. There are also other cases where individuals, such as a child, can qualify as having the necessary family status under the Social Security Act to be paid benefits but, in such cases, cannot qualify under the Railroad Retirement Act. This title of the bill would amend the Railroad Retirement Act to incorporate the provisions of the entire current section 216(h) of the Social Security Act in this respect.

The provisions requiring the loss of an employee's disability annuity payment because of work would be changed so that he can now earn $2,400 in a year instead of $1,200 without losing annuity payments for any month in the year; also, as a result of the change, he could earn as much as $200 in a month instead of $100, regardless of his total earnings for the year, and not lose his annuity for that month.

FINANCING THE INCREASES IN BENEFITS PROPOSED BY TITLE I OF THE BILL

The bill would provide no increases in railroad retirement tax rates to cover the cost of the benefit increases provided for in title I of the bill. As stated earlier, railroad retirement tax rates would be automatically increased by 0.3 of one percentage point for 1971–72, and by 0.25 of one percentage point for 1973 and after (including the rate for medicare) as a result of the 1967 Social Security Amendments which would also result in increasing the taxable compensation limit after 1967 to $650 a month. The present surplus in the railroad retirement system (after taking into account the effects of the Social Security Amendments of 1967) is about 0.08 percent of taxable payroll. As the result of the enactment of title I of the bill, this would be changed to a deficit of about 1.16 percent of taxable payroll or about $58 million a year. This is not very much larger than the deficit of 0.94 percent of taxable payroll or $43 million a year that existed before the 1967 Social Security Amendments.

Title II. Amendments to the Railroad Unemployment Insurance Act

Title II of H.R. 14563 would amend the Railroad Unemployment Insurance Act as shown below.

(1) Maternity benefits would be eliminated, but the definition of "day of sickness" in section 1(k) of the act would be amended so as to

specifically include a day on which, because of pregnancy, miscarriage, or the birth of a child, a female employee is unable to work or working would be injurious to her health.

(2) The amount of creditable compensation an employee must earn in a base year, as a qualifying condition for the payment of benefits under the act, would be increased from the present $750 to $1,000. A corresponding increase would be made in the subsidiary remuneration provision, and in the provision stating the minimum amount of compensation which an employee who has voluntarily left work must be paid with respect to time after such leaving before his disqualification for unemployment benefits can end.

(3) The benefit rate schedule would be revised and the maximum daily benefit rate would be increased from $10.20 to $12.70 for days of unemployment and days of sickness.

(4) Provision would be made for extended sickness benefits, similar to the extended unemployment benefits now provided.

(5) The present provision for the possible early beginning of a benefit year in cases involving days of unemployment would be expanded to provide for the possible early beginning of a benefit year in cases involving days of sickness.

(6) Attainment of age 65 would end all rights to extended sickness benefits. In an accelerated benefit year begun for the purpose of the payment of sickness benefits, attainment of age 65 prior to the beginning of the general benefit year which was accelerated would end all rights to further sickness benefits until the beginning of the general benefit year. These limitations would not deprive any employee of rights he now has to sickness benefits under the present law; such rights would continue unaffected. Provision is made for the transfer from the railroad retirement account to the railroad unemployment insurance account, at the close of each fiscal year, of the amount, if any, which, if added to the railroad unemployment insurance account, would place such account in the same position it would have been in at the close of such fiscal year if every employee who had been paid extended or accelerated sickness benefits in the fiscal year, and who upon application therefor would have been entitled to a disability annuity under section 2(a) of the Railroad Retirement Act with respect to some or all of the days for which such benefits were paid, had been paid such annuity with respect to all days of sickness for which he was paid benefits which were also days with respect to which such annuity could have accrued.

(7) An additional disqualifying condition would be added, with the effect that an employee who has been paid a separation allowance would not receive any unemployment or sickness benefits for a period following his separation from service. The length of the period would be determined by a formula taking into account the amount of his allowance, his last daily rate of pay, and the number of days in his normal workweek.

(1) *Elimination of maternity benefits and provision for days of sickness due to pregnancy, miscarriage, or the birth of a child.*—Under present law, a woman employee could receive the equivalent of 260 days of sickness and maternity benefits in a single benefit year (130 days for sickness, and the equivalent of 130 days of maternity benefits). Under the amendments she could receive no maternity benefits, and the maximum number of days for which she could receive normal sickness

benefits in a single benefit year would be 130. For example: If a female employee should be paid for 100 days of sickness during pregnancy and following the birth of her child, she would be entitled to normal sickness benefits for no more than 30 additional days of sickness in that same benefit year (she might be entitled to extended sickness benefits if she had 10 or more years of service and met the other requirements). The statement of sickness that the Board would require with respect to the days of sickness during the pregnancy and following the birth of her child would establish that each day claimed is a day of sickness because it is a day on which, because of pregnancy, miscarriage, or the birth of a child, she is unable to work or working would be injurious to her health.

(2) *Increase in qualifying amount.*—The increase from $750 to $1,000 in the amount of creditable compensation which an employee must earn in a base year in order to be qualified to receive benefits under the act is warranted by the increase in wages since 1963, when such qualifying amount was last increased (from $500 to $750). Corresponding changes would be made in the subsidiary remuneration provision, and in the provision stating the minimum amount of compensation which an employee who has voluntarily left work must be paid with respect to time after such leaving before his disqualification for unemployment benefits can end.

(3) *Increase in maximum daily benefit rate.*—Except for the stricter eligibility requirements provided for in the 1963 amendments to the Railroad Unemployment Insurance Act (by Public Law 88–133), there have been no changes in the benefit provisions of the act since those made by the 1959 amendments to the act (Public Law 86–28). Since that time, however, there have been major changes in railroad pay rates and earnings levels. Moreover, there have been many improvements in the State unemployment compensation laws in that interval, with the result that the Railroad Unemployment Insurance Act now compares less favorably with the State laws than it did in 1959.

In 19 States, with over half the workers under State unemployment compensation laws, it is now possible for a beneficiary to receive more (including the dependents allowances in six States) than the $51-a-week maximum (5 times $10.20) now payable under the Railroad Unemployment Insurance Act. Furthermore, supplementary unemployment benefit plans and nongovernmental sickness benefit plans frequently pay more than $51 a week, and in some cases pay more than the $63.50 a week (5 times $12.70) which will be the maximum for Railroad Unemployment Insurance Act benefits under the proposed amendments. Benefits in excess of $63.50 a week are available in eight States (including the dependents allowances in six States).

(4) and (5) *Extended and accelerated benefits for sickness.*—The addition of extended benefit periods and accelerated benefit years for sickness would provide for sickness the same treatment that unemployment has received since 1959. This would benefit primarily the older, long-service employees, who are more likely to have long illnesses. Currently, the proportion of beneficiaries exhausting sickness benefits is as large as the proportion exhausting normal unemployment benefits, and the need is greater for the sickness beneficiary. Even with the fine health and welfare benefits that have been negotiated for

railroad employees, the cost of illness is much greater than the cost of unemployment and, of course, the sickness beneficiary is not available for placement in nonrailroad employment the way an unemployment beneficiary is, so he does not have the same opportunity to obtain other income.

It is now possible for beneficiaries in two of the four States with statutory plans for sickness benefits to become entitled to sickness benefits for more than 26 weeks in a single year, if they have more than one spell of sickness in that year. Also, sick leave plans (for example, in Federal employment) may have payment durations longer than 26 weeks where the length of available leave is based on total service and the amount of leave previously used; some large industrial plans pay sickness benefits for 52 weeks or more.

(6) *Termination of right to extended sickness benefits, and sickness benefits in an accelerated benefit year, upon attainment of age 65; transfer of amount from Railroad Retirement Account to railroad unemployment insurance account.*—When an employee attains age 65, his rights to extended sickness benefits would cease. If he attained age 65 after the early beginning of a benefit year based on sickness, and before the beginning of the general benefit year which was accelerated, his rights to further sickness benefits would end until the beginning of that general benefit year. These limitations based on attainment of age 65 would not deprive any employee of rights he now has to sickness benefits under the present law; such rights would continue unaffected.

Many individuals who will receive the new extended sickness benefits, or sickness benefits in an accelerated benefit year, would be qualified for disability annuities under the Railroad Retirement Act. If they were to apply for, and receive, such annuities, their entitlement to sickness benefits would be limited by section 4(a-1)(ii) of the Railroad Unemployment Insurance Act, the purpose of which is to prevent the duplication of payments under the act and other social insurance laws. It is expected, however, that a large number of these individuals will postpone applying for their disability annuities, with the result that section 4(a–1)(ii) will not operate in their cases. For this reason, the amendments include provision for an annual transfer of funds from the Railroad Retirement Account to the railroad unemployment insurance account in an amount which will place the latter account in the position it would have been in at the close of the fiscal year if those individuals had applied for, and received, their disability annuities for days for which they were paid sickness benefits in the fiscal year. Ordinarily, an individual's annuity qualifications in terms of age, service, and physical and mental condition, are investigated and determined by the bureau of retirement claims on a case-by-case basis. Such a thorough treatment is not practical or desirable for purposes of the contemplated inter-account transfer. The amendments authorize the Board to presume that individuals in certain situations are qualified for disability annuities; to make reasonable approximations deemed necessary in computing annuities for this purpose; and to rely on evidence of age available in its files and records. It is expected that the amount to be transferred will be ascertained by applying statistical methods and reasonable rules of thumb.

(7) *Disqualification for days after separation in the case of an employee who has been paid a separation allowance.*—The new disqualifying condition would mean that an employee who has been paid a separa-

tion allowance could not receive any unemployment or sickness benefits for a period following his separation from service. The length of the period will be determined by a formula taking into account the amount of his allowance, his last daily rate of pay, and the number of days in his normal workweek. The disqualification would apply to any of the days in the period beginning with the day following his separation from service and continuing for that number of consecutive 14-day periods which is equal, or most nearly equal, to the amount of the separation allowance divided (i) by 10 times his last daily rate of compensation prior to his separation if he normally works 5 days a week, (ii) by 12 times such rate if he normally works 6 days a week, and (iii) by 14 times such rate if he normally works 7 days a week. The purpose of the formula is to make the disqualification cover a period as nearly as possible equivalent to the length of time it would have taken the employee to earn the amount of the separation allowance. In the application of the formula, every employee would be regarded as normally working 5 days a week unless the evidence showed that he normally works 6 or 7 days a week.

The application of the formula may be illustrated by the following example: An employee received a separation allowance of $1,000; his last daily rate of pay was $25, and there was nothing to show that he normally works 6 or 7 days a week. The daily rate of pay, $25, would be multiplied by 10, the product being 250. The amount of the separation allowance, $1,000, would be divided by this 250, the result being 4. Consequently, the disqualification period, beginning with the day following the employee's separation from service, would continue for four consecutive 14-day periods, amounting to 56 consecutive days.

SECTION-BY-SECTION ANALYSIS OF H.R. 14563

TITLE I—AMENDMENTS TO THE RAILROAD RETIREMENT ACT

SECTION 101

This section would amend section 1(h) of the act to increase the amount to be credited for each month of military service after 1967 from $160 to $260.

SECTION 102

This section would amend section 2(d) of the act to change the amount that an employee entitled to a disability annuity could earn in a year without losing an annuity payment for any month in the year from $1,200 to $2,400; and to change the amount he could earn in a month without losing his annuity for the month, regardless of his total earnings in the year, from $100 to $200.

SECTION 103

Subsection (a).—The change made by this subsection is required in section 2(e) of the Railroad Retirement Act since section 3(a) is revised. The change is purely technical, the purpose being to retain the provisions for calculating a spouse's annuity on the basis of the employee's annuity before any reduction of the latter annuity because of rights to a supplemental annuity or to benefits under title II of the Social Security Act. This automatically results in an increase in

the spouse's annuity by an amount equal to one-half the increase in the employee's annuity, subject, of course, to the provisions for a maximum spouse's annuity.

Subsection (b).—This subsection would amend section 2(i) of the act to provide for a reduction of the increase in the spouse's annuity as a result of the 1967 amendments by the amount of the 1967 increase in any social security benefit to which the spouse is entitled, and combines this reduction with that required under present law to offset the 1965 increases in social security benefits against the 1966 increase in railroad retirement annuities. This would be accomplished simply by reference to the provisions of the second proviso in section 3(a)(2) which relate to the reduction in the 1967 increase of an employee's annuity because of the 1967 increase in any social security benefits to which he is entitled and combines the reduction with that now required for the 1965 increases in such benefits.

This subsection would also provide that the spouse's annuity would be increased by about $5 nonwithstanding any reduction requirements because of such spouse's rights to social security benefits. The provision for the calculation of the minimum as the excess of $5 over either of two amounts, is only a device for accomplishing that purpose. The provision with regard to the minimum applies without regard to a reduction in the spouse's annuity by reason of the 7-percent increase in social security benefits effected in 1965, and, therefore, 5.8 percent of the lesser of these two amounts only restores, in effect, the amount of the reduction in the 1966 act because of the 7-percent increase. The result is that, if the 1967 legislation does not otherwise produce an increase in the spouse's annuity by about $5, such spouse would be assured of an increase by that minimum amount over the annuity to which such spouse would be entitled under the 1966 Railroad Retirement Act. However, there is a restriction that, in no event can the spouse's annuity be increased to an amount which is more than 110 percent of the highest amount that could be paid as a wife's benefit under the Social Security Act as provided in section 2(e) of the Railroad Retirement Act. When 5.8 percent of a social security benefit, as increased in 1967, is taken, the product is equivalent to the 7-percent increase in social security benefits effected in 1965 (5.8 percent of a social security benefit, as increased in 1965 and 1967, is approximately the same as 6.55 percent of the benefit, as increased in 1965). Where the railroad retirement amount is used in the calculation, the spouse gets a slight break because 5.8 percent of the spouse's annuity to which she would be entitled without any reduction for the 1965 increase in social security benefits, would be slightly less than the 7-percent increase in a spouse's annuity to which she would be entitled under the 1966 legislation to the Railroad Retirement Act, and the minimum increase, therefore, in such a case would be slightly more than $5.

The increases provided by this subsection, including those under the $5 minimum (as well as the adjustments of the increases for entitlement to social security benefits), would be before any reduction on account of age. In addition, the guarantee of a minimum increase does not apply to benefits computed under the overall minimum guarantee of section 3(e) so that some spouses paid under this provision may receive increases as a result of the 1967 Social Security Amendments which will be less than $5.

SECTION 104

Subsection (a).—The general design of the bill is to revise section 3(a) entirely in order to accomplish the objective of the 1967 increase and yet simplify the adjudication process. The idea is to produce an annuity amount which would be equivalent to that payable under the 1966 Railroad Retirement Act and then add the increase desired through the 1967 legislation. The amount derived before including the 1967 increase could be higher, however, since the concept of limiting the 1966 increase of 7 percent to that part of the annuity produced by monthly compensation of $450 or less, would be reivsed so that the 7-percent increase would be applied to the average monthly compensation up to any limit. This would be accomplished by the removal of the fourth factor in the present provisions of section 3(a)(1). There follows an explanation of the processes in continuity that the revised section 3(a) would require.

(1) Paragraph (1) would produce an amount which includes the 7-percent increase effected in 1966, but applicable to the entire monthly compensation. This, as stated before, is accomplished by the removal of the fourth factor in the formula for computing retirement annuities under present law. It is to be noted that there is no reduction provided in paragraph (1) for rights to social security benefits or a supplemental annuity.

(2) Paragraph (2) would, in substance, effect the general intent of the 1967 increases by adding to the amount determined in paragraph (1) 110 percent of the increase that the individual would have received in social security benefits through the 1967 social security legislation (subject to certain adjustments described below) if his railroad service were employment under the Social Security Act; except that, the increase so determined would be restricted to the increase derived from the higher percentages used in calculating primary insurance amounts under the Social Security Act as amended in 1967. In other words, any increase in social security benefits which would be attributable only to an increase in the average monthly wage over the present limit of $550 would not be taken into account in determining the increase. To illustrate this point, assume that the primary insurance amount under the 1965 law is obtained by taking 20 percent of the average monthly wage (this is not the precise percentage actually used, but is merely used for explanatory purposes) and that this is changed to 30 percent in the calculation of primary insurance amounts under the 1967 Social Security Amendments. The increase to be applied to the amount determined in paragraph (1) would be limited to the increase resulting from raising the percentage from 20 to 30, disregarding any additional increase in the primary insurance amount that is attributable only to average monthly wages in excess of $550.

This process would be implemented by the inclusion of a table in paragraph (2). For the purposes of determining the increases in this table, the individual's monthly compensation would be treated as an average monthly wage for social security purposes. In effect, this table, as it applies to monthly compensation, or, in effect, to an average monthly wage above $550, would give an increase determined by extending the primary insurance amount table in section 215(a) of the 1965 Social Security Act to average monthly wages up to

$650 by applying the percentage factor now applicable to that part of the average monthly wage in the range of $400 to $550 to amounts over $550. The increase would be derived as the product of 110 percent of the excess of the primary insurance amount determined from the 1967 table over the amount derived from the extended 1965 table. The table in paragraph (2) would, however, show only the final product, which would be the increase.

(3) The amount determined from the application of paragraphs (1) and (2) of the new section 3(a) must now be reduced as required in the 1966 Railroad Retirement Act where the individual has rights to a supplemental annuity or to benefits under title II of the Social Security Act, or both. In addition, a further reduction must be applied to offset the 1967 increase in the social security benefit of individuals entitled to such benefits. The first two provisos in paragraph (2) effect these reductions.

The first proviso deals with an individual who is entitled to a supplemental annuity. In such case, he is not entitled to the 7-percent increase provided in 1966. Therefore, the reduction which this proviso makes, by 6.55 percent of the amount determined under paragraph (1), would eliminate the 7-percent increase of 1966. However, since the 7-percent increase in 1966 was limited to that part of the annuity produced from monthly compensation not in excess of $450, this percentage of 6.55 would be applied only to the amount derived from monthly compensation not in excess of $450. There are cases in which the individual is paid a supplemental annuity which, by reason of a supplemental pension, is reduced to an amount less than the 7-percent increase of 1966 would provide. In those cases, the 7-percent increase in 1966 was reduced only by the amount of the net supplemental annuity. In order to avoid an excessive reduction in the regular annuity in those cases, this first proviso requires that the reduction be by 6.55 percent of the amount determined under paragraph (1) (based on the first $450 of his monthly compensation) or by the amount of the supplemental annuity, whichever is less.

The second proviso deals primarily with cases in which the individual is entitled to benefits under title II of the Social Security Act. If such an individual is not entitled to a supplemental annuity, the increase would be reduced by an amount obtained by taking 17.3 percent of his social security benefit. The 17.3 factor combines the reduction for the 7 percent increase in the 1966 legislation with the percentage increase in the 1967 amendments to the Social Security Act, which is the percentage increase applicable to primary insurance amounts derived from an average monthly wage up to $550 (5.8 percent of social security benefits as increased in 1967 is the same as 6.55 percent of a social security benefit as increased in 1965; to the 5.8 percent would be added 11.5 percent (the 11.5 percent would produce an amount approximately equivalent to the increase in 1967, where the average monthly wage is up to $550; where the average monthly wage exceeds $550 the amount calculated by taking 11.5 percent of the social security benefit would be a little less than the 1967 increase in social security benefits derived from the increase in the formula only), and the two together give the 17.3 percent factor). In the case where the employee is entitled to both a supplemental annuity and a social security benefit, the 7 percent increase of the 1966 amendments will already have been removed by the first proviso

explained above. Therefore, the reductiou for the social security benefit should be limited to the 13 percent increase of the 1967 amendments. Thus, in these cases, a factor of 11.5 percent will be used against the social security benefit rather than the 17.3 percent.

(4) The third proviso is designed to insure that in every case the individual will receive a minimum of $10 as an increase in his annuity through the 1967 legislation before any reduction for early retirement or for other benefits based on military service which was used in the computation of the annuity. Clause (i) deals with a case in which the individual is not entitled to a social security benefit, but is entitled to a supplemental annuity, and provides that the amount computed under the whole subsection shall be higher than the amount calculated under paragraph (1), by at least $10 minus, in effect, the reduction required in the 7-percent increase of 1966 by rights to a supplemental annuity (as stated hereinbefore, the amount calculated under paragraph (1) includes the 1966 increase of 7 percent without any reduction because of rights to a supplemental annuity). Clause (ii) concerns an individual entitled to a social security benefit, but not to a supplemental annuity. In that case, for technical reasons, the minimum increase is by $10 minus 5.8 percent of the lesser of the two amounts. The two amounts are the amount calculated under the new paragraph (1) and the amount of the social security benefit. The purpose is to take away from the amount calculated under the new paragraph (1), plus $10, the amount of the 7 percent increase of the 1966 amendments which is included in the amount so calculated but is not payable under present law. Since the 7-percent is automatically added in paragraph (1) and no reduction is made in that part of the increase, only the difference between that 7 percent and $10 is needed to insure a minimum increase of $10.

The increases provided by this subsection (as well as the adjustments of the increases for entitlement to social security benefits) would be before any reduction on account of age. Furthermore, this guarantee of a minimum increase does not apply in cases where the annuity is computed under the overall minimum provision of section 3(e) so that some individuals will not get a $10 increase as the result of the legislation enacted in 1967 and 1968.

Subsection (b).—This subsection would amend section 3(e) of the act.

A portion of section 3(e) which precedes the first proviso is stricken because the provisions of section 3(a) of the act, as amended by the bill, relating to the increase in annuities and adjustments for rights to social security benefits, require this portion to be removed. The "deeming" provisions in parenthesis in the first proviso of this section are stricken and are included with other "deeming" provisions in the first of the three new paragraphs added (by the bill) after the first paragraph of this subsection.

Widows, widowers, and parents who are entitled to an annuity under section 5 (a) or (d) of the act are now deemed to have attained age 65 for purposes of applying the guarantee provisions in section 3(e); but age 65 would be changed in the first of these new paragraphs to 63 since such individuals can now qualify for full benefits at age 62 under the Social Security Act instead of age 65 as in the past. An exception would be made as to widows and widowers who were entitled to an annuity as such on the basis of disability in the month before attaining

age 60 (at which time they would technically switch to an annuity on the basis of age—but the reduction for entitlement on the basis of disability before age 60 would be retained). The effect of this is to avoid applying the social security work reduction for such individuals before they actually attain age 62, since under the Social Security Amendments of 1967 the work reduction would not be applied in the case of disabled widows or widowers until they attain age 62.

This first new paragraph would also provide that widows and widowers entitled to annuities as such on the basis of disability and children entitled to annuities as such on the basis of disability would be deemed to be entitled to the comparable disability benefits under the Social Security Act. This would avoid, in applying the minimum guarantee provisions, a new determination applying the social security disability standards after the individual has already been found disabled under the railroad retirement standards. The social security standards, however, would have to be applied when making the financial interchange determination under section 5(h)(2).

The second of these new paragraphs would provide that the reduction in annuities for disabled widows and widowers, which are payable under the social security guarantee provision of the act, be made in the same way as are reductions for such annuities payable under the regular railroad retirement formula. The reason for this provision is that a benefit for a nondisabled widow aged 60 to 62 is reduced under the Social Security Act and the reduction period for a disabled widow includes all the months before she attains age 62. Also, since widowers can qualify for an annuity as such on the basis of age after age 60 is attained under the Railroad Retirement Act, but not until age 62 for a benefit under the Social Security Act, this provision would avoid a reduction to a disabled widower for months after age 60, whereas there would be a reduction for the period after age 60 and before age 62 under the Social Security Amendments of 1967. The reduction percentage required under this bill is almost the same as the social security reduction percentage would be if no reduction under the latter was taken for the period between age 60 to 62.

The third of these new paragraphs would enable the Board to ascertain wages and compensation before 1951 by a computer in applying the social security guarantee provision except in cases where an individual is being paid under that provision when H.R. 14563 is enacted and except in cases where the employee died before 1939. Under the Social Security Amendments of 1967, the social security provisions for ascertaining wages before 1951 by the computer apply only in cases where an individual becomes entitled to social security benefits after the enactment of such amendments or dies without being entitled to such benefits before the enactment. This, in effect, confines the application of the social security provisions to those for whom a primary insurance amount has not been calculated before the enactment of the Social Security Amendments of 1967. The deeming provisions in this paper will, thus, permit the Board to treat the individual, for purposes of the guarantee provision, as if no benefits had been calculated before the enactment of this bill.

SECTION 105

Subsection (*a*) would amend section 5(a) of the Railroad Retirement Act to provide a reduced annuity for a widow or widower, aged 50 to 60, of an insured employee, if she or he is disabled to the extent required for an employee to qualify for an annuity on the basis of total and permanent disability. The reduction would be by three-tenths of 1 percent for each month the individual is under age 60 when the annuity begins. The reduction would remain in effect after age 60 is attained. At age 60, the reduction would be adjusted by removing from the adjustment period any month for which an annuity was not paid. For example, if a widow becomes entitled to an annuity as such at age 54, there would be a reduction for 6 years or 72 months; if she recovered at age 56, when she attains age 60 her annuity (to which she would then be entitled on the basis of age) would be adjusted so that it would be reduced by only 24 months—in other words, the 48 months or 4 years following her recovery and before age 60 is attained would be removed from the original reduction period required of 72 months or 6 years. As under the Social Security Amendments of 1967, to be eligible, the disability would have to begin within certain prescribed periods. For example, except in certain circumstances, the disability would have to begin within 84 months of the employee's death. There would be no waiting period after the individual became disabled before benefits could begin as there would under the Social Security Amendments of 1967.

The annuity would cease with the third month following the month in which the annuitant ceases to be disabled. For example, if the disability ceases in the month of August, the third month following would be November, and the annuity would end with the payment for October.

Subsection (*b*) would merely eliminate a part of section 5(h) of the act (relating to minimum and maximum survivor annuity amounts) which are rendered absolete by the provisions of the revised section 5(m) of the act. This would permit the total of annuities to a family to exceed the maximum provided in section 5(h) by the amount of the increase provided for in this bill for each individual in the family.

Subsection (*c*) would amend section 5(i)(1)(ii) of the act so that the social security work reduction provisions would continue to apply to widows and widowers aged 60 to 62 who are qualified for annuities as such on the basis of age but would not apply for widows and widowers of that age who were entitled to an annuity on the basis of disability in the month before attaining age 60. This would be in accord with the provisions of the Social Security Amendments of 1967 under which the work provisions would not apply to widows and widowers aged 60 to 62 qualified on the basis of disability.

Subsection (*d*) would merely change section 5(j) of the act to improve and clarify the language.

Subsection (*e*) would amend section 5(1)(l) of the act so that determinations as to family status would be made in accordance with provisions of the Social Security Act currently in effect instead of in accordance with provisions of that act in effect prior to 1957. Under the Social Security Act there are several situations where individuals can qualify as having the necessary family status or relationship to

be paid benefits as dependents or survivors. For example, a woman who married an employee without knowing that he had not been divorced from another wife can be paid benefits under the Social Security Act as a wife or widow even though the marriage is not valid, but she could not be paid benefits under the Railroad Retirement Act. There are other circumstances in which individuals can qualify as a wife, husband, widow, widower, or child under the Social Security Act but not under the Railroad Retirement Act. This amendment would enable certain individuals to qualify as having the necessary family status to be paid benefits under the Railroad Retirement Act who cannot now qualify. This amendment of section 5(1)(l) of the act would not permit a wife, widow, or widower who can qualify only by virtue of this change to be paid an annuity for any month beginning with the month in which it is determined that a wife, widow, or widower is qualified for an annuity on the same compensation record under the provisions of paragraph (A) of section 216(h)(1) of the Social Security Act.

Subsection (f) would amend section 5(1)(9) of the act to permit, in arriving at the average monthly remuneration needed to calculate the basic amount, the employee's compensation and wages before 1951 to be determined by the use of the computer. This would expedite and facilitate the determinations and would be comparable to the provisions of the Social Security Amendments of 1967 for determining wages before 1951. (A study conducted by the Board revealed in a sample of 500 cases that—

(In 65 percent, or 322, of the cases the basic amount determined under the proposed method was exactly equal to the basic amount computed under the now existing method.

(In 121 cases there was a variance of less than $1.

(In 49 cases there was a variance of $1 to $5 (in only 16 cases was it less).

(In eight cases there was a variance of $5 or more (in only 2 cases was it less).

(In the 18 cases in which it was less by $1 or more, there is one case in which no monthly benefit was payable. Of the 17 remaining, the majority would be payable under the social security guarantee provision and the basic amount computation would not apply.)

There is no savings provision to allow a comparative determination under the old method with the new upon request. Such a provision would largely take away the advantages of the change if (as it is assumed) a request would be made in a large number of cases.

Subsection (g) would amend section 5(1)(10) of the act to revise the formula for determining the basic amount (from which survivor benefit amounts are determined) by eliminating the third factor which is included in the 1966 amendments to the Railroad Retirement Act. The effect of this would be to provide for the 7-percent increase of 1966 to apply to average monthly remuneration in excess of $450. Another amendment made by this subsection to section 5(1)(10) would facilitate the determination of increment years before 1951 in arriving at the basic amount. This would be needed to effectuate fully the concept of the change made by subsection (f).

Subsection (h) would revise section (m) of the act to provide increases in survivor annuity amounts. Subsection (m), as revised, would

provide an increase in all survivor annuities except a widow's annuity which is based on the amount of her spouse's annuity payable in the month before the month of the employee's death (and except, of course, those payable under section 3(e) (the social security guaranty provision)). The survivor annuities would be increased by approximately 110 percent of the amount to which the individual would be entitled as an increase in social security benefits by virtue of the 1967 amendments to the Social Security Act, but the increase would be derived in the same manner as the increase in employee annuities and by reference to the same table used for the employee increases. However, since the amount of survivor benefits under the Social Security Act is determined by a percentage of the primary insurance amount, only an appropriate percentage of the increase, as derived from the table, would be applied to obtain the increase in survivor annuities. For the purposes of dedetermining the increase in survivor annuities, the actual average monthly wage, calculated on the basis of the combined railroad retirement compensation credits and social security wage credits, would be used to obtain the amount in the first column in the table in the new section 3(a)(2) which is applicable in calculating the increase. Under existing law, the Board must have full informatin as to wages as well as compensation in order to calculate survivor benefits so the calculation of the average monthly wage in such a manner would pose no additional administrative burden.

The first proviso would require a reduction of the increased provided in survivor benefits to be obtained by applying 17.3 percent of the social security benefit to which the survivor is entitled. This 17.3 percent factor has been explained above.

The second proviso would require a minimum increase of about $5. In order to insure an increase of about $5, the device is to provide an increase of $5 minus 5.8 percent of the lesser of two amounts. This would, in effect, restore the amount of any reduction up to $5 made because of entitlement to social security benefits in the 7-percent increase in 1966, and where the reduction was by less than $5 ,would add enough to provide an increase of $5 over the amount calculated under present law. The two amounts referred to above would be the amount of the social security benefit or the amount of the survivor benefit computed without regard to the increase provided by this subsection.

The increases provided by this subsection (as well as the adjustments of the increases for entitlement to social security benefits) would be before any reduction on account of age. Further, the guaranty of a minimum increase would not apply in cases where the benefit is computed under the overall minimum guaranty provision of section 3(e) so a few cases may not receive increases of as much as $5 under the 1967 or 1968 legislation.

SECTION 106

This section would amend section 10(a) of the act to provide that a Board member would continue to serve until his successor has qualified. The purpose is apparent and is similar to provisions for other agencies.

SECTION 107

This section would increase pensions under section 6 of the Railroad Retirement Act and annuities under the Railroad Retirement Act of 1935 in accordance with that part of section 3(a)(2) which precedes the provisos. Survivor annuities deriving from joint and survivor annuities in cases where the employee died before the month following the month in which the increases in annuities provided by the amendatory act are effective would be increased by the same amount they would have been increased had the employee lived long enough for his annuity to be increased. Also, this section would provide for increases in widows' and widowers' annuities which are based on the amount of the spouse's annuity payable in the month before the month of the employee's death where the employee died at such a time as to prevent the spouse's annuity from being increased under this bill. The increase in such annuities would be in an amount equal to the amount of the increase which would be payable had the employee lived long enough for the spouse's annuity to be increased by this bill. The increases would be reduced by 11.5 per centum of any social security benefit to which the individual is also entitled in order to effect an offset for the increases provided by this subsection. The reduction is only by 11.5 percentum instead of by 17.3 per centum since the increase effected in such benefits by the 1966 legislation would continue to be subject to the provisions of that legislation which requires a reduction because of the 1965 increases in social security benefits. A minimum increase of $10 would be provided for each such pension or retirement annuity. The minimum increase in the case of a survivor annuity would be $5. The minimum increase would, in each case, be applicable despite the requirement for the offset for social security benefits. Joint and survivor annuities would be first adjusted in accordance with the provisions of the new section 3. The reduction because of the joint and survivor option elected will be applied after all other reductions have been made. The increase in the survivor annuity deriving from the joint and survivor annuity provided by this section would also be adjusted by applying the ratio of the survivor annuity to the joint and survivor annuity from which the survivor annuity is derived.

SECTION 108

Subsection (a) would provide that the increases in annuities provided for by the bill be effective with respect to annuities accruing for months beginning with the month in which the increases in benefits under title II of the Social Security Act provided by the Social Security Amendments of 1967 are effective and with respect to pensions due in months next following such month. This subsection would also provide that annuities for disabled widows and widowers would first become payable for months after January 1968. The changes by section 102 as to the increase in the amount a disability annuitant can earn without loss of annuity payments would take effect as to annuities accruing for months after 1967. There is no specific reference as to the effective dates in regard to lump-sum death benefit payments of the changes made by section 105(e) of the bill as to the standards to be applied in determining the qualifications of family members. The committee intends that the changes made by section 105(e) in this respect shall be effective as to lump-sum death payments on deaths of

employees occurring on or after the enactment date of this act. The changes made by section 105(e) as to determinations of qualifications of family members for annuity payments would be effective as to annuities accruing for months after January 1968.

Subsection (b) would provide in cases where annuities are payable under the regular railroad retirement formula for months before the month in which increases in social security benefits become effective that the increases in such annuities provided by this bill would be presumed to increase the annuities by more than the social security increases would raise the amount calculated under the social security guarantee provision of the act. This would avoid an examination of all such cases to ascertain the very few cases where the guarantee provision would produce a higher amount than the regular formula by virtue only of the 1967 social security increases. There is, however, the savings clause to permit an individual to request a determination and be paid the amount calculated under the guarantee provision if that amount is higher.

Subsection (c) would require that all recertifications required by the bill would be made by the Board without application therefor.

TITLE II—AMENDMENTS TO THE RAILROAD UNEMPLOYMENT INSURANCE ACT

SECTION 201

Paragraph (a)(1).—This paragraph would amend the definition of "day of sickness" in section 1(k) of the act so as to remove the reference to a day in a maternity period. It would insert in that definition a provision under which a day might be a day of sickness for a female employee if on that day, because of pregnancy, miscarriage, or the birth of a child, she is unable to work or working would be injurious to her health.

Paragraph (a)(2).—This paragraph would amend the "subsidiary remuneration" provision in the first proviso of section 1(k) of the act. Under that provision certain small earnings are not considered such remuneration as would prevent a day from being a day of unemployment or a day of sickness. However, this provision is not operative if, without compensation from the position or occupation in which he had the small earnings in question, the employee would not have had the base-year compensation needed, under section 3 of the act, in order to qualify for benefits. Since section 203 of the bill would amend section 3 of the act to raise the qualifying amount from $750 to $1,000, this paragraph makes a corresponding increase in the amount specified in the "subsidiary remuneration" provision.

Subsection (b).—One purpose of the bill is to eliminate from the act all provisions for maternity benefits and any references to such benefits. Accordingly, this subsection would remove the definitions of the terms "statement of maternity sickness" and "maternity period."

SECTION 202

Paragraphs (a) (1) and (2).—The amendments made by these two paragraphs would remove from the act other provisions relating to the payment of maternity benefits.

Paragraph (a)(3). This paragraph would strike out the first line of the table in section 2(a) of the act. That line specifies the daily benefit rate for an employee who had base-year compensation of from $750 to $999.99. It would no longer serve any purpose, since under section 203 of the bill an employee with base-year compensation of less than $1,000 would not be able to meet the qualifying requirement of section 3 of the act.

This paragraph would also raise the daily benefit rates contained in column II of the table in section 2(a) of the act. Each rate would be increased by $2.50, and the highest rate would be $12.70 per day.

Under a proviso contained in section 2(a) of the act an employee's daily benefit rate cannot be less than an amount equal to 60 percent of his daily rate of compensation for his last employment for an employer in the base year, up to a maximum benefit rate of $10.20 per day. Paragraph (a)(3) would raise this maximum rate to $12.70 per day.

Paragraph (b)(1).—The amendments made by this paragraph would remove from the act other provisions relating to the payment of maternity benefits.

Paragraph (b)(2), subdivisions (i) through (vi).—These subdivisions would amend section 2(c) of the act to provide extended sickness benefits, similar to the extended unemployment benefits now provided for in that section. To be eligible for extended sickness benefits under the amendments an employee must have had 10 or more years of service, must have had current rights to normal benefits for days of sickness in a benefit year, and must have exhausted such rights. In addition, he must not have voluntarily retired (this is also a requirement for extended unemployment benefits). However, there is no provision, as there is in the case of extended unemployment benefits, that the employee must not have left work voluntarily without good cause. While such a leaving of work might be the cause of an individual's unemployment, it would have no casual relationship to his sickness. Like the extended benefit period based on exhaustion of normal unemployment benefits, the extended benefit period based on exhaustion of normal sickness benefits would continue for seven registration periods and unclude up to 65 compensable days in the case of employees with 10 but less than 15 years of service, and would continue for 13 registration periods and include up to 130 compensable days in the case of employees with 15 or more years of service. Concerning the effect of attainment of age 65 on an employee's rights to extended sickness benefits, see the analysis, below, of subdivision (x) of this paragraph.

Under the present provisions of section 2(c), when an employee is entitled to an extended benefit period the benefit year in which he exhausted his unemployment benefit rights cannot end before the last day of the extended benefit period. The extended benefit period might continue until after the normal ending date of the benefit year. During the extended benefit period the employee is, of course, entitled to extended unemployment benefits as provided in the act. At present there is no provision for extended sickness benefits, but if the employee has not exhausted his rights to normal sickness benefits he may draw such benefits even in a portion of the extended benefit period which extends beyond the normal ending date of the benefit year. If he has exhausted his rights to sickness benefits for the benefit year, he cannot be paid any additional sickness benefits for that benefit year.

An employee's exhaustion of rights to normal sickness benefits may occur during an extended benefit period based on an exhaustion of rights to normal unemployment benefits. Under the bill the employee could in such a case begin another extended benefit period, this one based on his exhaustion of normal sickness benefit rights. The establishment of this extended benefit period would not terminate the previously established extended benefit period based on exhaustion of unemployment benefit rights. The two extended benefit periods would continue to exist independently, each for the period prescribed in the act. Conversely, an employee who exhausts his unemployment benefit rights during an extended benefit period established under the amendments on the basis of an exhaustion of rights to sickness benefits could then have an extended benefit period based on his exhaustion of unemployment benefit rights.

In every extended benefit period the provision enlarging the number of days for which benefits may be paid would apply only to days of the type involved in the exhaustion on the basis of which the period was established. Thus, in an extended benefit period based on the exhaustion of unemployment benefits, benefits for days of unemployment in excess of the normal maximum could be paid, but no benefits would be payable for days of sickness in excess of the normal maximum for sickness benefits. On the other hand, sickness benefits in excess of the normal maximum could be paid in an extended benefit period based on the exhaustion of rights to sickness benefits, but the normal maximum would control the number of days for which unemployment benefits could be paid in such an extended benefit period. As under the present provisions of the act, the benefit year in which normal benefit rights were exhausted would not end before the last day of an extended benefit period based on that exhaustion. In a case involving the exhaustion of both unemployment and sickness benefits, the benefit year would not end before the last day of the later of the extended benefit periods established on the basis of those exhaustions.

Paragraph (b)(2), subdivisions (vii) through (ix).—The second sentence of section 2(c) of the act now provides for the early beginning of a general benefit year (sometimes referred to as an accelereated benefit year) in certain cases involving days of unemployment. Subdivisions (vii) through (ix) of this paragraph would add provisions for a similar early beginning of a general benefit year in certain cases involving days of sickness. If an employee has 10 or more years of service, has not voluntarily retired, has 14 or more consecutive days of sickness, does not meet the qualifying requirements of section 3 of the act for the general benefit year current when such sickness commences but does for the next succeeding general benefit year, the succeeding benefit year would, in his case, begin on the first day of the month in which the sickness commences if it had not already begun early on the basis of the provisions relating to unemployment. There is no provision, as there is in the case of the early beginning of a benefit year because of unemployment, that the employee must not have left work voluntarily without good cause. Though leaving work might be the cause of an individual's unemployment, it would have no casual relationship to his sickness. As to the effect of attainment of age 65 on an employee's rights to sickness benefits in an accelerated benefit year, see the following analysis of subdivision (x) of this paragraph.

Paragraph (b)(2), subdivision (x).—This subdivision would add two sentences to section 2(c) of the act. The first has to do with the effect of attainment of age 65 on an employee's receipt of extended sickness benefits and on his receipt of sickness benefits in an accelerated benefit year. This sentence reads as follows:

> Notwithstanding the other provisions of this subsection, an extended benefit period for sickness benefits shall terminate on the day next preceding the date on which the employee attains age 65, except that it may continue for the purpose of the payment of unemployment benefits; and, in the case of a succeeding benefit year beginning in accordance with the next preceding sentence by reason of sickness, such sentence shall not operate to permit the payment of benefits in the period provided for in such sentence for any day of sickness beginning with the day on which age 65 is attained and continuing through the day preceding the first day of the next succeeding general benefit year.

The portion of this sentence preceding the semicolon would terminate an extended benefit period for sickness benefits on the day before the employee attains age 65, except that the period could continue for the purpose of the payment of unemployment benefits. This provision would also operate to prevent an employee from *beginning* to receive extended sickness benefits after age 65 has been attained.

Example 1.—On February 15, 1969, an employee began an extended benefit period based on his exhaustion of rights to sickness benefits. (Such extended benefit period might continue for seven or 13 14-day registration periods to enable the employee to receive 65 or 130 days of additional sickness benefits, depending upon whether he had at least 10 or 15 years of service, respectively.) On March 15, 1969, he attained age 65. No sickness benefits could be paid him for March 15, 1969, or subsequent days in the extended benefit period. However, he could be paid any unemployment benefits for which he would be eligible in such extended benefit period.

Example 2.—An employee already 65 years of age exhausted his rights to normal sickness benefits on February 15, 1969. No extended benefit period for sickness benefits could be established for him.

The portion of the sentence in question which follows the semicolon relates to the payment of benefits in accelerated benefit years. In the case of a benefit year which was accelerated on the basis of sickness, this provision would prevent the payment of any sickness benefits, either normal or extended, for days on or after the date of attainment of age 65 and before the first day of the next general benefit year. The employee's rights to normal or extended benefits for days of sickness *prior to* attainment of age 65 would not be affected, and on and after the date of the beginning of the general benefit year the employee could draw any normal sickness benefits for which he is qualified; under the portion of the sentence preceding the semicolon he could not be paid extended sickness benefits for any day on or after attainment of age 65.

The portion of the sentence following the semicolon is not applicable to benefit years accelerated on the basis of unemployment. The reason

for this is the understanding that under the amendments an employee is not to lose any rights he would have under the present law; at present, in a benefit year accelerated on the basis of unemployment an employee can receive sickness benefits regardless of his age. Of course, under the first portion of the sentence in question, which is discussed above, the employee, even in a benefit year accelerated on the basis of unemployment, could not receive *extended* sickness benefits for days on or after his attainment of age 65.

Example 3.—On February 15, 1969, an employee whose 1967 earnings were not enough to qualify him for benefits in the benefit year beginning July 1, 1968, but who had sufficient earnings in 1968 to be qualified for benefits in the general benefit year beginning July 1, 1969, began an accelerated benefit year based on *unemployment.* This was an acceleration of the general benefit year beginning July 1, 1969. On March 15, 1969, the employee attained age 65. This fact would not affect his rights to further unemployment benefits, or to normal sickness benefits, in the accelerated benefit year. Under the first portion of the sentence in question he would not, of course, be entitled to extended sickness benefits in the accelerated benefit year or in any subsequent benefit year.

Example 4.—On February 15, 1969, an employee who was not qualified for benefits in the current benefit year began an accelerated benefit year based on *sickness.* As in example 3, this was an acceleration of the general benefit year beginning July 1, 1969. On March 15, 1969, the employee attained age 65. In the accelerated benefit year beginning February 51, 1969, the employee, as a result of the portion of the sentence following the semicolon, could not receive any sickness benefits, either normal or extended, for any day in the period beginning with March 15, 1969, the day on which he attained age 65, and ending with June 30, 1969, the day preceding the first day of the general benefit year beginning July 1, 1969. His rights to normal benefits for days of sickness prior to attainment of age 65 would not be affected. Beginning with July 1, 1969, the employee, even though 65 years of age, could receive any normal sickness benefits for which he is qualified; in view of his age, the portion of the sentence preceding the semicolon would prevent him from receiving extended sickness benefits. The employee's rights to unemployment benefits would, of course, not be affected by his attainment of age 65.

The second sentence which would be added to section 2(c) of the act by subdivision (x) of paragraph (b)(2) relates to the evidence of age on which the Board may rely for purposes of section 2(c) of the act (determination of attainment of age 65) and the new subsection (h) which would be added to section 10 of the act by section 205 of the bill, discussed below. In such matters the Board could rely on evidence of age available in its records and files when determinations of age are made.

SECTION 203

Section 3 of the act now provides that an employee, in order to be qualified for benefits, must have had compensation of at least $750 in his base year; also, if he had no compensation prior to the base year,

he must have had compensation in at least 7 months in the base year. Section 203 of the bill would raise the required amount of base-year compensation from $750 to $1,000; no change would be made in the further requirement of at least 7 months of service in the base year if the employee had not had compensation prior to that year.

SECTION 204

Subsection (a).—This subsection would add a new disqualification provision to those now contained in section 4(a–1) of the act. The new disqualification is applicable when the employee receives a separation allowance. While such an allowance is "remuneration," it is ordinarily not attributable to any day after the last day of service, and consequently does not prevent the payment of unemployment or sickness benefits under the present act. The new provision would prevent any day during a prescribed period from being a day of unemployment or a day of sickness if the employee received a separation allowance. That period would begin with the day following the employee's separation from service, and would continue for a length of time determined under a formula which takes into account the amount of the allowance, the employee's last daily rate of compensation, and the number of days a week he normally works. The purpose of the formula is to make the disqualification cover a period as nearly as possible equivalent to the length of time it would take the employee to earn the amount of the separation allowance. The employee's last daily rate of compensation could be determined in the same manner as it is now administratively determined for the purposes of the proviso in section 2(a) of the act by virtue of the last sentence of that proviso.

Under the formula the disqualification would continue for that number of consecutive 14-day periods which is equal, or most nearly equal, to the amount of the separation allowance divided (i) by 10 times the employee's last daily rate of compensation prior to his separation if he normally works 5 days a week, (ii) by 12 times such rate if he normally works 6 days a week, and (iii) by 14 times such rate if he normally works 7 days a week. In the application of the formula every employee would be regarded as normally working 5 days a week unless the evidence showed that he normally works 6 or 7 days a week.

The application of the formula may be illustrated by the following example: An employee received a separation allowance of $1,000; his last daily rate of pay was $25, and there was nothing to show that he normally works 6 or 7 days a week. The daily rate of pay, $25, would be multiplied by 10, the product being 250. The amount of the separation allowance, $1,000, would be divided by this 250, the result being 4. Consequently, the disqualification period, beginning with the day following the employee's separation from service, would continue for four consecutive 14-day periods, amounting to 56 consecutive days.

Subsection (b).—Section 4(a–2)(i) of the act provides a disqualification for unemployment benefits in the case of an employee who leaves work voluntarily. The disqualification begins with the day on which the employee left work, and continues until he has been paid compensation of at least $750 with respect to time after the voluntary leaving. Subsection (b) of section 204 of the bill would raise this amount from $750 to $1,000. This change is in line with the increase in the qualifying amount made by section 203 of the bill.

SECTION 205

Section 4(a–1)(ii) of the act contains certain provisions against duplication of benefits under the act and payments under other laws. Among other things it provides that a day cannot be a day of unemployment or a day of sickness if it is in a period for which an annuity under the Railroad Retirement Act is payable; if unemployment or sickness benefits have already been paid before the annuity is awarded, the Railroad Retirement Board may recover the amount by which the unemployment or sickness benefits were increased by including, as days of unemployment or days of sickness, days in the period covered by the annuity. The provisions discussed in the preceding sentence are, however, not applicable if the part of the annuity payments which is apportionable to the days of unemployment or sickness is less than the unemployment or sickness benefits which would have been payable for such days (and not recoverable) if it were not for the provisions of section 4(a–1)(ii); in such cases, the unemployment or sickness benefits which would thus have been payable (and not recoverable) are to be diminished, or if already paid are to be recoverable, in the amount of the part of the annuity payments apportionable to the days of unemployment or sickness.

Many employees who would be entitled to annuities under the Railroad Retirement Act if they applied for them prefer not to apply, and instead claim unemployment or sickness benefits to which they are entitled. In such cases the provisions of section 4(a–1)(ii) are not applicable.

Section 205 of the bill would add to section 10 of the act a new subsection (h), providing for an annual transfer of funds from the Railroad Retirement Account to the railroad unemployment insurance account. The Railroad Retirement Board would determine for each fiscal year an amount which, if added to the railroad unemployment insurance account, would place the account in the same position it would have been in at the close of the fiscal year if certain annuity payments had been made. The hypothetical annuity payments to be taken into consideration would be those which would have been made to employees who during the fiscal year were paid benefits for days of sickness in an extended benefit period or in an accelerated benefit year, and who upon application would have been entitled to a disability annuity under section 2(a) of the Railroad Retirement Act of 1937 with respect to some or all of the days for which such benefits were paid. It would be assumed that every such employee had been paid such an annuity with respect to all of the days in the fiscal year for which he was paid sickness benefits (including normal benefits as well as benefits in an extended benefit period or in an accelerated benefit year) which were also days with respect to which such annuity could have accrued.

The provisions of the new subsection (h) concerning the transfer of funds are similar to those contained in section 5(k)(2) of the Railroad Retirement Act of 1937, under which the Railroad Retirement Board and the Secretary of Health, Education, and Welfare are directed to determine the amounts which should be transferred annually between the Railroad Retirement Account and the several funds under the Social Security Act. Under the amendment which would be made by the new subsection the Railroad Retirement Board would, for the

fiscal year ending June 30, 1968, and subsequent fiscal years, determine the amount described in the preceding paragraph.

In making the determination the Board would apply a presumption regarding an employee's qualification for a disability annuity. If any one of three conditions is met, the Board would presume that the employee's permanent physical or mental condition was such that he was qualified for such an annuity from the date of onset of the last spell of illness for which he was paid sickness benefits. The three conditions are: (1) the employee died without applying for a disability annuity and before fully exhausting all his rights to sickness benefits; (2) the employee died without applying for a disability annuity but within a year after the last day of sickness for which he had been paid benefits, and had not meanwhile engaged in substantial gainful employment, or (3) the employee applied for a disability annuity within 1 year after the last day of sickness for which he was paid benefits, and had not engaged in substantial gainful employment after that day and before the day on which he filed his annuity application.

The Board, in making the determination referred to in the preceding paragraphs, would have authority to make such reasonable approximations as it considers necessary in computing annuities for this purpose. This authority would enable the Board to use statistical methods of estimating, to use information in its files without conducting individual investigations and making individual determinations, and to employ other reasonable timesaving methods to arrive at the amount to be transferred. The Board's determination would have to be made no later than June 15 following the close of the fiscal year, and within 10 days after such determination the Board would be required to certify to the Secretary of the Treasury the amount to be transferred from the Railroad Retirement Account to the railroad unemployment insurance account. The Secretary of the Treasury would be directed to make the transfer. The amount to be certified by the Board would include interest from the close of the fiscal year to the date of certification. The rate of interest would be determined, as of the close of the fiscal year, in accordance with section 10(d) of the act; that section provides for an interest rate for each fiscal year equal to the average rate of interest borne by all special obligations held by the Railroad Retirement Account on the last day of the preceding fiscal year, rounded to the nearest multiple of one-eighth of 1 percent.

Besides adding the new subsection (h) to section 10 of the act, section 205 of the bill would amend subsection (a) of section 10. The second sentence of subsection (a) states what the railroad unemployment insurance account shall consist of. Section 205 would insert in subdivision (ii) of that subsection a reference to amounts transferred into the account pursuant to the new subsection (h).

SECTIONS 206 AND 207

The amendments made by these two sections would remove from the act other provisions relating to maternity benefits.

SECTION 208

This section provides effective dates for some of the amendments made by Title II; no dates are stated for those amendments which themselves show clearly the time as of which they are to take effect.

The amendments removing references to maternity benefits (sections 201(a)(1), 201(b), 202(a)(1), 202(a)(2), 202(b)(1), 206 and 207 of the bill) would be effective as of July 1, 1968. This would also be the effective date of the amendment (section 201(a)(1) of the bill) which would include in the definition of "day of sickness" a provision relating to pregnancy, miscarriage, or the birth of a child.

The amendment to the "subsidiary remuneration" provision (section 201(a)(2) of the bill) would be effective with respect to base years beginning in the calendar year 1967 and subsequent calendar years.

The amendments concerning the increase in the daily benefit rate (section 202(a)(3) of the bill) would be effective with respect to days of unemployment and days of sickness in registration periods beginning on or after July 1, 1968. This is subject to an exception, discussed below, in the case of an employee having compensation of at least $750 but less than $1,000 in the 1967 base year.

The amendment to section 3 raising the qualifying amount from $750 to $1,000 (section 203 of the bill) would generally be effective with respect to base years beginning in the calendar year 1967 and subsequent calendar years. This is subject to an exception in the case of an employee whose 1967 base-year compensation was at least $750 but less than $1,000. In his case the increase in the qualifying amount would not be applicable. However, in registration periods in the benefit year beginning July 1, 1968, any benefits to which he might be entitled would be payable at the rates provided for in the present act, not at the increased rates provided for in section 202(a)(3) of the bill.

The amendments providing for extended sickness benefits (section 202(b)(2) (i) through (vi) of the bill) would be effective to provide for the beginning of extended benefit periods on or after July 1, 1968.

The amendments providing for accelerated benefit years on the basis of sickness (section 202(b)(2) (vii) through (ix) of the bill) would be effective to provide for the early beginning of a benefit year on or after July 1, 1967.

The amendment providing a disqualification because of receipt of a separation allowance (section 204(a) of the bill) would be effective with respect to calendar days in benefit years beginning after June 30, 1968.

The amendment increasing the amount of compensation needed to terminate the disqualification for leaving work voluntarily (section 204(b) of the bill) would be effective with respect to such voluntary leaving after the anactment date.

RAILROAD RETIREMENT BOARD,
Chicago, Ill., January 12, 1968.

Hon. HARLEY O. STAGGERS,
Chairman, Committee on Interstate and Foreign Commerce, Rayburn House Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to your request of December 19, 1967, this is the report of the Railroad Retirement Board on the bill, H.R. 14563, which was introduced by yourself on December 15, 1967. This bill embodies the provisions of a program which was developed jointly by railway labor and management in consultation with the Board. The Board joins these parties in recommending the enactment of the bill.

The bill consists of two titles, the first of which would increase annuities under the Railroad Retirement Act and the other would increase benefits under the Railroad Unemployment Insurance Act. Each title will make other improvements in the act it would amend, and each will be discussed separately below.

TITLE I—AMENDMENTS TO THE RAILROAD RETIREMENT ACT

The bill would increase annuity amounts payable under the regular formula of the Railroad Retirement Act by an amount approximately equivalent to 110 percent of the dollar amount of increase which an individual with a similar earnings history could have obtained from the percentage increase in benefits provided by the Social Security Amendments of 1967, subject to certain adjustments which are described below. Annuities payable under the social security minimum guarantee provision in section 3(e) of the Railroad Retirement Act would not be increased by the bill because such amounts are automatically increased as the result of the 1967 increase in social security benefits.

The increase in annuities provided by the bill would re ate only to the percentage increase in the amount of social security benefits over the amount payable under the 1965 amendments to the Social Security Act. The reason for so restricting the increases is that higher benefits attributable solely to the increase in the social security earnings base to $7,800 per year come automatically under the Railroad Retirement Act by the operation of the existing provision which fixes the railroad retirement monthly compensation limit at one-twelfth of the annual wage limit under the Social Security Act. This increase in the maximum creditable compensation under the Railroad Retirement Act to $650 per month will of itself produce higher annuity amounts for those employees who earn in excess of $550 a month. There will be an additional increase in annuities resulting from the provision in the bill to remove the limitation of the 7-percent 1966 increase in annuities to the part of the individual's annuity based on the first $450 of his monthly compensation. The removal of this limitation would make the 7-percent increase in benefits applicable to the annuity based on the entire monthly compensation, and this would result in an increase in his annuity. Thus, an employee earning more than $550 a month would have his railroad retirement annuity increased under two legislative enactments. The total of the two increases will, in the general case, be considerably greater than 110 percent of the increase that could be derived from the 1967 Social Security Amendments by virtue of the combination of the formula increase and the higher earnings base. (See the last part of the appendix for an illustrative example.)

The change required in the formula for computing retirement annuity amounts which is required to effect the increase is provided for in section 104(a) of the bill. This section would amend the present section 3(a) of the Railroad Retirement Act in several ways. First, it would raise the annuity factor applicable to the part of the average monthly compensation in excess of $450, from 1.67 to 1.79 percent. The effect of this would be to make the 7-percent increase of 1966 applicable to the whole range of average monthly compensation. Second, the amended section 3(a) of the Railroad Retirement Act would add another increase computed from the schedule appearing in section 3(a)(2).

The amount of the increase would be subject to certain reductions which are explained later in this report.

For purposes of the schedule increase, section 3(a) would treat an individual's average monthly compensation (on which his annuity is based) as if it were his average monthly wage under the Social Security Act, and arrive at an approximation of 110 percent of the social security percentage increases as shown in the table below.

DERIVATION OF INCREASES IN TABLE IN SEC. 104(a) OF THE BILL TO AMEND THE RAILROAD RETIREMENT ACT [1]
(REVISED SEC. 3(a) OF THE RAILROAD RETIREMENT ACT)

Average monthly compensation	1965 act primary insurance amount as extended	1967 act primary insurance amount	110 percent of increase in primary insurance amount
(I)	(II)	(III)	(IV)
Up to $100	$63.20	$71.50	$9.13
$101 to $150	78.20	88.40	11.22
$151 to $200	89.90	101.60	12.87
$201 to $250	101.70	115.00	14.63
$251 to $300	112.40	127.10	16.17
$301 to $350	124.20	140.40	17.82
$351 to $400	135.90	153.60	19.47
$401 to $450	146.00	165.00	20.90
$451 to $500	157.00	177.50	22.55
$501 to $550	168.00	189.90	24.09
$551 to $600	178.70	204.00	27.83
$601 and over	189.40	218.00	31.46

[1] The primary insurance amounts and the increases are those for an average monthly wage corresponding to the highest average monthly compensation in the intervals shown.

As constructed, the second column of the above table includes an extension of the table in section 215(a) of the Social Security Act before its amendment in 1967. This extension is achieved by adding 21.4 percent of the average monthly wage in excess of $550 to the primary insurance amount of $168 for the 1965 maximum average monthly wage of $550. The formula underlying the 1965 table for computing a social security benefit called for 62.97 percent of the first $110, 22.9 percent of the next $290, and 21.4 percent of the average monthly wage in excess of $400.

As stated before, the upper end of the monthly compensation in column I of the table is deemed to be the individual's average monthly wage. The figures above $550 show what his monthly benefit would have been under the Social Security Act as amended in 1965 if the social security wage base had then been increased to the maximum provided by the 1967 Social Security Amendments. The corresponding amount of the social security benefit under the 1965 act is shown in column II. This amount is then converted to a corresponding higher amount under the 1967 Social Security Amendments and is shown in column III. Finally, the difference between the amount in column III and the amount in column II is increased by 10 percent of the amount shown in column IV. Since columns II and III above merely show how the amounts in column IV are arrived at, they are not necessary for the purposes of the bill and are omitted from the table in the proposed section 3(a)(2).

The table takes account of the 1967 change in formula for increasing benefits under the Social Security Act but disregards the effect of the raises in social security benefits due solely to the increase in the earnings base from $6,600 to $7,800 per year. The table in the bill thus avoids duplication of benefit increases on the basis of earnings in

excess of $550 a month because, as stated earlier, the increase in the wage base under the Social Security Act will automatically result in an increase in the railroad retirement annuity even without this bill. If the table had included also the part of the social security benefit which is due solely to the increase in the earnings base, there would be a duplication of the increase already available under the present provisions of the Railroad Retirement Act.

The increases in annuities provided for in the bill would be subject to certain reductions. It is the intent of the bill to make certain that every employee annuitant paid under the regular formula receives an increase in the benefit to which he would be entitled under the 1966 amendments to the Railroad Retirement Act, and that in no case shall such increase (prior to reduction for early retirement) be less than about $10.

To facilitate administration, the bill provides for a method which avoids the computation of an annuity under the 1966 act as a first step. This is accomplished by applying all reductions against the amount of the increase derived from the schedule in section 3(a)(2). The reductions provided for in the first two provisos of section 3(a)(2) aim at the following results:

1. The reduction for the receipt of a supplemental annuity shall be dollarwise the same as under the 1966 act.

2. The social security offset shall be a combination of the offset in present law for the 7-percent increase in the Social Security Amendments of 1965 and an additional offset for the 13-percent increase in the Social Security Amendments of 1967. This is a continuation of the principle which was established by the Railroad Retirement Amendments of 1966.

Basically, there would be four types of cases: (1) no offset of any kind is applicable; (2) the employee is entitled to a supplemental annuity but not to a social security benefit; (3) the employee is entitled to a social security benefit but not to a supplemental annuity; and (4) the employee is entitled to both a supplemental annuity and a social security benefit. In the last three kinds of cases, the offsets are computed by means of appropriate reduction factors in the manner explained in the appendix.

The third proviso of the new section 3(a)(2) is intended to make certain that after all the other computations provided for in section 3(a) (1) and (2), the increase (before any reduction for early retirement) would be about $10 above the amount to which the retired employee would be entitled under the 1966 amendments to the Railroad Retirement Act. Thus, if the amount calculated under the new section 3(a)(1) and that part of the new section 3(a)(2) which precedes the third proviso does not, in effect, exceed by $10 or more the amount calculated under the 1966 law, the third proviso of the new section 3(a)(2) would apply. To arrive at the amount which would be payable under the 1966 law, it would have been necessary to make a separate calculation which would considerably complicate the adjudication process. In order to avoid this, the bill provides for a procedure which would accomplish the desired result without direct reference to the benefit amount under the 1966 law. How this would be done is explained in the computations shown in the appendix for case 3. The proviso contains additional language to make sure that in the unusual case where the individual's social security benefit is larger than his

railroad retirement annuity, the amount to be deducted from the basic $10 minimum will not be greater than the amount of the reduction applied against the 7-percent increase under the 1966 law.

Other provisions in the bill would increase annuities of spouses and survivors of employees in a way similar to that provided for increasing employee annuities, except that the minimum increase above the amount payable under the 1966 amendments to the Railroad Retirement Act would be about $5 a month instead of about $10, and except that the spouse's annuity would not be increased over the maximum amount provided in section 2(e) of the Railroad Retirement Act.

Further, the bill would provide reduced annuities for disabled widows and widowers who have attained age 50 under roughly the same conditions as monthly benefits would be provided for totally disabled widows and widowers covered under the Social Security Amendments of 1967, except that there would be no waiting period before such an annuity could be paid. The reduction would be by three-tenths of 1 percent for each month the individual is under age 60 when the annuity begins. This factor will ordinarily produce for the disabled widow a benefit somewhat higher than 110 percent of the corresponding amount under the Social Security Act. The reduction would remain in effect throughout the individual's life. If the annuity is not paid for some months after it begins—for example, in the case of a recovery from disability—the reduction would be adjusted after age 60 is attained by removing from the reduction period the months for which the annuity was not paid.

This bill would amend section 1(h) of the act to increase the amount to be credited for each month of military service after 1967 from $160 to $260. This would be in accord with the increase in wage credits under the Social Security Act (as amended in 1967) for military service.

The provisions requiring the loss of an employee's disability annuity payment because of work would be changed so that he could now earn $2,400 in a year instead of $1,200 without losing annuity payments for any month in the year; also, as a result of the change, he could earn as much as $200 in a month instead of $100, regardless of his total earnings for the year, and not lose his annuity for that month.

Finally, the bill would remove an inequity in present law. Prior to 1957, the Railroad Retirement Act and the Social Security Act required, for the purpose of benefits based on a marital relationship, that there be a marriage valid in all respects. In 1957, the Social Security Act was amended to provide benefits in some cases even if the marriage was not valid as theretofore required. The strict requirements in this respect under the Railroad Retirement Act, however, remained unchanged. This resulted in the denial, under the Railroad Retirement Act, of benefits in cases where, in similar situations, the Social Security Administration would have paid the benefits. There are also other cases where individuals, such as a child, can qualify as having the necessary family status under the Social Security Act to be paid benefits but cannot qualify under the Railroad Retirement Act. Title I of the bill would amend the Railroad Retirement Act to incorporate the provisions of the entire current section 216(h) of the Social Security Act in this respect.

There would be some changes of a technical nature designed to facilitate administration. Some of these changes in regard to determining wage and compensation credits before 1951 by electronic

computer, would be in general accord with similar changes in the Social Security Act effected by the amendments of 1967.

The increase in annuities provided by the bill would be effective with respect to annuities accruing for months beginning with the month in which the increases in benefits under title II of the Social Security Act are effective (February 1968) and with respect to pensions due in months next following such month.

TITLE II—AMENDMENTS TO THE RAILROAD UNEMPLOYMENT INSURANCE ACT

Title II of H.R. 14563 would amend the Railroad Unemployment Insurance Act as shown below.

(1) Maternity benefits would be eliminated, but the definition of "day of sickness" in section 1(k) of the act would be amended so as to specifically include a day on which, because of pregnancy, miscarriage, or the birth of a child, a female employee is unable to work or working would be injurious to her health.

(2) The amount of creditable compensation an employee must earn in a base year, as a qualifying condition for the payment of benefits under the act, would be increased from the present $750 to $1,000. A corresponding increase would be made in the subsidiary remuneration provision, and in the provision stating the minimum amount of compensation which an employee who has voluntarily left work must be paid with respect to time after such leaving before his disqualification for unemployment benefits can end.

(3) The benefit rate schedule would be revised, and the maximum daily benefit rate would be increased from $10.20 to $12.70 for days of unemployment and days of sickness.

(4) Provision would be made for extended sickness benefits similar to the extended unemployment benefits now provided.

(5) The present provision for the possible early beginning of a benefit year in cases involving days of unemployment would be expanded to provide for the possible early beginning of a benefit year in cases involving days of sickness.

(6) Attainment of age 65 would end all rights to extended sickness benefits. In an accelerated benefit year begun for the purpose of the payment of sickness benefits, attainment of age 65 prior to the beginning of the general benefit year which was accelerated would end all rights to further sickness benefits until the beginning of the general benefit year. These limitations would not deprive any employee of rights he now has to sickness benefits under the present law; such rights would continue unaffected.

(7) Provision is made for the transfer from the railroad retirement account to the railroad unemployment insurance account, at the close of each fiscal year, of the amount which, if added to the railroad unemployment insurance account, would place such account in the same position it would have been in at the close of such fiscal year if every employee who had been paid extended or accelerated sickness benefits in the fiscal year, and who upon application therefor would have been entitled to a disability annuity under section 2(a) of the Railroad Retirement Act with respect to some or all of the days for which such benefits were paid, had been paid such annuity with respect to all days of sickness for which he was paid benefits which were also days with respect to which such annuity could have accrued.

(8) An additional disqualifying condition would be added, with the effect that an employee who has been paid a separation allowance would not receive any unemployment or sickness benefits for a period following his separation from service. The length of the period would be determined by a formula taking into account the amount of his allowance, his last daily rate of pay, and the number of days in his normal work week.

A more detailed explanation of these changes is given below.

(1) *Elimination of maternity benefits, and provision for days of sickness due to pregnancy, miscarriage, or the birth of a child.*—Under present law, a woman employee could receive the equivalent of 260 days of sickness and maternity benefits in a single benefit year (130 days for sickness, and the equivalent of 130 days of maternity benefits). Under the amendments she could receive no maternity benefits, and the maximum number of days for which she could receive normal sickness benefits in a single benefit year would be 130. For example, if a female employee should be paid for 100 days of sickness during pregnancy and following the birth of her child, she would be entitled to normal sickness benefits for no more than 30 additional days of sickness in that same benefit year (she might be entitled to extended sickness benefits if she had 10 or more years of service and met the other requirements). The statement of sickness that the Board would require with respect to the days of sickness during the pregnancy and following the birth of her child would establish that each day claimed is a day of sickness because it is a day on which, because of pregnancy, miscarriage, or the birth of a child, she is unable to work or working would be injurious to her health.

(2) *Increase in qualifying amounts.*—The increase from $750 to $1,000 in the amount of creditable compensation which an employee must earn in a base year in order to be qualified to receive benefits under the act is warranted by the increase in wages since 1963, when such qualifying amount was last increased (from $500 to $750). Corresponding changes would be made in the subsidiary remuneration provision, and in the provision stating the minimum amount of compensation which an employee who has voluntarily left work must be paid with respect to time after such leaving before his disqualification for unemployment benefits can end.

(3) *Increase in maximum daily benefits rate.*—Except for the stricter eligibility requirements provided for in the 1963 amendments to the Railroad Unemployment Insurance Act (by Public Law 88–133), there have been no changes in the benefit provisions of the act since those made by the 1959 amendments (Public Law 86–28). Since that time, however, there have been major changes in railroad pay rates and earnings levels. Moreover, there have been many improvements in the State unemployment compensation laws in that interval, with the result that the Railroad Unemployment Insurance Act now compares less favorably with the State laws than it did in 1959.

In 19 States, with over half the workers under State unemployment compensation laws, it is now possible for a beneficiary to receive more (including the dependents allowances in six States) than the $51-a-week maximum (5 times $10.20) now payable under the Railroad Unemployment Insurance Act. Furthermore, supplementary unemployment benefit plans and nongovernmental sickness benefit plans frequently pay more than $51 a week, and in some cases pay more

than the $63.50 a week (5 times $12.70) which will be the maximum for Railroad Unemployment Insurance Act benefits under the proposed amendments. Benefits in excess of $63.50 a week are available in eight States (including the dependents allowances in six States).

(4) and (5) *Extended and accelerated benefits for sickness.*—The addition of extended benefit periods and accelerated benefit years for sickness would provide for sickness the same treatment that unemployment has received since 1959. This would benefit primarily the older, long-service employees, who are more likely to have long illnesses. Currently, the proportion of beneficiaries exhausting sickness benefits is as large as the proportion exhausting normal unemployment benefits, and the need is greater for the sickness beneficiary. Even with the fine health and welfare benefits that have been negotiated for railroad employees, the cost of illness is much greater than the cost of unemployment and, of course, the sickness beneficiary is not available for placement in nonrailroad employment the way an unemployment beneficiary is, so he dose not have the same opportunity to obtain other income.

It is now possible for beneficiaries in two of the four States with statutory plans for sickness benefits to become entitled to sickness benefits for more than 26 weeks in a single year, if they have more than one spell of sickness in that year. Also, sick leave plans—for example, in Federal employment—may have payment durations longer than 26 weeks where the length of available leave is based on total service and the amount of leave previously used; some large industrial plans pay sickness benefits for 52 weeks or more.

(6) *Termination of right to extended sickness benefits, and sickness benefits in an accelerated benefit year, upon attainment of age 65.*—When an employee attains age 65, his rights to extended sickness benefits would cease. If he attained age 65 after the early beginning of a benefit year based on sickness, and before the beginning of the general benefit year which was accelerated, his rights to further sickness benefits would end until the beginning of that general benefit year. These limitations based on attainment of age 65 would not deprive any employee of rights he now has to sickness benefits under the present law; such rights would continue unaffected.

(7) *Transfers from the railroad retirement account to the railroad unemployment insurance account.*—Many individuals who will receive the new extended sickness benefits, or sickness benefits in an accelerated benefit year, would be qualified for disability annuities under the Railroad Retirement Act. If they were to apply for, and receive, such annuities, their entitlement to sickness benefits would be limited by section 4(a–1)(ii) of the Railroad Unemployment Insurance Act, the purpose of which is to prevent the duplication of payments under that act and other social insurance laws. It is expected, however, that after extended and accelerated sickness benefits are introduced a considerable number of these individuals will postpone applying for their disability annuities, with the result that section 4(a–1)(ii) will not operate during the periods of such postponement. For this reason, the amendments include a provision for an annual transfer of funds from the railroad retirement account to the railroad unemployment insurance account in an amount which will place the latter account in the position it would have been in

at the close of the fiscal year if those individuals had applied for, and received, their disability annuities for days for which they were paid sickness benefits in the fiscal year. Ordinarily, an individual's annuity qualifications in terms of age, service, and physical and mental condition are investigated and determined by the Bureau of Retirement Claims on a case-by-case basis. Such a thorough treatment is not practical or desirable for purposes of the contemplated interaccount transfer. The amendments authorize the Board to presume that individuals in certain situations are qualified for disability annuities, to make reasonable approximations deemed necessary in computing annuities for this purpose, and to rely on evidence of age available in its files and records. It is expected that the amount to be transferred will be ascertained by applying statistical methods and reasonable approximations.

(8) *Disqualification for days after separation in the case of an employee who has been paid a separation allowance.*—The new disqualifying condition would mean that an employee who has been paid a separation allowance could not receive any unemployment or sickness benefits for a period following his separation from service. The length of the period will be determined by a formula taking into account the amount of his allowance, his last daily rate of pay, and the number of days in his normal workweek. The disqualification would apply to any of the days in the period beginning with the day following his separation from service and continuing for that number of consecutive 14-day periods which is equal, or most nearly equal, to the amount of the separation allowance divided (i) by 10 times his last daily rate of compensation prior to his separation if he normally works 5 days a week; (ii) by 12 times such rate if he normally works 6 days a week; and (iii) by 14 times such rate if he normally works 7 days a week. The purpose of the formula is to make the disqualification cover a period as nearly as possible equivalent to the length of time it would have taken the employee to earn the amount of the separation allowance. In the application of the formula, every employee would be regarded as normally working 5 days a week unless the evidence showed that he normally works 6 or 7 days a week.

The application of the formula may be illustrated by the following example: An employee received a separation allowance of $1,000; his last daily rate of pay was $25, and there was nothing to show that he normally works 6 or 7 days a week. The daily rate of pay, $25, would be multiplied by 10—the product being 250. The amount of the separation allowance, $1,000, would be divided by this 250—the result being four. Consequently, the disqualification period, beginning with the day following the employee's separation from service, would continue for four consecutive 14-day periods, amounting to 56 consecutive calendar days.

ACTUARIAL COST ESTIMATES

The bill would increase the cost of the retirement and survivor program by $62 million a year and the cost of the unemployment and sickness insurance program by $21 million per year. Since the bill would not generate any additional revenues, the added cost would have to be met from existing resources. In the case of the railroad retirement amendments (title I of the bill), the effect of the bill would be to use

up the actuarial gains resulting from the 1967 Social Security Amendments and to have the system absorb an additional $15 million per year. This means that after the enactment of the bill there will be an actuarial deficiency of $58 million per year on a level basis which is equivalent to 1.16 percent of taxable payroll under the new limit of $650 per month. The amendments to the Railroad Unemployment Insurance Act (title II of the bill) would have the effect of prolonging the liquidation of the remaining indebtedness to the railroad retirement account and of slowing down the accumulation of reserves thereafter.

A more detailed analysis of the financial consequences of the bill is given below.

I. Amendments to the Railroad Retirement Act

The pertinent question here is how the actuarial condition of the railroad retirement system after the enactment of the bill will compare with that which existed immediately prior to enactment of the 1967 Social Security Amendments. In order to answer this question, it is necessary to begin the cost analysis with a discussion of the financial effects of these amendments on the railroad retirement system.

ACTUARIAL EFFECTS OF THE 1967 SOCIAL SECURITY AMENDMENTS

In broad outline, the 1967 Social Security Amendments affected the railroad retirement system in the following ways:

1. The railroad retirement earnings base went up from $550 to $650 per month effective January 1, 1968. This will generate substantial increases in both tax collections and benefit disbursements.
2. The scheduled tax rates were changed by the same fractions of percentage points as were the social security rates.
3. Benefits computed under the social security minimum guarantee went up by 110 percent of the corresponding increases granted by the social security amendments. A similar increase took place in the amount of the maximum spouse's annuity that may be paid under the Railroad Retirement Act.
4. The benefit reimbursements under the financial interchange with social security will be substantially increased but so will the contributions on railroad payrolls which are credited to social security under that arrangement.

Some of the effects will be felt almost immediately and some will be delayed for many years. In the first category are the additional taxes due to the increase in the earnings base, the additional benefits payable in the social security minimum and spouse maximum cases, and a large part of the additional credits and debits under the financial interchange. On the other hand, the additional benefits due to the increase in the earnings base will build up very gradually and it will take many years before they will be fully developed. Because of this, the experience in the next several years will not give a good indication of the cost effects over the long range.

The actuarial cost analysis for the effects of this legislation on the railroad retirement system is given in some detail in table 1. The analysis was made from a long-range point of view and is based on

the assumptions used in the 10th actuarial valuation. The additional income is expected to exceed the additional outgo by about $47 million a year on a level basis. This would have been sufficient to wipe out the actuarial deficiency of $43 million per year and to create an actuarial surplus of $4 million per year.

TABLE 1.—*Estimated cost effects of the 1967 social security legislation on the railroad retirement system (equivalent level amounts per year)*

Item	*Amount per year (millions)*
Additional railroad retirement taxes exclusive of medicare	$89.9
Additional RRA benefit payments, total	92.8
Higher earnings base (exclusive of effect on spouse maximum)	34.1
Increase in spouse maximum	18.3
Overall minimum cases	40.4
Additional gain from financial interchange, net	49.9
Benefit reimbursements	+96.9
OASDI contributions	−47.4
Additional medicare taxes	+.4
Actuarial balance after enactment, surplus	+4.0
Deficiency before any 1967 legislation	−43.0
Excess of additional income over additional outgo	+47.0

ACTUARIAL EFFECTS OF H.R. 14563

Title I of this bill would affect only benefit payments under the Railroad Retirement Act; it would not affect in any way the earnings base, tax receipts, or the transactions under the financial interchange. (The latter are governed by social security law and not railroad retirement law.) As stated elsewhere in this report, the main purpose of this part of the bill is to assure that all railroad retirement beneficiaries will receive benefit increases approximately equal to 110 percent of the increase they could have received by virtue of the formula changes provided for in the 1967 Social Security Amendments if railroad service had been covered under the Social Security Act. More specifically, the bill aims at taking care of those beneficiaries who otherwise would not have received increases in their railroad retirement benefits by virtue of the changes in the social security benefit formulas. (Additional benefits due to the increase in the earnings base would have been available even without this bill.) In order to treat nondual and dual beneficiaries alike, the bill provides for reducing the railroad retirement increase by the dollar amount of the latest increase in the individual's simultaneous social security benefit, if any. It should be noted in this connection that the partial social security offset also had the effect of keeping the cost of the amendments within reasonable bounds. Without it, the cost would have been nearly $35 million per year greater.

It is estimated that the enactment of the bill would increase railroad retirement benefit disbursements by $62.2 million a year on a level basis (table 2). When this additional cost is combined with the actuarial surplus of $4.0 million per year which would have existed without this bill (table 1), an actuarial deficiency of $58.2 million per year emerges. This is equivalent to 1.16 percent of taxable payroll

under the new limit of $650 per month. While the existence of such an actuarial deficiency is a matter of potential concern, it does not pose a threat to the operating solvency of the system for many years to come. It should also be kept in mind that, in a sense, the cost estimates given here are preliminary because they are based on a valuation for the program provisions in effect immediately before the enactment of the 1967 Social Security Amendments. The next valuation (due some time in 1970) should give a more precise picture of the situation.

TABLE 2.—*Estimated cost effects of H.R. 14563 on the railroad retirement system (equivalent level amounts per year)*

Item	*Amount per year (millions)*
Schedule increases before dual-benefit offsets	+$88.6
Addition for $10 and $5 minimums	+2.5
Savings from dual-benefit offsets	−34.6
Benefits to disabled widows	+2.0
Increases in last annuity factors	+4.2
Change in disability work restriction	+1.0
Savings on residual payments	−1.5
Net cost	+62.2
Actuarial deficiency after enactment	[1] 58.2

[1] Equivalent to 1.16 percent of taxable payroll.

IMMEDIATE EFFECTS

The immediate effects of the 1967 Social Security Amendments and this bill on benefit payments under the Railroad Retirement Act are shown in table 3. All the 950,000 railroad retirement beneficiaries would receive increases effective February 1, 1968. The increases would average around $13 per month for retired employees (they would generally range from a minimum of $10 to a maximum of nearly $21), $7 for spouses, $11 for aged widows, and $11 for other survivors. Also, benefits averaging $83 per month would become available to about 3,000 disabled widows between the ages of 50 and 60. The additional benefit payments for the first year would come to somewhat over $130 million. The additional retirement tax receipts for calendar year 1968 (on an accrual basis exclusive of medicare taxes) will be around $60 million. As stated before, these additional taxes will result from the 1967 Social Security Amendments and not from the bill.

The financial interchange determine due in May or June of 1968 will not as yet reflect any of the effects of the new legislation because it will pertain to operations during fiscal year 1966–67. As stated earlier, the financial interchange transactions will be affected only by the 1967 Social Security Amendments; this bill would have no bearing on them.

As shown in table 3, the average railroad retirement increases for the major classes of beneficiaries affected by the bill will be smaller than for those affected by the Social Security Amendments of 1967 This seeming peculiarity is due to the fact that substantial proportions of the individuals affected only by the bill are receiving social security benefits in addition to their railroad retirement annuities. These dual beneficiaries would not receive a full increase under the bill because of the provision calling for a partial social security offset. (They would receive, however, a full increase in their benefit income from both

systems.) By comparison, the great majority of the individuals affected by the social security amendments will receive full increases from the Railroad Retirement Board because there are relatively few dual beneficiaries among them. For nondual beneficiaries—that is, those not entitled to simultaneous social security benefits—the increases under the bill would, as a general matter, compare favorably with the increases which came about as a result of the social security amendments. (See last part of appendix for an illustrative example.)

TABLE 3.—IMMEDIATE EFFECTS OF H.R. 12080 AND H.R. 14563 IN THE 1ST YEAR AFTER THE EFFECTIVE DATE

Item	Total	Retired employees	Wives	Aged widows	Other monthly survivors
Number receiving increases on effective date (thousands) [1]	[1] 950	437	205	258	50
By virtue of 1967 Social Security Amendments	356	44	[2] 89	173	50
By virtue of H.R. 14563	653	393	[2] 175	85	----
Average amount of increases [3]	----	$13	$7	$11	$11
By virtue of 1967 Social Security Amendments	----	17	7	13	11
By virtue of H.R. 14563	----	13	5	6	----
Total additional benefit payments during year (millions)	[1] $128	70	18	33	7
By virtue of 1967 Social Security Amendments	50	9	7	27	7
By virtue of H.R. 14563	78	61	11	6	----

[1] In addition almost $3,000,000 will be paid to about 3,000 disabled widows between the ages of 50 and 60 who will become eligible to benefits averaging $83 a month by virtue of H.R. 14563.
[2] About 59,000 wives will receive increases by virtue of both bills. This duplication is shown in these figures but omitted in the total.
[3] For those receiving increases by virtue of the particular legislation.

II. Amendments to the Railroad Unemployment Insurance Act

Title II of the bill provides for a substantial increase in the daily benefit rate for both unemployment and sickness and would make it possible for employees with 10 or more years of service to draw sickness benefits for considerably longer periods. As a result of the bill, average benefits per full week of unemployment or sickness would increase from about $50 to $62 and larger amounts of sickness benefits would be paid to most employees who will experience long illness in a benefit year. The bill also contains several features aimed at keeping additional costs within reasonable bounds. Of these, the most important costwise is the provision calling for certain reimbursements from the railroad retirement account, designed to recoup the savings which would otherwise accrue to that account because of the introduction of extended and accelerated sickness benefits. No change is made by the bill either in the amount of compensation subject to contributions or in the schedule of contribution rates.

It is estimated that title II of the bill would increase the benefit costs of the unemployment and sickness insurance program by $20.5 million a year (table 4). This figure is an average for the next 5 years rather than a level cost because the latter cost approach is not applicable to programs which do not involve liabilities deferred for many years. To make the cost estimate moderately conservative, the additional costs were calculated on the assumption that benefit disburse-

ments under present law would have average $45 million a year for unemployment and $40 million a year for sickness.

In the last fiscal year, when benefit payments were at their lowest in the past 15 years, the income of the unemployment and sickness insurance program exceeded the benefit outgo by $60 million so that it was possible to reduce the indebtedness to the railroad retirement account by about the same amount. Under these circumstances, it is felt that the program can absorb the additional cost created by the bill without materially affecting its potential solvency. Obviously, the amounts available for the repayment of the indebtedness to the railroad retirement account would be greatly reduced; however, it is expected that they would still be of the order of $30 million per year. With such a rate of repayment of principal, the indebtedness would be liquidated in another 5 or 6 years. From that point on, some reserves would begin to gradually accumulate.

TABLE 4.—COST ESTIMATE FOR PROPOSED AMENDMENTS TO THE RUIA (AVERAGE ADDITIONAL COSTS PER YEAR IN 1ST 5 YEARS)

[In thousands]

Provision	Total	Unemployment	Sickness
Increase in maximum daily benefit	$19,900	$10,100	$9,800
Increase in amount of qualifying earnings	−2,780	−2,400	−380
Restriction on claimants receiving separation allowances	−1,240	−1,040	−200
Introduction of extended and accelerated sickness benefits [1]	5,500	----------	5,500
Elimination of special maternity benefits	−930	----------	−930
Net increase in benefit costs	[2] 20,450	6,660	13,790

[1] Net amount after adjustment for reimbursements from the railroad retirement account.
[2] To this another $500,000 per year would be added for increases in administration expenses. Thus, the total cost comes to about $21,000,000 per year.

Note: All items in the table relate to a benefit schedule with a maximum of $12.70 per day.

This report is being submitted on behalf of all three members of the Board who unanimously recommend enactment of this bill.

The Bureau of the Budget advises that while there is no objection to the submission of this report, the actuarial deficiency which this bill would create is a matter of serious concern and that the Board should develop recommendations at an early date to cover the increased cost of this measure.

Sincerely yours,

HOWARD W. HABERMEYER,
Chairman.

APPENDIX

The table which follows explains how employee annuities would be computed under the bill, H.R. 14563. It deals with all four types of cases which may arise. In case 1, there is no offset involved because the annuitant is not entitled to a supplemental annuity and is not receiving a social security benefit. In case 2, the employee is entitled to a supplemental annuity but not to a social security benefit. Case 3 refers to a man who is not entitled to a supplemental annuity but is receiving a social security benefit. Finally, case 4 deals with the rather infrequent occurrence of entitlement to both a supplemental annuity and a social security benefit.

The table brings out the following facts:

1. The offset for the supplemental annuity would be almost exactly the same as under present law (items 3(c) and 2(c) of the table).

2. The social security offset under the bill (before adjustment for the minimum) exceeds the corresponding offset under present law by 13 percent of the amount payable immediately before the 1967 amendments. This can be seen from the figures shown in items 1(c), 2(d), and 3(d) of the table. For example, in case 4, the $11.82 of item 3(d) is 13 percent of $91, and in case 3, the $19.67 of item 3(d) exceeds the $6.59 of item 2(d) by $13.08 which is 13 percent of the $100.60 in item 1(c).

3. The $10 minimum specified in the third proviso of the new section 3(a)(2) of the act would apply mostly in cases where the amount computed under the new section 3(a)(1) of the Railroad Retirement Act is not large in relation to the social security benefit.

4. The 5.8 percent of the social security benefit under the 1967 act is practically the same as 6.55 percent of the corresponding amount under the 1965 act. Similarly, 11.5 percent of the former is the same as 13 percent of the latter. Finally, 17.3 percent of the amount under the 1967 Social Security Act accounts for both the 7 percent increase given by the 1965 Social Security Amendments and the 13-percent increase given in 1967. (A $100 social security benefit under the law before it was amended in 1965 became $121 under the 1967 Social Security Act; 17.3 percent of $121 is almost exactly equal to $21.)

A case not dealt with in the table, but which requires special mention, is the one where the average monthly compensation will be in excess of $450. Consider a future annuity award which will be based on, say, $650 of monthly compensation and 30 years of service. Assume that no offset for either a supplemental annuity or a social security benefit will be involved. The amount computed under the new section 3(a)(1) of the Railroad Retirement Act will be $402.90 and the schedule increase will be $31.46, producing a total annuity of $433.36. Under the law before the 1967 Social Security Amendments, this employee could have received only $345.60 because earnings in excess of $550 were not credited and the 7-percent increase in the annuity factor did not apply to the part of the monthly compensation between $450 and $550. The difference between the two amounts of annuity is $87.76. By comparison, the increase in the maximum social security benefits from the 1965 to the 1967 Social Security Act is $50 ($218 versus $168). Thus, the total railroad retirement increase is greatly in excess of 110 percent of the total social security increase—a point which was stressed in the main body of the report.

If, however, this employee will be entitled to a supplemental annuity of, say, $70 per month (but not to a social security benefit), his annuity under the bill would be reduced by $19.36 (6.55 percent of $295.50 which is the part of the annuity based on the first $450 of the average monthly compensation). This is almost exactly the same reduction as would have been applicable under present law since in both instances the reduction would be in an amount derived from the 7-percent increase in the annuity factors applicable to the first $450 of the average monthly compensation. Thus, the effective total increase in this man's annuity (from the railroad retirement law in effect immediately before the Social Security Amendments of 1967

to the law as it would be amended by H.R. 14563) would be approximately the same $87.76 as quoted above for the case where there would be no entitlement to a supplemental annuity.

ILLUSTRATIVE EXAMPLES OF HOW H.R. 14563 WOULD INCREASE EMPLOYEE ANNUITIES UNDER THE RAILROAD RETIREMENT ACT

Item	Case 1	Case 2	Case 3	Case 4
1. Basic facts:				
(a) Average monthly compensation	$290.00	$340.00	$355.00	$325.00
(b) Supplemental annuity	None	70.00	None	70.00
(c) Social security benefit before amendments of 1967	None	None	$100.60	91.00
(d) Social security benefit after amendments of 1967	None	None	$113.70	103.90
2. Computations under present law:				
(a) Benefit with 7-percent increase of 1966 amendments	209.58	236.43	162.99	228.38
(b) Benefit without 7-percent increase of 1966 amendments	195.69	220.74	152.17	213.23
(c) Offset for supplementary annuity (item 2(a) minus item 2(b))	None	15.69	None	15.15
(d) Offset for social security benefit (6.55 percent of item 1(c))	None	None	6.59	[1] None
(e) Annuity payable (item 2(a) minus sum of items 2(c) and 2(d) but not less than item 2(b))	209.58	220.74	156.40	213.23
3. Computations under H.R. 14563:				
(a) Amount under sec. 3(a)(1) of the act	209.58	236.43	162.99	228.38
(b) Schedule increase under sec. 3(a)(2) of the act	16.17	17.82	19.47	17.82
(c) Offset for supplemental annuity (6.55 percent of item 3(a))	None	15.49	None	14.96
(d) Offset for social security benefit (17.3 percent of item 1(d) if no supplemental annuity or 11.5 percent of item 1(d) if there is a supplemental annuity)	None	None	19.67	11.83
(e) Addition to benefit under sec. 3(a)(1) of the act before application of minimum (item 3(b) minus sum of items 3(c) and 3(d))	16.17	2.33	0	0
(f) Offset against minimum (3(c) f there is a supplemental annuity or 5.8 percent of item 1(d) if no supplemental annuity)	None	15.49	6.59	14.96
(g) Minimum addition to amount computed under sec. 3(a)(1) of the act ($10 minus item 3(f))	10.00	0	3.41	0
(h) Annuity payable (item 3(a) plus larger of items 3(e) or 3(g))	225.75	238.76	166.40	228.38
4. Increase due to H.R. 14563 (item 3(h) minus item 2(e))	16.17	18.02	10.00	15.15

[1] Because the offset for the supplemental annuity eliminates the entire 7-percent increase provided by the 1966 amendments.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman).

THE RAILROAD RETIREMENT ACT

PART I

* * * * * * *

"DEFINITIONS

"SECTION 1. For the purposes of this Act—

* * * * * * *

"(h)(1) The term 'compensation' means any form of money remuneration paid to an individual for services rendered as an employee to one or more employers, or as an employee representative, including re-

muneration paid for time lost as an employee, but remuneration paid for time lost shall be deemed earned in the month in which such time is lost. Such term does not include tips (except as is provided under paragraph (2)), or the voluntary payment by an employer, without deduction from the remuneration of the employee, of any tax now or hereafter imposed with respect to the compensation of such employee. For the purposes of determining monthly compensation and years of service and for the purposes of sections 2 and 5 of this Act, compensation earned in the service of a local lodge or division of a railway-labor-organization employer shall be disregarded with respect to any calendar month if the amount thereof is less than $3 and (i) such compensation is earned between December 31, 1936, and April 1, 1940, and taxes thereon pursuant to sections 2(a) and 3(a) of the Carriers Taxing Act of 1937 or sections 1500 and 1520 of the Internal Revenue Code are not paid prior to July 1, 1940; or (ii) such compensation is earned after March 31, 1940. A payment made by an employer to an individual through the employer's pay roll shall be presumed, in the absence of evidence to the contrary, to be compensation for service rendered by such individual as an employee of the employer in the period with respect to which the payment is made. An employee shall be deemed to be paid, 'for time lost' the amount he is paid by an employer with respect to an identifiable period of absence from the active service of the employer, including absence on account of personal injury, and the amount he is paid by the employer for loss of earnings resulting from his displacement to a less remunerative position or occupation. If a payment is made by an employer with respect to a personal injury and includes pay for time lost, the total payment shall be deemed to be paid for time lost unless, at the time of payment, a part of such payment is specifically apportioned to factors other than time lost, in which event only such part of the payment as is not so apportioned shall be deemed to be paid for time lost. Compensation earned in any calendar month before 1947 shall be deemed paid in such month regardless of whether or when payment will have been in fact made, and compensation earned in any calendar year after 1946 but paid after the end of such calendar year shall be deemed to be compensation paid in the calendar year in which it will have been earned if it is so reported by the employer before February 1 of the next succeeding calendar year or, if the employee establishes, subject to the provisions of section 8, the period during which such compensation will have been earned. In determining the monthly compensation, the average monthly remuneration, and quarters of coverage of any employee, there shall be attributable as compensation paid to him in each calendar month *before 1968* in which he is in military service creditable under section 4 the amount of $160 in addition to the compensation, if any, paid to him with respect to such month. *In making such a determination there shall be attributable as compensation paid to him for each calendar month after 1967 in which he is in military service so creditable the amount of $260.* Compensation for service as a delegate to a national or international convention of a railway labor organization defined as an 'employer' in subsection (a) of this section shall be disregarded for purposes of determining eligibility for and the amount of benefits pursuant to this Act if the individual rendering such service has not previously rendered service, other than as such a delegate, which may be included in his 'years of service.'

* * * * * * *

"ANNUITIES

"SEC. 2. (a) * * *

* * * * * * *

"(d) No annuity shall be paid with respect to any month in which an individual in receipt of an annuity hereunder shall render compensated service to an employer or to the last person by whom he was employed prior to the date on which the annuity began to accrue. Individuals receiving annuities shall report to the Board immediately all such compensated service.

"No annuity under paragraph 4 or 5 of subsection (a) of this section shall be paid to an individual with respect to any month in which the individual is under age sixty-five and is paid more than [$100] *$200* in earnings from employment or self-employment of any form: *Provided*, That for the purposes of this paragraph, if a payment in any one calendar month is for accruals in more than one calendar month, such payment shall be deemed to have been paid in each of the months in which accrued to the extent accrued in such month. Any such individual under the age of sixty-five shall report to the Board any such payment of earnings for such employment or self-employment before receipt and acceptance of an annuity for the second month following the month of such payment. A deduction shall be imposed, with respect to any such individual who fails to make such report in the annuity or annuities otherwise due the individual, in an amount equal to the amount of the annuity for each month in which he is paid such earnings in such employment or self-employment, except that the first deduction imposed pursuant to this sentence shall in no case exceed an amount equal to the amount of the annuity otherwise due for the first month with respect to which the deduction is imposed. If pursuant to the third sentence of this subsection an annuity was not paid to an individual with respect to one or more months in any calendar year, and it is subsequently established that the total amount of such individual's earnings during such year as determined in accordance with that sentence (but exclusive of earnings for services described in the first sentence of this subsection) did not exceed [$1,200] *$2,400*, the annuity with respect to such month or months, and any deduction imposed by reason of the failure to report earnings for such month or months under the fifth sentence of this subsection, shall then be payable. If the total amount of such individual's earnings during such year (exclusive of earnings for services described in the first sentence of this subsection) is in excess of [$1,200] *$2,400*, the number of months in such year with respect to which an annuity is not payable by reason of such third and fifth sentences shall not exceed one month for each [$100] *$200* of such excess, treating the last [$50] *$100* or more of such excess as [$100] *$200*; and if the amount of the annuity has changed during such year, any payments of annuity which become payable solely by reason of the limitation contained in this sentence shall be made first with respect to the month or months for which the annuity is larger.

(e) Spouse's Annuity.—The spouse of an individual, if—

"(i) such individual has been awarded an annuity under subsection (a) or a pension under section 6 and has attained the age of 65, and

"(ii) such spouse has attained the age of 65 or in the case of a wife, has in her care (individually or jointly with her husband) a child who meets the qualifications prescribed in section 5(l)(1) (without regard to the provisions of clause (ii)(B) thereof) of this Act,

shall be entitled to a spouse's annuity equal to one-half of such individual's annuity or pension, but not more, with respect to any month, than 110 per centum of an amount equal to the maximum amount which could be paid to anyone, with respect to such month, as a wife's insurance benefit under section 202(b) of the Social Security Act as amended: *Provided, however,* That if the annuity of the individual is awarded under paragraph 3 of subsection (a), the spouse's annuity shall be computed or recomputed as though such individual had been awarded the annuity to which he would have been entitled under paragraph 1 of said subsection: *Provided further,* That, if the annuity of the individual is awarded pursuant to a joint and survivor election, the spouse's annuity shall be computed or recomputed as though such individual had not made a joint and survivor election: *And provided further,* That the spouse's annuity provided for herein and in subsection (h) of this section shall be computed without regard to the [reduction] *reductions* in the individual's annuity under the first two provisos in [section 3(a)(1) of this Act and without regard to the effect of section 3(a)(2) on the annuity of the individual from whom such spouse's annuity derives.] *section 3(a)(2).*

* * * * * * *

"(i) The spouse's annuity provided under subsections (e) and (h) of this section shall (before any reduction on account of age) be reduced in accordance with [the first two provisos in section 3(a)(1) of this Act except that the spouse's annuity shall not be less than it would be had this Act not been amended in 1966.] *the second proviso in section 3(a)(2), except that notwithstanding other provisions of this subsection, the spouse's annuity shall (before any reduction on account of age) not be less than one-half of the amount computed in section 3(a)(1) increased by $5 or, if the spouse is entitled to benefits under the Social Security Act, by the excess of $5 over 5.8 per centum of the lesser of (i) any benefit to which such spouse is entitled under title II of the Social Security Act, or (ii) the spouse's annuity to which such spouse would be entitled without regard to section 3(a)(2) and before any reduction on account of age, but in no case shall such an annuity (before any reduction on account of age) be more than the maximum amount of a spouse's annuity as provided in subsection (e).*

* * * * * * *

"COMPUTATION OF ANNUITIES

["SEC. 3. (a)(1). The annuity shall be computed by multiplying an individual's 'years of service' by the following percentages of his 'monthly compensation': 3.58 per centum of the first $50; 2.69 per centum of the next $100; 1.79 per centum of the next $300; and 1.67 per centum of the remainder up to an amount equal to one-twelfth of the current maximum annual taxable 'wages' as defined in Section 3121 of the Internal Revenue Code of 1954: *Provided, however,* That in cases where an individual is entitled to a benefit under title II of the

Social Security Act, the amount so computed shall be reduced by 6.55 per centum of the amount of such social security benefit (disregarding any increases in such benefit based on recomputations other than for the correction of errors after such reduction is first applied and any increases derived from changes in the primary insurance amount through legislation enacted after the Social Security Amendments of 1965): *Provided further,* That in determining social security benefit amounts for the purpose of this subsection, if such individual's average monthly wage is in excess of $400, only an average monthly wage of $400 shall be used: *And provided further,* That the amount of an annuity as computed under this subsection shall not be less than it would be had this Act not been amended in 1966.]

[*"(2)* Notwithstanding the provisions of paragraph (1) of this subsection, and of subsection (e) of this section, the annuity of an individual for a month with respect to which a supplemental annuity under subsection (j) of this section accrues to him shall be computed or recomputed under the provisions of this subsection, and of subsection (e) of this section, as in effect before their amendment in 1966: *Provided, however,* That if the application of the preceding sentence would result in the amount of the annuity, plus the amount of a supplemental annuity (after adjustment under subsection (j)(2) of this section) payable to an individual for a month being lower than the amount which would be payable as an annuity except for such preceding sentence, the annuity shall be in an amount which together with the amount of the supplemental annuity would be no less than the amount that would be payable as an annuity but for the preceding sentence.]

"SEC. 3. (a)(1) The annuity of an individual shall be computed by multiplying his 'years of service' by the following percentages of his monthly compensation': 3.58 per centum of the first $50; 2.69 per centum of the next $100; and 1.79 per centum of the remainder up to a total of (i) $450, or (ii) an amount equal to one-twelfth of the current maximum annual taxable 'wages' as defined in Section 3121 of the Internal Revenue Code of 1954, whichever is greater.

"(2) The annuity of the individual (as computed under paragraph (1) of this subsection, or under that part of subsection (e) of this section preceding the first proviso) shall be increased in an amount determined from his monthly compensation by use of the following table:

Monthly Compensation:	*Increase*
Up to $100	*$9.13*
$101 to $150	*11.22*
$151 to $200	*12.87*
$201 to $250	*14.63*
$251 to $300	*16.17*
$301 to $350	*17.82*
$351 to $400	*19.47*
$401 to $450	*20.90*
$451 to $500	*22.55*
$501 to $550	*24.09*
$551 to $600	*27.83*
$601 and over	*31.46*

The amount of the increase shall be the amount on the same line as that in which the range of monthly compensation includes his monthly compensation: Provided, however, That, for months with respect to which the individual is entitled to a supplemental annuity under subsection (j), the increase provided in this paragraph shall be reduced by 6.55 per centum of the amount determined under paragraph (1), or under that part

of subsection (e) of this section which precedes the first proviso, which is based on the first $450 of the monthly compensation or an amount equal to the amount of the supplemental annuity payable to him, whichever is less: Provided further, That, for months with respect to which the individual is entitled to a benefit under title II of the Social Security Act, the increase shall be reduced by (i) 17.3 per centum of such social security benefit if the increase has not been reduced pursuant to the preceding proviso or (ii) 11.5 per centum of such social security benefit if the increase has been reduced pursuant to the preceding proviso (disregarding for the purpose of this and the following proviso any increase in such benefit based on recomputations other than for the correction of errors after the first adjustment and any increases derived from legislation enacted after the Social Security Amendments of 1967): And provided further, That, the amount computed under this subsection for any month shall not be less than the amount computed in accordance with paragraph (1) or under that part of subsection (e) of this section which precedes the first proviso, plus (i) $10 minus any reduction made pursuant to the first proviso of this paragraph or (ii) if the individual is entitled to a benefit under title II of the Social Security Act and no reduction is made pursuant to the first proviso of this paragraph, $10 minus 5.8 per centum of the lesser of the amount of such social security benefit, or of the amount computed in accordance with paragraph (1) or under that part of subsection (e) of this section which precedes the first proviso.

* * * * * * *

"(e) In the case of an individual having a current connection with the railroad industry, the minimum annuity payable shall, before any reduction pursuant to section 2(a)(3), be whichever of the following is the least: (1) $5.35 multiplied by the number of his years of service; or (2) $89.35; or (3) 118 percentum of his monthly compensation [except that the minimum annuity so determined shall be reduced in accordance with the first two provisos in subsection (a)(1) of this section, but shall not be less than it would be had this Act not been amended in 1966]: *Provided, however,* That if for any month in which an annuity accrues and is payable under this Act the annuity to which an employee is entitled under this Act (or would have been entitled except for a reduction pursuant to section 2(a)3 or a joint and survivor election), together with his or her spouse's annuity, if any, or the total of survivor annuities under this Act deriving from the same employee, is less than the total amount, or the additional amount, plus 10 per centum of the total amount which would have been payable to all persons for such month under the Social Security Act [(deeming completely and partially insured individuals to be fully and currently insured, respectively, individuals entitled to insurance annuities under subsections (a) and (d) of section 5 to have attained age sixty-five, and women entitled to spouses' annuities pursuant to elections made under subsection (h) of section 2 to be entitled to wife's insurance benefits determined under section 202(q) of the Social Security Act, and disregarding any possible deductions under subsections (g) and (h)(2) of section 203 of the Social Security Act, and disregarding any possible deductions under subsections (g) and (h)(2) of section 203 of the Social Security Act)] if such employee's service as an employee after December 31, 1936, were included in the term 'employment' as defined in that Act and quarters of coverage were determined in accordance with section 5(1)(4) of this Act, such annuity or annuities shall be increased proportionately to such total

amount, or such additional amount, plus 10 per centum of such total amount: *Provided further,* That if an annuity accrues to an individual for a part of a month, the amount payable for such part of a month under the preceding proviso shall be one-thirtieth of the amount payable under the proviso for an entire month, multiplied by the number of days in such part of a month.

"For the purposes of the first proviso in the first paragraph of this subsection, (i) completely and partially insured individuals shall be deemed to be fully and currently insured, respectively; (ii) individuals entitled to insurance annuities under subsections (a)(1) and (d) of section 5 of this Act shall be deemed to have attained age 62 (the provisions of this clause shall not apply to individuals who, though entitled to insurance annuities under section 5(a)(1) of this Act, were entitled to an annuity under section 5(a)(2) of this Act for the month before the month in which they attained age 60); (iii) individuals entitled to insurance annuities under section 5(a)(2) of this Act shall be deemed to be entitled to insurance benefits under section 202(e) or (f) of the Social Security Act on the basis of disability; (iv) individuals entitled to insurance annuities under section 5(c) of this Act on the basis of disability shall be deemed to be entitled to insurance benefits under section 202(d) of the Social Security Act on the basis of disability; and (v) women entitled to spouses' annuities pursuant to elections made under section 2(h) of this Act shall be deemed to be entitled to wives' insurance benefits determined under section 202(q) of the Social Security Act; and, for the purposes of this subsection, any possible deductions under subsections (g) and (h)(2) of section 203 of the Social Security Act shall be disregarded.

"Notwithstanding the provisions of section 202(q) of the Social Security Act, the amount determined under the proviso in the first paragraph of this subsection for a widow or widower who is or has been entitled to an annuity under section 5(a)(2) of this Act, shall be equal to 90.75 per cent of the primary insurance amount (reduced in accordance with section 203(a) of the Social Security Act) of the employee as determined under this subsection, and the amount so determined shall be reduced by three-tenths of 1 per cent for each month the annuity would be subject to a reduction under section 5(a)(2) of this Act (adjusted upon attainment of age 60 in the same manner as an annuity under section 5(a)(1) of this Act which, before attainment of age 60, had been payable under section 5(a)(2) of this Act); and the amount so determined shall be reduced by the amount of any benefit under title II of the Social Security Act to which she or he is, or on application, would be entitled.

"In cases where an annuity under this Act is not payable under the first proviso in the first paragraph of this subsection on the date of enactment of the Social Security Amendments of 1967, the primary insurance amount used in determining the applicability of such proviso shall, except in cases where the employee died before 1939, be derived after deeming the individual on whose service and compensation the annuity is based (i) to have become entitled to social security benefits, or (ii) to have died without being entitled to such benefits, after the date of the enactment of the Social Security Amendments of 1967. For this purpose, the provision of section 215(b)(3) of the Social Security Act that the employee must have reached age 65 (62 in the case of a woman) after 1960 shall be disregarded and there shall be substituted for the nine-year period prescribed in section 215(d)(1)(B)(i) of the Social Security Act, the number of years elapsing after 1936 and up to the year of death if the employee died before 1946."

* * * * * * *

"ANNUITIES AND LUMP SUMS FOR SURVIVORS

"SEC. 5. (a) Widow's and Widower's Insurance Annuity.—(*1*) A widow or widower of a completely insured employee, who will have attained the age of sixty, shall be entitled during the remainder of her or his life or, if she or he remarried, then until remarriage to an annuity for each month equal to such employee's basic amount, *except that if the widow or widower will have been paid an annuity under paragraph (2) of this subsection the annuity for a month under this paragraph shall be in an amount equal to the amount calculated under such paragraph (2) except that, in such calculation, any month with respect to which an annuity under paragraph (2) is not paid shall be disregarded: Provided, however,* That if in the month preceding the employee's death the spouse of such employee was entitled to a spouse's annuity under section 2 in an amount greater than the widow's or widower's insurance annuity, the widow's or widower's insurance annuity shall be increased to such greater amount.

"*(2) A widow or widower of a completely insured employee who will have attained the age of fifty but will not have attained age sixty and is under a disability, as defined in this paragraph, and such disability began before the end of the period prescribed in the last sentence of this paragraph, shall be entitled to an annuity for each month, unless she or he has remarried in or before such month, equal to such employee's basic amount but subject to a reduction by three-tenths of 1 percent for each calendar month she or he is under age sixty when the annuity begins. A widow or widower shall be under a disability within the meaning of this paragraph if her or his permanent physical or mental condition is such that she or he is unable to engage in any regular employment. The provisions of section 2(a) of this Act as to the proof of disability shall apply with regard to determinations with respect to disability under this paragraph. The annuity of a widow or widower under this paragraph shall cease upon the last day of the second month following the month in which she or he ceases to be under a disability unless such annuity is otherwise terminated on an earlier date. The period referred to in the first sentence of this paragraph is the period beginning with the latest of (i) the month of the employee's death, (ii) the last month for which she was entitled to an annuity under subsection (b) as the widow of such employee, or (iii) the month in which her or his previous entitlement to an annuity as the widow or widower of such employee terminated because her or his disability had ceased and ending with the month before the month in which she or he attains age sixty, or, if earlier with the close of the eighty-fourth month following the month with which such period began.*

* * * * * * *

"(h) Maximum and Minimum Annuity Totals.—Whenever according to the provisions of this section as to annuities payable for a month with respect to the death of an employee, the total annuities is more than $38.84 and exceeds either (a) $207.15, or (b) an amount equal to two and two-thirds times such employee's basic amount, whichever of such amounts is the lesser, such total of annuities shall, after any deductions under subsection (i), be reduced to such lesser amount or to $38.84, whichever is greater. Whenever such total of annuities is less than $18.14, such total shall, prior to any deductions under subsection (i), be increased to $18.14. [: *Provided, however,*

That the share of any individual in an amount so determined shall be reduced in accordance with the first two provisos in section 3(a)(1) of this Act except that the share of such individual shall not be less than it would be had this Act not been amended in 1966.]

"(i) Deductions from Annuities.—(1) Deductions shall be made from any payments under this section to which an individual is entitled, until the total of such deductions equals such individual's annuity or annuities under this section for any month in which such individual—

"(i) will have rendered compensated service within or without the United States to an employer;

"(ii) will have been under the age of seventy-two and for which month he is charged with any excess earnings under section 203(f) of the Social Security Act or, having engaged in any activity outside the United States, would be charged under such section 203(f) with any excess earnings derived from such activity if it has been an activity within the United States, *deeming such an individual who is entitled to an annuity under subsection (a)(1) of this section to have attained age sixty-two unless such individual will have been entitled to an annuity under subsection (a)(2) of this section for the month before the month in which he attained age sixty;* and for purposes of this subdivision * * *.

"(j) When Annuities Begin and End.—No individual shall be entitled to receive an annuity under this section for any month before January 1, 1947. An application for any payment under this section shall be made and filed in such manner and form as the Board prescribes. An annuity under this section for an individual otherwise entitled thereto shall begin with the month in which eligibility therefor was otherwise acquired, but not earlier than the first day of the twelfth month before the month in which the application was filed. No application for an annuity under this section filed prior to three months before the first month for which the applicant becomes otherwise entitled to receive such annuity shall be accepted. No annuity shall be payable for the month in which the recipient thereof ceases to be qualified therefor: [*Provided, however,* That the annuity of a child qualified under subsection (l)(1)(ii)(C) of this section shall cease to be payable with the month preceding the third month following the month in which he ceases to be unable to engage in any regular employment by reason of a permanent physical or mental condition unless in the month herein first mentioned he qualifies for an annuity under one of the other provisions of this Act.] *Provided, however, That the annuity of a child, qualified under subsection (l)(1)(ii)(C) of this section, shall cease upon the last day of the second month following the month in which he ceases to be unable to engage in any regular employment by reason of a permanent physical or mental condition unless in such second month he qualifies for an annuity under one of the other provisions of this Act and unless his annuity is otherwise terminated on an earlier date.*

* * * * * * *

"(l) Definitions.—For the purposes of this section the term 'employee' includes an individual who will have been an 'employee', and—

"(1) The qualifications for 'widow', 'widower', 'child', and 'parent' shall be, except for the purposes of subsection (f), those set forth in section 216 (c), (e), and (g), and section 202(h)(3) of the Social Security Act, respectively; and in addition—

"(i) a 'widow' or 'widower' shall have been living with the employee at the time of the employee's death; a widower shall have received at least one-half of his support from his wife employee at the time of her death or he shall have received at least one-half of his support from his wife employee at the time her retirement annuity or pension began[.];

"(ii) a 'child' shall have been dependent upon its parent employee at the time of his death; shall not be adopted after such death by other than a step parent, grand parent, aunt, uncle, brother or sister; shall be unmarried; and—

"(A) shall be less than eighteen years of age; or

"(B) shall be less than twenty-two years of age and a full-time student at an educational institution (determined as prescribed in this paragraph); or

"(C) shall, without regard to his age, be unable to engage in any regular employment by reason of a permanent physical or mental condition [which began] *which disability began* before he attained age eighteen, and

* * * * * * *

A 'widow' or 'widower' shall be deemed to have been living with the employee if the conditions set forth in section 216(h) (2) or (3), whichever is applicable, of the Social Security Act, as in effect prior to 1957, are fulfilled, or if such widow or widower would be paid benefits, as such, under title II of the Social Security Act but for the fact that the employee died insured under this Act. A 'child' shall be deemed to have been dependent upon a parent if the conditions set forth in section 202(d) (3), (4), or (5) of the Social Security Act are fulfilled (a partially insured mother being deemed currently insured). In determining for purposes of this section and subsection (f) of section 2 and subsection (f) of section 3 whether an applicant is the wife, husband, widow, widower, child, or parent of an employee as claimed, the rules set forth in section [216(h)(1) of the Social Security Act, as in effect prior to 1957, shall be applied] *216(h) of the Social Security Act shall be applied deeming, for this purpose, individuals entitled to an annuity under section 2 (e) or (h) to be entitled to benefits under subsection (b) or (c) of section 202, of the Social Security Act and individuals entitled to an annuity under subsection (a) or (b) of this section to be entitled to a benefit under subsection (e), (f), or (g) of section 202 of the Social Security Act.* * * *.

* * * * * * *

"(9) An employee's 'average monthly remuneration' shall mean the quotient obtained by dividing (A) the sum of (i) the compensation paid to him after 1936 and before the employee's closing date *or January 1, 1951, whichever is later,* eliminating any excess over $300 for any calendar month before July 1, 1954, any excess over $350 for any calendar month after June 30, 1954, and before June 1, 1959, any excess over $400 for any month after May 31, 1959, and before November 1, 1963, any excess of $450 for any month after October 31, 1963, and before October 1, 1965, and any excess of (i) $450, or (ii) an amount equal to one-twelfth of the current maximum annual taxable 'wages' as defined in section 3121 of the Internal Revenue Code of 1954, whichever is greater, for any month after September 30, 1965, and (ii) if such compensation [for any calendar year before 1955 is less than $3,600] *in the period before 1951 is less than $50,400, or for*

any calendar year after 1950 and before 1955 is less than $3,600 or for any calendar year after 1954 and before 1959 is less than $4,200, or for any calendar year after 1958 and before 1966 is less than $4,800, or for any calendar year after 1965 is less than an amount equal to the current maximum annual taxable 'wages' as defined in section 3121 of the Internal Revenue Code of 1954, and the average monthly remuneration computed on compensation alone is less than (i) $450, or (ii) an amount equal to one-twelfth of the current maximum annual taxable 'wages' as defined in section 3121 of the Internal Revenue Code of 1954, whichever is greater, and the employee has earned in such *period or such* calendar year 'wages' as defined in paragraph (6) hereof, such wages, in an amount not to exceed the difference between the compensation [for such year and $3,600 for years before 1955] *for such period and $50,400, and between the compensation for such year and $3,600 for years after 1950 and before 1955,* $4,200 for years after 1954 and before 1959, $4,800 for years after 1958 and before 1966, and an amount equal to the current maximum annual taxable 'wages' as defined in section 3121 of the Internal Revenue Code of 1954 for years after 1965, by (B) three times the number of quarters elapsing after 1936 and before the employee's [closing date: *Provided,* That for the period prior to and including] *closing date or January 1, 1951, whichever is later: Provided, That for the period after 1950 but prior to and including* the calendar year in which he will have attained the age of twenty-two there shall be included in the divisor not more than three times the number of quarters of coverage in such period: *Provided, further,* That there shall be excluded from the divisor any calendar quarter *after 1950* which is not a quarter of coverage and during any part of which a retirement annuity will have been payable to him, *any calendar quarter before 1951 in which a retirement annuity will have been payable and any calendar quarter before 1951 and before the year in which he will have attained the age of 20.* An employee's 'closing date' shall mean (A) * * *.

"(10) The term 'basic amount' shall mean—

"(i) for an employee who will have been partially insured or completely insured solely by virtue of paragraph (7)(i) or (7)(ii), or both: the sum of (A) 52.4 per centum of his average monthly remuneration, up to and including $75; plus (B) 12.8 per centum of such average monthly remuneration exceeding $75 and up to and including [$450, plus (C) 12 per centum of such average monthly remuneration exceeding $450 and up to and including an amount equal to one-twelfth of the current maximum annual taxable 'wages' as defined in Section 3121 of the Internal Revenue Code of 1954, plus (D) 1 per centum of the sum of (A) plus (B) plus (C) multiplied by] *(i) $450, or (ii) an amount equal to one-twelfth of the current maximum annual taxable 'wages' as defined in Section 3121 of the Internal Revenue Code of 1954, whichever is greater, plus (C) 1 per centum of the sum of (A) plus (B) multiplied by* the number of years [after 1936 in each of which the compensation, wages, or both, paid to him will have been equal to $200 or more] *after 1950 in each of which the compensation, wages, or both, paid to him will have been equal to $200 or more plus, for the years after 1936 and before 1951, a number of years determined in accordance with regulations prescribed by the Board;* if the basic amount thus computed is less than $18.14, it shall be increased to $18.14;

* * * * * * *

[“(m) An annuity payable under this section to an individual, without regard to subsection (h) of this section or the proviso in the first paragraph of section 3(e) of this Act, shall be reduced in accordance with the first two provisos in section 3(a)(1) of this Act except that the amount of the annuity shall not be less than it would be had this Act not been amended in 1966.]

“(m) The amount of an individual's annuity calculated under the other provisions of this section (except an annuity in the amount determined under the proviso in subsection (a) or (b)) shall (before any reduction on account of age) be increased in the amount of 82.5 per centum in the case of a widow, widower, or parent and 75 per centum in the case of a child of the increase shown in the table in section 3(a)(2) on the same line on which the range of monthly compensation includes an amount equal to the average monthly wage determined for the purposes of section 3(e) (except that for cases involving earnings before 1951 and for cases on the Board's rolls on the enactment date of the 1967 amendments to the Railroad Retirement Act, an amount equal to the highest average monthly wage that can be found on the same line of the table in section 215(a) of the Social Security Act as is the primary insurance amount recorded in the records of the Railroad Retirement Board shall be used, and if such an average monthly wage cannot be determined, the employee's monthly compensation on which his annuity was computed shall be used; and in the case of a pensioner, his monthly compensation shall be deemed to be the earnings which are used to compute his basic amount): Provided, however, That the increase shall (before any reduction on account of age) be reduced by 17.3 per centum of any benefit under title II of the Social Security Act to which the individual is entitled (disregarding for the purpose of this and the following proviso any increase in such benefit based on recomputations other than for the correction of errors after the first adjustment and any increases derived from legislation enacted after the Social Security Amendments of 1967): And provided further, That the amount computed under this subsection shall (before any reduction on account of age) not be less than $5, or, in the case of an individual entitled to benefits under title II of the Social Security Act, such amount shall not be less than $5 minus 5.8 per centum of the lesser of the social security benefit to which such individual is entitled or the benefit computed under the other provisions of this section.

* * * * * * *

“RETIREMENT BOARD

“Personnel

“SEC. 10. (a) There is hereby established as an independent agency in the executive branch of the Government a Railroad Retirement Board, to be composed of three members appointed by the President by and with the advice and consent of the Senate. Each member shall hold office for a term of five years, except that any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of the term and the terms of office of the members first taking office after the enactment date shall expire, as designated by the President, one at the end of two years, one at the end of three years, and

one at the end of four years after the enactment date. One member shall be appointed from recommendations made by representatives of the employees and one member shall be appointed from recommendations made by representatives of carriers, in both cases as the President shall direct, so as to provide representation on the Board satisfactory to the largest number, respectively, of employees and carriers concerned. One member, who shall be the chairman of the Board, shall be appointed initially for a term of two years without recommendation by either carriers or employees and shall not be in the employment of or be pecuniarily or otherwise interested in any employer or organization of employees. Vacancies in the Board shall not impair the powers or affect the duties of the Board or of the remaining members of the Board, of whom a majority of those in office shall constitute a quorum for the transaction of business. [Each of said members shall receive a salary of $10,000 per year, together with necessary traveling expenses and subsistence expenses, or per-diem allowance in lieu thereof, while away from the principal office of the Board on official duties.] *Upon the expiration of his term of office a member shall continue to serve until his successor is appointed and shall have qualified.*

RAILROAD UNEMPLOYMENT INSURANCE ACT

DEFINITIONS

SECTION 1. For the purposes of this Act, except when used in amending the provisions of other Acts—

(a) * * *

* * * * * * *

(k) Subject to the provisions of section 4 of this Act, (1) a day of unemployment, with respect to any employee, means a calendar day on which he is able to work and is available for work and with respect to which (i) no remuneration is payable or accrues to him, and (ii) he has, in accordance with such regulations as the Board may prescribe, registered at an employment office; and (2) a "day of sickness", with respect to any employee, means a calendar day on which because of any physical, mental, psychological, or nervous injury, illness, sickness, or disease he is not able to work [or which is included in a maternity period], *or, with respect to a female employee, a calendar day on which, because of pregnancy, miscarriage, or the birth of a child, (i) she is unable to work or (ii) working would be injurious to her health,* and with respect to which (i) no remuneration is payable or accrues to him, and (ii) in accordance with such regulations as the Board may prescribe, a statement of sickness is filed within such reasonable period, not in excess of ten days, as the Board may prescribe: *Provided, however,* That "subsidiary remuneration", as hereinafter defined in this subsection, shall not be considered remuneration for the purpose of this subsection except with respect to an employee whose base-year compensation, exclusive of earnings from the position or occupation in which he earned such subsidiary remuneration, is less than [$750] *$1,000*: *Provided further,* That remuneration for a working day which includes a part of each of two consecutive calendar days shall be deemed to have been earned on the first of such two days, and any individual who takes work for such working day shall not by

reason thereof be deemed not available for work on the second of such calendar days: *Provided further*, That any calendar day on which no remuneration is payable to or accrues to an employee solely because of the application to him of mileage or work restrictions agreed upon in schedule agreements between employers and employees or solely because he is standing by for or laying over between regularly assigned trips or tours of duty shall not be considered either a day of unemployment or a day of sickness.

For the purpose of this subsection, the term "subsidiary remuneration" means, with respect to any employee, remuneration not in excess of an average of three dollars a day for the period with respect to which such remuneration is payable or accrues, if the work from which the remuneration is derived (i) requires substantially less than full time as determined by generally prevailing standards, and (ii) is susceptible of performance at such times and under such circumstances as not to be inconsistent with the holding of normal full-time employment in another occupation.

(l)(*1*) The term "benefits" (except in phrases clearly designating other payments) means the money payments payable to an employee as provided in this Act, with respect to his unemployment or sickness.

(l) [(1)] (*2*) The term "statement of sickness" means a statement with respect to days of sickness of an employee, [and the term "statement of maternity sickness" means a statement with respect to a maternity period of a female employee, in each case] executed such manner and form by an individual duly authorized pursuant to section 12(i) to execute such statements, and filed as the Board may prescribe by regulations.

[(l)(2) The term "maternity period" means the period beginning fifty-seven days prior to the date stated by the doctor of a female employee to be the expected date of the birth of the employee's child and ending with the one hundred and fifteenth day after it begins or with the thirty-first day after the day of the birth of the child, whichever is later.]

* * * * * * *

BENEFITS

SEC. 2. (a) Benefits shall be payable to any qualified employee (i) for each day of unemployment in excess of four during any registration period, and (ii) for each day of sickness [other than a day of sickness in a maternity period] in excess of seven during the first registration period, within a benefit year, in which he will have had seven or more such days of sickness, and for each such day of sickness in excess of four during any subsequent registration period in the same benefit year [, and (iii) for each day of sickness in a maternity period].

The benefits payable to any such employee for each such day of unemployment or sickness shall be the amount appearing in the following table in column II on the line on which, in column I, appears the compensation range containing his total compensation with respect to employment in his base year:

Column I Total Compensation	Column II Daily Benefit Rate
[$750 to $999.99	$5.00]
1,000 to 1,299.99	[5.50] *$8.00*
1,300 to 1,599.99	[6.00] *8.50*
1,600 to 1,899.99	[6.50] *9.00*
1,900 to 2,199.99	[7.00] *9.50*
2,200 to 2,499.99	[7.50] *10.00*
2,500 to 2,799.99	[8.00] *10.50*
2,800 to 3,099.99	[8.50] *11.00*
3,100 to 3,499.99	[9.00] *11.50*
3,500 to 3,999.99	[9.50] *12.00*
4,000 and over	[10.20] *12.70*

Provided, however, That if the daily benefit rate in column II with respect to any employee is less than an amount equal to 60 per centum of the daily rate of compensation for the employee's last employment in which he engaged for an employer in the base year, such rate shall be increased to such amount but not to exceed [$10.20] *$12.70.* The daily rate of compensation referred to in the last sentence shall be as determined by the Board on the basis of information furnished to the Board by the employee, his employer, or both.

[The amount of benefits payable for the first fourteen days in each maternity period, and for the first fourteen days in a maternity period after the birth of the child, shall be one and one-half times the amount otherwise payable under this subsection. Benefits shall not be paid for more than eighty-four days of sickness in a maternity period prior to the birth of the child. Qualification for and rate of benefits for days of sickness in a maternity period shall not be affected by the expiration of the benefit year in which the maternity period will have begun unless in such benefit year the employee will not have been a qualified employee.]

In computing benefits to be paid, days of unemployment shall not be combined with days of sickness in the same registration period.

(b) The benefits provided for in this section shall be paid to an employee at such reasonable intervals as the Board may prescribe.

(c) The maximum number of days of unemployment within a benefit year for which benefits may be paid to an employee shall be one hundred and thirty, and the maximum number of days of sickness [, other than days of sickness in a maternity period,] within a benefit year for which benefits may be paid to an employee shall be one hundred and thirty: *Provided, however,* That the total amount of benefits which may be paid to an employee for days of unemployment within a benefit year shall in no case exceed the employee's compensation in the base year; *and* the total amount of benefits which may be paid to an employee for days of sickness[, other than days of sickness in a maternity period,] within a benefit year shall in no case exceed the employee's compensation in the base year[; and the total amount of benefits which may be paid to an employee for days of sickness in a maternity period shall in no case exceed the employee's compensation in the base year on the basis of which the employee was determined to be qualified for benefits in such maternity period]: *And provided further,* That, with respect to an employee who has ten or more years of service as defined in section 1(f) of the Railroad Retirement Act of 1937, who did not voluntarily [leave work without good cause] or voluntarily retire] *retire and (in a case involving exhaustion of rights to benefits for days of unemployment) did not voluntarily leave work*

without good cause, and who had current rights to normal benefits for days of unemployment *or days of sickness* in a benefit year but has exhausted such rights, the benefit year in which such rights are exhausted shall be deemed not to be ended until the last day of the extended benefit period determined under the following schedule, and the maximum number of days of, and amount of payment for, unemployment *or sickness* (*depending on the type of benefit rights exhausted*) within such benefit year for which benefits may be paid to the employee shall be enlarged to include all compensable days of unemployment *or days of sickness, as the case may be,* within such extended benefit period:

> The extended benefit period shall begin on the first day of unemployment *or sickness, as the case may be,* following the day on on which the employee exhausted his then current rights to normal benefits for days of unemployment *or days of sickness* and shall continue for successive fourteen-day periods (each of which periods shall constitute a registration period) until the number of such fourteen-day periods totals—

If the employee's "years of service" total—

10 and less than 15	7 (but not more than 65 days)
15 and over	13

but no such extended benefit period shall extend beyond the beginning of the first registration period in a benefit year in which the employee is again qualified for benefits in accordance with section 3 of this Act on the basis of compensation earned after the first of such successive fourteen-day periods has begun. For an employee who has ten or more years of service, who did not voluntarily [leave work without good cause or voluntarily retire] *retire and (in a case involving unemployment) did not voluntarily leave work without good cause,* who has fourteen or more consecutive days of unemployment, *or fourteen or more consecutive days of sickness,* and who is not a "qualified employee" for the general benefit year current when such unemployment *or sickness* commences but is or becomes a "qualified employee" for the next succeeding general benefit year, such succeeding benefit year shall, in his case, begin on the first day of the month in which such unemployment *or sickness* commences. *Notwithstanding the other provisions of this subsection, an extended benefit period for sickness benefits shall terminate on the day next preceding the date on which the employee attains age 65, except that it may continue for the purpose of the payment of unemployment benefits; and, except in the case of a succeeding benefit year beginning with a day of unemployment, the next preceding sentence shall not operate to permit the payment of benefits in the period provided for in such sentence for any day of sickness beginning with the day on which age 65 is attained and continuing through the day preceding the first day of the next succeeding general benefit year. For purposes of this subsection and section 10(h), the Board may rely on evidence of age available in its records and files at the time determinations of age are made.*

* * * * * * *

QUALIFYING CONDITION

SEC. 3. An employee shall be a "qualified employee" if the Board finds that his compensation will have been not less than [$750] *$1,000* with respect to the base year, and, if such employee has had no compensation prior to such year, that he will have had compensation with respect to each of not less than seven months in such year.

DISQUALIFYING CONDITIONS

SEC. 4. (a–1) There shall not be considered as a day of unemployment or as a day of sickness, with respect to any employee—

(i) any of the seventy five days beginning with the first day of any registration period with respect to which the Board finds that he knowingly made or aided in making or caused to be made any false or fraudulent statement or claim for the purpose of causing benefits to be paid;

(ii) any day in any period with respect to which the Board finds that he is receiving or will have received annuity payments or pensions under the Railroad Retirement Act of 1935 or the Railroad Retirement Act of 1937, or insurance benefits under title II of the Social Security Act, or unemployment, maternity, or sickness benefits under an unemployment, maternity, or sickness compensation law other than this Act, or any other social insurance payments under any law: *Provided*, That if an employee receives or is held entitled to receive any such payments, other than unemployment, maternity, or sickness payments, with respect to any period which include days of unemployment or sickness in a registration period, after benefits under this Act for such registration period will have been paid, the amount by which such benefits under this Act will have been increased by including such days as days of unemployment or as days of sickness shall be recoverable by the Board: *Provided further*, That, if that part of any such payment or payments, other than unemployment, maternity, or sickness payments, which is apportionable to such days of unemployment or days of sickness is less in amount than the benefits under this Act which, but for this paragraph, would be payable and not recoverable with respect to such days of unemployment or days of sickness, the preceding provisions of this paragraph shall not apply but such benefits under this Act for such days of unemployment or days of sickness shall be diminished or recoverable in the amount of such part of such other payment or payments;

(iii) *if he is paid a separation allowance, any of the days in the period beginning with the day following his separation from service and continuing for that number of consecutive fourteen-day periods which is equal, or most nearly equal, to the amount of the separation allowance divided (i) by ten times his last daily rate of compensation prior to his separation if he normally works five days a week, (ii) by twelve times such rate if he normally works six days a week, and (iii) by fourteen times such rate if he normally works seven days a week;*

(a–2) There shall not be considered as a day of unemployment, with respect to any employee—

(i) (A) subject to the provisions of subdivision (B) hereof, any of the days in the period beginning with the day with respect to which the Board finds that he left work voluntarily, and continuing until he has been paid compensation of not less than [$750] *$1,000* with respect to time after the beginning of such period;

* * * * * * *

RAILROAD UNEMPLOYMENT INSURANCE ACCOUNT

SEC. 10. (a) The Secretary of the Treasury shall maintain in the unemployment trust fund established pursuant to section 904 of the Social Security Act an account to be known as the railroad unemployment insurance account. This account shall consist of (i) such part of all contributions collected pursuant to section 8 of this Act as is in excess of 0.25 per centum of the total compensation on which such contributions are based, together with all interest collected pursuant to section 8(g) of this Act; (ii) all amounts transferred or paid into the account pursuant to section 13 or section 14 of this Act *and pursuant to subsection (h) of this section;* (iii) all additional amounts appropriated to the account in accordance with any provision of this Act or with any provision of law now or hereafter adopted; (iv) a proportionate part of the earnings of the unemployment trust fund, computed in accordance with the provisions of section 904(e) of the Social Security Act; (v) all amounts realized in recoveries for overpayments or erroneous payments of benefits; (vi) all amounts transferred thereto pursuant to section 11 of this Act; (vii) all fines or penalties collected pursuant to the provisions of this Act; and (viii) all amounts credited thereto pursuant to section 2(f) or section 12(g) of this Act. Notwithstanding any other provision of law, all moneys credited to the account shall be mingled and undivided, and are hereby permanently appropriated to the Board to be continuously available to the Board without further appropriation, for the payment of benefits and refunds under this Act, and no part thereof shall lapse at any time, or be carried to the surplus fund or any other fund.

* * * * * * *

(g) Section 904(f) of the Social Security Act is hereby amended by adding thereto the following sentence: "The Secretary of the Treasury is authorized and directed to make such payments out of the railroad unemployment insurance account for the payment of benefits, and out of the railroad unemployment insurance administration fund for the payment of administrative expenses, as the Railroad Retirement Board may duly certify, not exceeding the amount standing to the credit of such account or such fund, as the case may be, at the time of such payment."

(h) At the close of the fiscal year ending June 30, 1968, and each fiscal year thereafter, the Board shall determine the amount, if any, which, if added to the railroad unemployment insurance account, would place such account in the same position it would have been in at the close of such fiscal year if every employee who had been paid benefits in the fiscal year for days of sickness in an extended benefit period under the first sentence of section 2(c), or in a "succeeding benefit year" begun in accordance with the second sentence of section 2(c), and who upon application therefor would have been entitled to a disability annuity under section 2(a) of the Railroad Retirement Act of 1937 with respect to some or all of the days for which such benefits were paid, had been paid such annuity with respect to all days of sickness for which he was paid benefits which were also days with respect to which such annuity could have accrued. In determining such amount, the Board shall presume that every such employee was, in respect to this permanent physical or mental condition, qualified for such an annuity from the date of onset of the last spell of illness for which he was paid such benefits, if (a) he died without applying for such an annuity and before fully exhausting all rights to

such benefits; or (b) he died without applying for such an annuity but within a year after the last day of sickness for which he had been paid such benefits, and had not meanwhile engaged in substantial gainful employment; or (c) he applied for such an annuity within one year after the last day of sickness for which he was paid such benefits and had not engaged in substantial gainful employment after that day and before the day on which he filed an application for such an annuity. The Board shall also have authority to make reasonable approximations deemed necessary in computing annuities for this purpose. The Board shall determine such amount no later than June 15 following the close of the fiscal year, and within ten days after such determination shall certify such amount to the Secretary of the Treasury for transfer from the Railroad Retirement Account to the railroad unemployment insurance account, and the Secretary of the Treasury shall make such transfer. The amount so certified shall included interest (at a rate determined, as of the close of the fiscal year, in accordance with subsection (d) of this section) payable from the close of such fiscal year to the date of certification.

SEC. 12. (a) * * *

* * * * * * *

(f) The Board may cooperate with or enter into agreement with the appropriate agencies charged with the administration of State, Territorial, Federal, or foreign unemployment-compensation[,] *or* sickness[, or maternity] laws or employment offices, with respect to investigations, the exchange of information and services, the establishment, maintenance, and use of free employment service facilities, and such other matters as the Board deems expedient in connection with the administration of this Act, and may compensate any such agency for services or facilities supplied to the Board in connection with the administration of this Act. The Board may enter also into agreements with any such agency, pursuant to which any unemployment[,] *or* sickness[, or maternity] benefits provided for by this Act or any other unemployment-compensation[,] *or* sickness[, or maternity] law, may be paid through a single agency to persons who have, during the period on the basis of which eligibility for and duration of benefits is determined under the law administered by such agency or under this Act, or both, performed services covered by one or more of such laws, or performed services which constitute employment as defined in this Act: *Provided,* That the Board finds that any such agreement is fair and reasonable as to all affected interests.

(g) In determining whether an employee has qualified for benefits in accordance with section 3 of this Act, and in determining the amounts of benefits to be paid to such employee in accordance with sections 2(a) and 2(c) of this Act, the Board is authorized to consider as employment (and compensation therefor) services for hire other than employment (and remuneration therefor) if such services for hire are subject to an unemployment[,] *or* sickness[, or maternity] compensation law of any State, provided that such State has agreed to reimburse the United States such portion of the benefits to be paid upon such basis to such employee as the Board deems equitable. Any amounts collected pursuant to this paragraph shall be credited to the account.

If a State, in determining whether an employee is eligible for unemployment[,] *or* sickness[, *or* maternity] benefits under an unemployment[,] *or* sickness[, or maternity] compensation law of such State,

and in determining the amount of unemployment[,] *or* sickness[, or maternity] benefits to be paid to such employee pursuant to such unemployment[,] *or* sickness[,] [or maternity] compensation law, considers as services for hire (and remuneration therefor) included within the provisions of such unemployment[,] *or* sickness[, or maternity] compensation law, employment) and compensation therefor), the Board is authorized to reimburse such State such portion of such unemployment[,] *or* sickness[, or maternity] benefits as the Board deems equitable; such reimbusrements shall be paid from the account, and are included within the meaning of the word "benefits" as used in this Act.

(h) The Board may enter into agreements or arrangements with employers, organizations of employers, and railway-labor organizations which are duly organized in accordance with the provisions of the Railway Labor Act, for securing the performance of services or the use of facilities in connection with the administration of this Act, and may compensate any such employer or organization therefor upon such reasonable basis as the Board shall prescribe, but not to exceed the additional expense incurred by such employer or organization by reason of the performance of such services or making available the use of such facilities pursuant to such agreements or arrangements. Such employers and organizations, and persons employed by either of them, shall not be subject to the Act of Congress approved March 3, 1917 (39 Stat. 1106, ch. 163, sec. 1).

(i) The Board may establish, maintain, and operate free employment offices, and may designate as free employment offices facilities maintained by (i) a railway labor organization which is duly authorized and designated to represent employees in accordance with the Railway Labor Act, or (ii) any other labor organization which has been or may be organized in accordance with the provisions of the Railway Labor Act, or (iii) one or more employers, or (iv) an organization of employers, or (v) a group of such employers and labor organizations, or (vi) a State, Territorial, foreign, or the Federal Government. The Board may also enter into agreements or arrangements with one or more employers or railway labor organizations organized in accordance with the provisions of the Railway Labor Act, pursuant to which notice of the availability of work and the rights of employees with respect to such work under agreements between such employers and railway labor organizations may be filed with employment offices and pursuant to which employees registered with employment offices may be referred to such work.

The Board shall prescribe a procedure for registration of unemployed employees at employment offices. Such procedure for registration shall be prescribed with a view to such registration affording substantial evidence of the days of unemployment of the employees who register. The Board may, when such registration is made personally by an employee, accept such registration as initial proof of unemployment sufficient to certify for payment a claim for benefits.

The Board shall provide a form or forms for statements of sickness and a procedure for the execution and filing thereof. Such forms and procedure shall be designed with a view to having such statements provide substantial evidence of the days of sickness of the employee [and, in case of maternity sickness, the expected date of birth and the actual date of birth of the child]. Such statements may be executed by

any doctor (authorized to practice in the State or foreign jurisdiction in which he practices his profession) or any officer or supervisory employee of a hospital, clinic, group health association, or other similar organization, who is qualified under such regulations as the Board may prescribe to execute such statements. The Board shall issue regulations for the qualification of such persons to execute such statements. When so executed by any such person, or, in the discretion of the Board, by others designated by the Board individually or by groups, they may be accepted as initial proof of days of sickness sufficient to certify for payment a claim for benefits.

The regulations of the Board concerning registration at employment offices by unemployed persons may provide for group registration and reporting, through employers, and need not be uniform with respect to different classes of employees.

The operation of any employment facility operated by the Board shall be directed primarily toward the reemployment of employees who have theretofore been substantially employed by employers.

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(n) Any employee claiming, entitled to, or receiving sickness benefits under this Act may be required to take such examination, physical, medical, mental, or otherwise, in such manner and at such times and by such qualified individuals, including medical officers or employees of the United States or a State, as the Board may prescribe. The place or places of examination shall be reasonably convenient for the employee. No sickness [or maternity] benefits shall be payable under this Act with respect to any period during which the employee unreasonably refuses to take or willfully obstructs an examination as prescribed by the Board.

Any doctor who renders any attendance, treatment, attention, or care, or performs any examination with respect to a sickness of an employee [or as to the expected date of birth of a female employee's child, or the birth of such a child] upon which a claim or right to benefits under this Act is based, shall furnish the Board, in such manner and form and at such times as the Board by regulations may prescribe, information and reports relative thereto and to the condition of the employee. An application for sickness [or maternity] benefits under this Act shall contain a waiver of any doctor-patient privilege that the employee may have with respect to any sickness [or maternity] period upon which such application is based: *Provided*, That such information shall not be disclosed by the Board except in a court proceeding relating to any claims for benefits by the employee under this Act.

The Board may enter into agreements or arrangements with doctors, hospitals, clinics, or other persons for securing the examination, physical, medical, mental, or otherwise, of employees claiming, entitled to, or receiving sickness [or maternity] benefits under this Act and the performance of services or the use of facilities in connection with the execution of statements of sickness. The Board may compensate any such doctors, hospitals, clinics, or other persons upon such reasonable basis as the Board shall prescribe. Such doctors, hospitals, clinics, or other persons and persons employed by any of them shall not be subject to the Act of Congress approved March 3, 1917 (39 Stat. 1106, ch. 163, sec. 1). In the event that the Board pays for the physical or mental examination of an employee or for the execution of a state-

ment of sickness and such employee's claim for benefits is based upon such examination or statement, the Board shall deduct from any sickness [or maternity] benefits payable to the employee pursuant to such claim such amount as, in the judgment of the Board, is a fair and reasonable charge for such examination or execution of such statement.

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EXCLUSIVENESS OF PROVISIONS; TRANSFERS FROM STATE UNEMPLOYMENT COMPENSATION ACCOUNTS TO RAILROAD UNEMPLOYMENT INSURANCE ACCOUNT

SEC. 13. (a) Effective July 1, 1939, section 907(c) of the Social Security Act is hereby amended by substituting a semicolon for the period at the end thereof, and by adding: "(8) service performed in the employ of an employer as defined in the Railroad Unemployment Insurance Act and service performed as an employee representative as defined in said Act."

(b) By enactment of this Act the Congress makes exclusive provision for the payment of unemployment benefits for unemployment occurring after June 30, 1939, and for the payment of sickness [and maternity] benefits for sickness [or for maternity] periods after June 30, 1947, based upon employment (as defined in this Act). No employee shall have or assert any right to unemployment benefits under an unemployment compensation law of any State with respect to unemployment occurring after June 30, 1939, or to sickness [or maternity] benefits under a sickness [or maternity] law of any State with respect to sickness [or to maternity] periods occurring after June 30, 1947, based upon employment (as defined in this Act). The Congress finds and declares that by virtue of the enactment of this Act, the application of State unemployment compensation laws after June 30, 1939, or of State sickness [or maternity] laws after June 30, 1947, to such employment, except pursuant to section 12(g) of this Act, would constitute an undue burden upon, and an undue interference with the effective regulation of, interstate commerce. In furtherance of such determination, after June 30, 1939, the term "person" as used in section 906 of the Social Security Act shall not be construed to include any employer (as defined in this Act) or any person in its employ: *Provided*, That no provision of this Act shall be construed to affect the payment of unemployment benefits with respect to any period prior to July 1, 1939, under an unemployment compensation law of any State based upon employment performed prior to July 1, 1939, and prior to such date employment as defined in this Act shall not constitute "Service with respect to which unemployment compensation is payable under an [or "service under any"] unemployment compensation system [or "plan"] established by an Act of Congress" [or "a law of the United States"] or "employment in interstate commerce, of an individual who is covered by an unemployment compensation system established directly by an Act of Congress," or any term of similar import, used in any unemployment compensation law of any State.

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Union Calendar No. 410

90TH CONGRESS
2D SESSION

H. R. 14563

[Report No. 1054]

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 15, 1967

Mr. STAGGERS introduced the following bill; which was referred to the Committee on Interstate and Foreign Commerce

JANUARY 17, 1968

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Omit the part struck through and insert the part printed in italic]

A BILL

To amend the Railroad Retirement Act of 1937 and the Railroad Unemployment Insurance Act to provide for increase in benefits, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That—

TITLE I—AMENDMENTS TO THE RAILROAD RETIREMENT ACT

SEC. 101. The eighth sentence of section 1(h) of the Railroad Retirement Act of 1937 is amended by inserting "before 1968" after "calendar month" and by adding after such eighth sentence the following new sentence: "In making

such a determination there shall be attributable as compensation paid to him for each calendar month after 1967 in which he is in military service so creditable the amount of $260."

SEC. 102. The second paragraph of section 2(d) of the Railroad Retirement Act of 1937 is amended by striking out "$1,200" wherever this figure appears and inserting in lieu thereof "$2,400"; by striking out "$100" wherever such figure appears and inserting in lieu thereof "$200"; and by striking out "$50" and inserting in lieu thereof "$100".

SEC. 103. (a) Section 2(e) of the Railroad Retirement Act of 1937 is amended by striking out "reduction" and inserting in lieu thereof "reductions", and by striking out "section ~~(a) 3 (1)~~ *3(a)(1)* of this Act" and all that follows and inserting in lieu thereof "section 3(a)(2).".

(b) Section 2(i) of such Act is amended by striking out "the first two ~~provisions~~ *provisos* in section 3(a)(1)" and all that follows and inserting in lieu thereof "the second proviso in section 3(a)(2), except that, notwithstanding other provisions of this subsection, the spouse's annuity shall (before any reduction on account of age) not be less than one-half of the amount computed in section 3(a)(1) increased by $5 or, if the spouse is entitled to benefits under

title II of the Social Security Act, by the excess of $5 over 5.8 per centum of the lesser of (i) any benefit to which such spouse is entitled under title II of the Social Security Act, or (ii) the spouse's annuity to which such spouse would be entitled without regard to section 3 (a) (2) and before any reduction on account of age, but in no case shall such an annuity (before any reduction on account of age) be more than the maximum amount of a spouse's annuity as provided in subsection (e)."

SEC. 104. (a) Section 3 (a) of the Railroad Retirement Act of 1937 is amended by striking out all that appears therein and inserting in lieu thereof the following:

"SEC. 3. (a) (1) The annuity of an individual shall be computed by multiplying his 'years of service' by the following percentages of his 'monthly compensation': 3.58 per centum of the first $50; 2.69 per centum of the next $100; and 1.79 per centum of the remainder up to a total of (i) $450, or (ii) an amount equal to one-twelfth of the current maximum and taxable 'wages' as defined in section 3121 of the Internal Revenue Code of 1954, whichever is greater.

"(2) The annuity of the individual (as computed under paragraph (1) of this subsection, or under that part of subsection ~~(c)~~ *(e)* of this section preceding the first proviso)

shall be increased in an amount determined from his monthly compensation by use of the following table:

"Monthly compensation:	*Increase*
Up to $100	$9.13
$101 to ~~$250~~ *$150*	11.22
$151 to $200	12.87
$201 to $250	14.63
$251 to $300	16.17
$301 to $350	17.82
$351 to $400	19.47
$401 to $450	20.90
$451 to $500	22.55
$501 to $550	24.09
$551 to $600	27.83
$601 and over	31.46

The amount of the increase shall be the amount on the same line as that in which the range of monthly compensation includes his monthly compensation: *Provided, however,* That, for months with respect to which the individual is entitled to a supplemental annuity under subsection (j), the increase provided in this paragraph shall be reduced by 6.55 per centum of the amount determined under paragraph (1), or under that part of subsection (e) of this section which precedes the first proviso, which is based on the first $450 of the monthly compensation or an amount equal to the amount of the supplemental annuity payable to him, whichever is less: *Provided further,* That for months with respect to which the individual is entitled to a benefit under title II of the Social Security Act, the increase shall be reduced by (i) 17.3 per centum of such social security benefit if the increase has not been reduced pursuant to the preceding pro-

viso or (ii) 11.5 per centum of such social security benefit if the increase has been reduced pursuant to the preceding proviso (disregarding for the purpose of this and the following proviso any increase in such benefit based on recomputations other than for the correction of errors after the first adjustment and any increases derived from legislation enacted after the Social Security Amendments of 1967) : *And provided further,* That the amount computed under this subsection for any month shall not be less than the amount computed in accordance with paragraph (1), or under that part of subsection (e) of this section which precedes the first proviso, plus (i) $10 minus any reduction made pursuant to the first proviso of this paragraph or (ii) if the individual is entitled to a benefit under title II of the Social Security Act and no reduction is made pursuant to the first proviso of this paragraph, $10 minus 5.8 per centum of the lesser of the amount of such social security benefit, or of the amount computed in accordance with paragraph (1), or under that part of subsection (e) of this section which precedes the first proviso."

(b) The first paragraph of section 3 (e) of such Act is amended by striking out the language before the first proviso beginning with "except that" and continuing through "amended in 1966"; by striking out the language beginning

with "(deeming" and continuing through "the Social Security Act)"; and by adding at the end thereof the following three new paragraphs:

"For the purposes of the first proviso in the first paragraph of this subsection, (i) completely and partially insured individuals shall be deemed to be fully and currently insured, respectively; (ii) individuals entitled to insurance annuities under subsections (a) (1) and (d) of section 5 of this Act shall be deemed to have attained age 62 (the provisions of this clause shall not apply to individuals who, though entitled to insurance annuities under section 5 (a) (1) of this Act, were entitled to an annuity under section 5 (a) (2) of this Act for the month before the month in which they attained age 60); (iii) individuals entitled to insurance annuities under section 5 (a) (2) of this Act shall be deemed to be entitled to insurance benefits under section 202 (e) or (f) of the Social Security Act on the basis of disability; (iv) individuals entitled to insurance annuities under section 5 (c) of this Act on the basis of disability shall be deemed to be entitled to insurance benefits under section 202 (d) of the Social Security Act on the basis of disability; and (v) women entitled to spouses' annuities pursuant to elections made under section 2 (h) of this Act shall be deemed to be entitled to wives' insurance benefits determined under section 202 (q) of the Social Security Act; and, for

the purposes of this subsection, any possible deductions under subsections (g) and (h) (2) of section 203 of the Social Security Act shall be disregarded.

"Notwithstanding the provisions of section 202 (q) of the Social Security Act, the amount determined under the proviso in the first paragraph of this subsection for a widow or widower who is or has been entitled to an annuity under section 5 (a) (2) of this Act, shall be equal to 90.75 per centum of the primary insurance amount (reduced in accordance with section 203 (a) of the Social Security Act) of the employee as determined under this subsection, and the amount so determined shall be reduced by three-tenths of 1 per centum for each month the annuity would be subject to a reduction under section 5 (a) (2) of this Act (adjusted upon attainment of age 60 in the same manner as an annuity under section 5 (a) (1) of this Act which, before attainment of age 60, had been payable under section 5 (a) (2) of this Act) ; and the amount so determined shall be reduced by the amount of any benefit under title ~~IV~~ *II* of the Social Security Act to which she or he is, or on application would be, entitled.

"In cases where an annuity under this Act is not payable under the first proviso in the first paragraph of this subsection on the date of enactment of the Social Security Amendments of 1967, the primary insurance amount used in deter-

mining the applicability of such proviso shall, except in cases where the employee died before 1939, be derived after deeming the individual on whose ~~services~~ *service* and compensation the annuity is based (i) to have become entitled to social security benefits, or (ii) to have died without being entitled to such benefits, after the date of the enactment of the Social Security Amendments of 1967. For this purpose, the provision of section 215 (b) (3) of the Social Security Act that the employee must have reached age 65 (62 in the case of a woman) after 1960 shall be disregarded and there shall be substituted for the nine-year period prescribed in section 215 (d) (1) (B) (i) of the Social Security Act, the number of years elapsing after 1936 and up to the year of death if the employee died before 1946."

SEC. 105. (a) Section 5(a) of the Railroad Retirement Act of 1937 is amended by inserting "(1)" before "A widow"; by inserting before the colon the following: ", except that if the widow or widower will have been paid an annuity under paragraph (2) of this subsection the annuity for a month under this paragraph shall be in an amount equal to the amount calculated under such paragraph (2) except that, in such calculation, any month with respect to which an annuity under paragraph (2) is not paid shall be disregarded"; and by inserting at the end thereof the following new paragraph:

"(2) A widow or widower of a completely insured employee who will have attained the age of fifty but will not have attained age sixty and is under a disability, as defined in this paragraph, and such disability began before the end of the period prescribed in the last sentence of this paragraph, shall be entitled to an annuity for each month, unless she or he has remarried in or before such month, equal to such employee's basic amount but subject to a reduction by three-tenths of 1 per centum for each calendar month she or he is under age sixty when the annuity begins. A widow or widower shall be under a disability within the meaning of this paragraph if her or his permanent physical or mental condition is such that she or he is unable to engage in any regular employment. The provisions of section 2 (a) of this Act as to the proof of disability shall apply with regard to determinations with respect to disability under this paragraph. The annuity of a widow or widower under this paragraph shall cease upon the last day of the second month following the month in which she or he ceases to be under a disability unless such annuity is otherwise terminated on an earlier date. The period referred to in the first sentence of this paragraph is the period beginning with the latest of (i) the month of the employee's death, (ii) the last month for which she was entitled to an annuity under subsection

(b) as the widow of such employee, or (iii) the month in which her or his previous entitlement to an annuity as the widow or widower of such employee terminated because her or his disability had ceased and ending with the month before the month in which she or he attains age sixty, or, if earlier with the close of the eighty-fourth month following the month with which such period began."

(b) Section 5 (h) of such Act is amended by striking out all that ~~follows:~~ *follows* "be increased to $18.14" and inserting in lieu thereof a period.

(c) Section 5 (i) (1) (ii) of such Act is amended by inserting ", deeming such an individual who is entitled to an annuity under subsection (a) (1) of this section to have attained age sixty-two unless such individual will have been entitled to an annuity under subsection (a) (2) of this section for the month before the month in which he attained age sixty", after "an activity within the United States".

(d) Section 5 (j) of such Act is amended by striking out all after the colon and inserting in lieu thereof the following: "*Provided, however,* That the annuity of a child, qualified under subsection (l) (1) (ii) (C) of this section, shall cease upon the last day of the second month following the month in which he ceases to be unable to engage in any regular employment by reason of a permanent physical or mental condition unless in such second month he qualifies for

an annuity under one of the other provisions of this Act and unless his annuity is otherwise terminated on an earlier date."

(e) Section 5(l)(1) of such Act is amended by changing the period at the end of subdivision (i) thereof to a semicolon; by striking out "which began" from subdivision (ii)(C) and inserting in lieu thereof "which disability began"; and by striking out "216(h)(1) of the Social Security Act, as in effect prior to 1957, shall be applied" where such language first appears and inserting in lieu thereof "216(h) of the Social Security Act shall be applied deeming, for this purpose, individuals entitled to an annuity under section 2(e) or (h) to be entitled to benefits under subsection (b) or (c) of section 202 of the Social Security Act and individuals entitled to an annuity under subsection (a) or (b) of this section to be entitled to a benefit under subsection (e), (f), or (g) of section 202 of the Social Security Act".

(f) Section 5(l)(9) of such Act is amended by inserting "or January 1, 1951, whichever is later" before ", eliminating any excess over $300"; by striking out "for any calendar year before 1955 is less than $3,600" and inserting in lieu thereof "in the period before 1951 is less than $50,400, or for any calendar year after 1950 and before 1955 is less than $3,600"; by inserting "period or such" before "calendar year 'wages' as defined in paragraph (6)

hereof"; by striking out "for such year and $3,600 for years before 1955" and inserting in lieu thereof "for such period and $50,400, and between the compensation for such year and $3,600 for years after 1950 and before 1955"; by striking out "closing date: *Provided,* That for the period prior to and including" and inserting in lieu thereof "closing date or January 1, 1951, whichever is later: *Provided,* That for the period after 1950 but prior to and including"; by inserting "after 1950" after "That there shall be excluded from the divisor any calendar quarter"; and by inserting ", any calendar quarter before 1951 in which a retirement annuity will have been payable to him and any calendar quarter before 1951 and before the year in which he will have attained the age of 20" before ". An employee's 'closing date' shall mean (A)".

(g) Subdivision (i) of section 5(1)(10) of such Act is amended by striking out beginning with "$450; plus (C)" down to and including "multiplied by" and inserting in lieu thereof "(i) $450, or (ii) an amount equal to one-twelfth of the current maximum annual taxable 'wages' as defined in section 3121 of the Internal Revenue Code of 1954, whichever is greater, plus (C) 1 per centum of the sum of (A) plus (B) multiplied by"; and by striking out "after 1936 in each of which the compensation, wages, or both, paid to him will ~~be~~ *have been* equal to $200 or more" and in-

serting in lieu thereof "after 1950 in each of which the compensation, wages, or both, paid to him will have been equal to $200 or more plus, for the years after 1936 and before 1951, a number of years determined in accordance with regulations prescribed by the Board".

(h) Section 5 (m) of such Act is amended by striking out all that appears therein and inserting in lieu thereof the following:

"(m) The amount of an individual's annuity calculated under the other provisions of this section (except an annuity in the amount determined under the proviso in subsection (a) or (b)) shall (before any reduction on account of age) be increased in the amount of 82.5 per centum in the case of a widow, widower, or parent and 75 per centum in the case of a child of the increase shown in the table in section 3 (a) (2) on the same line on which the range of monthly compensation includes an amount equal to the average monthly wage determined for the purposes of section 3 (e) (except that for cases involving earnings before 1951 and for cases on the Board's rolls on the enactment date of the 1967 amendments to the Railroad Retirement Act, an amount equal to the highest average monthly wage that can be found on the same line of the table in section 215 (a) of the Social Security Act as is the primary insurance amount

recorded in the records of the Railroad Retirement Board shall be used, and if such an average monthly wage cannot be determined, the employee's monthly compensation on which his annuity was computed shall be used; and in the case of a pensioner, his monthly compensation shall be deemed to be the earnings which are used to compute his basic amount) : *Provided, however,* That the increase shall (before any reduction on account of age) be reduced by 17.3 per centum of any benefit under title II of the Social Security Act to which the individual is entitled (disregarding for the purpose of this and the following proviso any increase in such benefit based on recomputations other than for the correction of errors after the first adjustment and any increases derived from legislation enacted after the Social Security Amendments of 1967) : *And provided further,* That the amount computed under this subsection shall (before any reduction on account of age) not be less than $5, or, in the case of an individual entitled to benefits under title II of the Social Security Act, such amount shall not be less than $5 minus 5.8 per centum of the lesser of the social security benefit to which such individual is entitled or the benefit computed under the other provisions of this section."

SEC. 106. Section 10(a) of the Railroad Retirement Act of 1937 is amended by striking therefrom the last sentence and inserting in lieu thereof the following new sen-

tence: "Upon the expiration of his term of office a member shall continue to serve until his successor is appointed and shall have qualified."

SEC. 107. All pensions under section 6 of the Railroad Retirement Act of ~~1937~~ *1937*, and all annuities under the Railroad Retirement Act of ~~1935~~ *1935*, are increased as provided in that part of section 3 (a) (2) of the Railroad Retirement Act of 1937 which precedes the provisos (deeming for this purpose (in the case of a pension) the monthly compensation to be the earnings which would be used to compute the basic amount if the pensioner were to die); joint and survivor annuities shall be computed under section 3 (a) of the Railroad Retirement Act and reduced by the percentage determined in accordance with the election of such annuity; all survivor annuities deriving from joint and survivor annuities under the Railroad Retirement Act of 1937 in cases where the employee died before the month following the month in which the increases in annuities provided by section 104 (a) of this Act are effective are increased by the same amount they would have been increased by this Act if the employee from whose joint and survivor annuity the survivor annuity is derived had been alive during all of the month in which the increases in annuities provided by section 104 (a) of this Act are effective; and all widows' and widowers' insurance annuities which began to accrue before

the month following the month in which the increases in annuities provided by section ~~14(a)~~ *104(a)* of this Act are effective and which, in accordance with the proviso in section 5(a) or section 5(b) of the Railroad Retirement Act of 1937, are payable in the amount of the spouse's annuity to which the widow or widower was entitled are increased by the amount by which the spouse's annuity would have been increased by this Act had the individual from whom the annuity is derived been alive during all of the month in which the ~~icrease~~ *increases* in annuities provided by section 104(a) of this Act are effective: *Provided, however,* That in cases where the individual entitled to such a pension or annuity (other than an individual who has made a joint and survivor election) is entitled to a benefit under title II of the Social Security Act, the additional amount payable by reason of this subsection shall be reduced by 11.5 per centum of such benefit (disregarding any increases in such benefit based on recomputations other than for the correction of errors after such reduction is first applied and any increases derived from legislation enacted after the Social Security Amendments of 1967): *And provided further,* That (i) such an annuity under the Railroad Retirement Act of 1935 or a pension shall be increased by not less than $10, (ii) such a survivor annuity derived from a joint and survivor annuity shall be increased by not less than $5, and (iii) such

a widow's or widower's annuity in an amount formerly received as a spouse's annuity shall be increased by not less than $5, but not to an amount above the maximum of the spouse's annuity payable in the month in which the increases in annuities provided by section 104(a) of this Act are effective.

SEC. 108. (a) Except as otherwise provided, the amendments made by this title, other than section 102, subsections (f) and (g) of section 105, and section 106, shall be effective with respect to annuities accruing for months beginning with the month with respect to which the increase in benefits under title II of the Social Security Act provided for by the Social Security Amendments of 1967 is effective, and with respect to pensions due in calendar months next following the month with respect to which the increase in benefits under title II of the Social Security Act provided for by the Social Security Amendments of 1967 is effective. The amendments made by section 102 shall be effective with respect to annuities accruing for months in calendar years after 1967. The amendments made by section 105 (f) and (g) shall be effective with respect to benefits payable on deaths occurring on or after the date of enactment of this Act. The amendments made by section 106 shall be effective on the enactment date of this Act.

(b) In cases where an annuity is payable in the month

before the month with respect to which increases in benefits under title II of the Social Security Act provided for by the Social Security Amendments of 1967 become effective in an amount determined under the Railroad Retirement Act, other than under the first proviso of section 3 (e) of such Act, the provisions of this Act shall be presumed, in the absence of a claim to the contrary, to provide a higher amount of increase in the annuity than the provisions of the Social Security Amendments of 1967 would provide as an increase in the amount determined under the first proviso of section 3 (e) of the Railroad Retirement Act.

(c) All recertifications required by reason of the amendments made by this title shall be made by the Railroad Retirement Board without application therefor.

TITLE II—AMENDMENTS TO THE RAILROAD UNEMPLOYMENT INSURANCE ACT

SEC. 201. (a) (1) Section 1 (k) of the Railroad ~~and~~ Unemployment Insurance Act is amended by striking out "or which is included in a maternity period" and inserting in lieu thereof ", or, with respect to a female employee, a calendar day on which, because of pregnancy, miscarriage, or the birth of a child, (i) she is unable to work or (ii) working would be injurious to her health".

(2) The said section 1 (k) is further amended by strik-

ing out from the first proviso "$750" and inserting in lieu thereof "$1,000".

(b) Section 1 (l) of such Act is amended by redesignating subsections "(l)" and "(l) (1)" as ~~(l) (1)~~ *"(l) (1)"* and "(l) (2)", respectively; by striking out from subsection (l) (2), as redesignated, "and the term 'statement of maternity sickness' means a statement with respect to a maternity period of a female employee, in each case"; and by striking out the present subsection (l) (2).

SEC. 202. (a) (1) The first paragraph of section 2 (a) of the Railroad Unemployment Insurance Act is amended by striking out (i) "(other than a day of sickness in a maternity period)"; and (ii) ", and (iii) for each day of sickness in a maternity period".

(2) The said section 2 (a) is further amended by striking out the third paragraph thereof.

(3) The said section 2 (a) is further amended by striking out the first line from the table thereof; by striking out "5.50", "6.00", "6.50", "7.00", "7.50", "8.00", "8.50", "9.00", "9.50" and "10.20" and inserting in lieu thereof "$8.00", "8.50", "9.00", "9.50", "10.00", "10.50", "11.00", "11.50", "12.00" and "12.70", respectively; and by striking from the proviso "$10.20" and inserting in lieu thereof "$12.70".

(b) (1) Section 2 (c) of such Act is amended by striking out ", other than days of sickness in a maternity period," wherever it appears; by inserting "and" after "base year;" where it first appears, and by striking out "; and the total amount of benefits which may be paid to an employee for days of sickness in a maternity period shall in no case exceed the employee's compensation in the base year on the basis of which the employee was determined to be qualified for benefits in such maternity period".

(2) The said section 2 (c) is further amended (i) by striking out "leave work without good cause or voluntarily retire" from the second proviso and inserting in lieu thereof the following: "retire and (in a case involving exhaustion of rights to benefits for days of unemployment) did not voluntarily leave work without good cause"; (ii) by inserting after the words "normal benefits for days of unemployment", the first time they appear in the second proviso, the following: "or days of sickness"; (iii) by inserting after "for, unemployment" in the second proviso the following: "or sickness (depending on the type of benefit rights exhausted)"; (iv) by inserting after "compensable days of unemployment" in the second proviso the following: "or days of sickness, as the case may be,"; (v) by inserting after "first day of unemployment" in the schedule in the second proviso the following: "or sickness, as the case may

be,"; (vi) by inserting after the words "days of unemployment" in the schedule in the second proviso the following: "or days of sickness"; (vii) by striking out "leave work without good cause or voluntarily retire" from the second sentence and inserting in lieu thereof the following: "retire and (in a case involving unemployment) did not voluntarily leave work without good cause"; (viii) by inserting after "unemployment," in the second sentence, the following: "or fourteen or more consecutive days of sickness,"; (ix) by inserting after the words ~~"such employment"~~ *"such unemployment"*, wherever they appear ~~inthe~~ *in the* last sentence, the following: "or sickness"; and (x) by adding the following two sentences at the end of such section: "Notwithstanding the other provisions of this subsection, an extended benefit period for sickness benefits shall terminate on the day next preceding the date on which the employee attains age 65, except that it may continue for the purpose of the payment of unemployment benefits; and, ~~except in the case of a succeeding benefit year beginning with a day of unemployment, the next preceding~~ *in the case of a succeeding benefit year beginning in accordance with the next preceding sentence by reason of sickness, such* sentence shall not operate to permit the payment of benefits in the period provided for in such sentence for any day of sickness beginning with the day on which age 65 is attained and continuing through the day

preceding the first day of the next succeeding general benefit year. For purposes of this subsection and section 10(h), the Board may rely on evidence of age available in its records and files at the time determinations of age are made."

SEC. 203. Section 3 of the Railroad Unemployment Insurance Act is amended by striking out "$750" and inserting in lieu thereof "$1,000".

SEC. 204. (a) Section 4(a-1) of the Railroad Unemployment Insurance Act is amended by inserting at the end thereof the following new paragraph:

"(iii) if he is paid a separation allowance, any of the days in the period beginning with the day following his separation from service and continuing for that number of consecutive fourteen-day periods which is equal, or most nearly equal, to the amount of the separation allowance divided (i) by ten times his last daily rate of compensation prior to his separation if he normally works five days a week, (ii) by twelve times such rate if he normally works six days a week, and (iii) by fourteen times such rate if he normally works seven days a week;".

(b) Section 4(a-2)(i) of such Act is amended by striking out from paragraph ~~A~~ *(A)* thereof "$750" and inserting in lieu thereof "$1,000".

SEC. 205. Section 10 of the Railroad Unemployment

Insurance Act is amended by inserting in subsection (a) thereof before "; (iii)" the following: "and pursuant to subsection (h) of this section", and by inserting at the end thereof the following new subsection:

"(h) At the close of the fiscal year ending June 30, 1968, and each fiscal year thereafter, the Board shall determine the amount, if any, which, if added to the railroad unemployment insurance account, would place such account in the same position it woud have been in at the close of such fiscal year if every employee who had been paid benefits in the fiscal year for days of sickness in an extended benefit period under the first sentence of section 2 (c), or in a 'succeeding benefit year' begun in accordance with the second sentence of section 2 (c), and who upon application therefor would have been entitled to a disability annuity under section 2 (a) of the Railroad Retirement Act of 1937 with respect to some or all of the days for which such benefits were paid, had been paid such annuity with respect to all days of sickness for which he was paid benefits which were also days with respect to which such annuity could have accrued. In determining such amount, the Board shall presume that every such employee was, in respect to his permanent physical or mental condition, qualified for such an annuity from the date of onset of the last spell of illness for which he was paid such benefits, if (a) he died without

applying for such an annuity and before fully exhausting all rights to such benefits; or (b) he died without applying for such an annuity but within a year after the last day of sickness for which he had been paid such benefits, and had not meanwhile engaged in substantial gainful employment; or (c) he applied for such an annuity within one year after the last day of sickness for which he was paid such benefits and had not engaged in susbtantial gainful employment after that day and before the day on which he filed an application for such an annuity. The Board shall also have authority to make reasonable approximations deemed necessary in computing annuities for this purpose. The Board shall determine such amount no later than June 15 following the close of the fiscal year, and within ten days after such determination shall certify such amount to the Secretary of the Treasury for transfer from the Railroad Retirement Account to the railroad unemployment insurance account, and the Secretary of the Treasury shall make such transfer. The amount so certified shall include interest (at a rate determined, as of the close of the fiscal year, in accordance with subsection (d) of this section) payable from the close of such fiscal year to the date of certification."

SEC. 206. (a) Section 12 (f) of the Railroad Unemployment Insurance Act is amended by striking out ", or maternity" wherever it appears; and by substituting "or"

(i) for the comma between "unemployment-compensation" and "sickness" in the first sentence,

(ii) for the comma between "unemployment" and "sickness" in the second sentence, and

(iii) for the comma between "unemployment-compensation" and "sickness" in the second sentence.

(b) The first paragraph of section 12 (g) of such Act is amended by substituting "or" for the comma between "unemployment" and "sickness", and by striking out ", or maternity". The second paragraph of such section is amended by striking out ", or maternity" wherever it appears, and by substituting "or" for the comma wherever it appears between "unemployment" and "sickness".

(c) The third paragraph of section 12 (i) of such Act is amended by striking out "and, in case of maternity sickness, the expected date of birth and the actual date of birth of the child".

(d) Section 12 (n) of such Act is amended by striking out

(i) "or maternity" wherever it appears, and

(ii) "or as to the expected date of birth of a female employee's child, or the birth of such a child".

SEC. 207. Section 13 of the Railroad Unemployment Insurance Act is amended by striking out the following

phrases: "and maternity"; "or for maternity"; "or maternity" wherever it appears; and "or to maternity".

EFFECTIVE DATES

SEC. 208. The amendments made by sections 201 (a) (1), 201 (b), 202 (a) (1), 202 (a) (2), 202 (b) (1), ~~206,~~ *206* and 207 shall be effective as of July 1, 1968. The amendments made by sections 201 (a) (2) and 203 shall be effective with respect to base years beginning in calendar years after December 31, 1966, except that with respect to the base year in calendar year 1967 the amendments made by section 203 shall not be applicable to an employee whose compensation with respect to that base year was not less than $750 but less than $1,000; further, as to such an employee, the amendments made by section 202 (a) (3) shall not be applicable with respect to days of unemployment and days of sickness in registration periods in the benefit year beginning July 1, 1968. The amendments made by section 202 (a) (3) shall otherwise be effective with respect to days of unemployment and days of sickness in registration periods beginning on or after July 1, 1968. The amendments made by sections 202 (b) (2) (i) through (vi) shall be effective to provide the beginning of extended benefit periods on or after July 1, 1968. The amendments made by ~~sections~~ *section* 202 (b) (2) (vii) through (ix) shall be effective to provide for the early beginning of a benefit year on

or after July 1, 1967. The amendment made by section 204 (a) shall be effective with respect to calendar days in benefit years beginning after June 30, 1968, and the amendment made by section 204 (b) shall be effective with respect to voluntary leaving of work (within the meaning of section 4 (a–2) (i) of the Railroad Unemployment Insurance Act) after the enactment date of this Act.

Union Calendar No. 410

90TH CONGRESS
2D SESSION

H. R. 14563

[Report No. 1054]

A BILL

To amend the Railroad Retirement Act of 1937 and the Railroad Unemployment Insurance Act to provide for increase in benefits, and for other purposes.

By Mr. STAGGERS

DECEMBER 15, 1967

Referred to the Committee on Interstate and Foreign Commerce

JANUARY 17, 1968

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

AMENDING THE RAILROAD RETIREMENT ACT OF 1937 AND THE RAILROAD UNEMPLOYMENT INSURANCE ACT

Mr. BOLLING. Mr. Speaker, by direction of the Committee on Rules, I call up House Resoution 1035 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 1035

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. 14563) to amend the Railroad Retirement Act of 1937 and the Railroad Unemployment Insurance Act to provide for increase in benefits, and for other purposes. After general debate, which shall be confined to the bill and shall continue not to exceed two hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Interstate and Foreign Commerce, the bill shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and 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.

The SPEAKER pro tempore (Mr. ALBERT). The gentleman from Missouri [Mr. BOLLING] is recognized for 1 hour.

Mr. BOLLING. Mr. Speaker, I yield 30 minutes to the gentleman from California [Mr. SMITH] and, pending that, I yield myself such time as I may consume.

Mr. Speaker, there is no controversy whatsoever over this rule, which is a standard open rule giving 2 hours for general debate on the amendments to the Railroad Retirement Act. As far as I know, there is no controversy even over the bill. Therefore, I reserve the balance of my time.

Mr. SMITH of California. Mr. Speaker, I yield myself such time as I may use.

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

Mr. SMITH of California. Mr. Speaker, the purpose of the bill is to provide for an increase in railroad retirement benefits for those who because of the provisions of that act will not receive an increase either under the retirement act or the Social Security Act.

The increase granted under the bill will equal 110 percent of the increase an individual would have received if covered by the Social Security Act increases recently vetoed by the Congress.

Additionally, some widows and other members of the family will be covered and the earnings test for persons eligible for disability annuities is liberalized.

Title II of the bill increases by $2.50 per day the benefits available for unemployment and sickness. This will increase the per diem of such benefits from $10.20 to $12.70.

The cost for all benefit increases made by the bill will be financed from the income of the railroad retirement fund, and will not require any further increase in railroad retirement taxes.

The bill is supported by the administration and is agreed upon by both the unions and the railroads. There are no minority views.

Mr. Speaker, I urge the adoption of the rule and passage of the bill.

Mr. Speaker, I yield back the balance of my time.

Mr. BOLLING. Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

Mr. STAGGERS. 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. 14563) to amend the Railroad Retirement Act of 1937 and the Railroad Unemployment Insurance Act to provide for increase in benefits, and for other purposes.

The SPEAKER pro tempore (Mr. ALBERT). The question is on the motion offered by the gentleman from West Virginia.

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. 14563, with Mr. NIX 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 West Virginia [Mr. STAGGERS] will be recognized for 1 hour and the gentleman from Illinois [Mr. SPRINGER] will be recognized for 1 hour.

The Chair recognizes the gentleman from West Virginia [Mr. STAGGERS].

Mr. STAGGERS. Mr. Chairman, I yield myself such time as I may consume.

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

Mr. STAGGERS. Mr. Chairman, the bill before the House today would provide increases in railroad retirement benefits to approximately 653,000 persons in amounts equal to 110 percent of the amounts they would receive had they been social security beneficiaries rather than railroad retirement beneficiaries, subject to certain offsets.

Many persons covered by the railroad retirement act will automatically receive increases in their benefits effective February 1, 1968, because of the recent amendments to the Social Security Act. This bill covers those persons who will not receive increased railroad retirement benefits otherwise, and will have the same effective date as the social security benefit increases.

Where the beneficiary is also receiving social security benefits as well as railroad retirement benefits, the bill provides an offset for the social security benefits; however, in no event will a person receiving benefits paid by the Railroad Retirement Board receive an increase in benefits of less than $10 a month in the case of retired employees, or $5 a month in the case of spouses, widows, children, or dependent parents of railroad employees.

This bill is an agreed on bill between railway labor and railway management. It has the approval of the Railroad Retirement Board and it came out of our committee unanimously.

Fortunately, it is possible at this time to provide the increases in benefits contained in this bill without the necessity of any further tax increase at this time. This results from the fact that the recent social security amendments automatically operated to increase the base wages subject to tax under the Railroad Retirement Tax Act, and provides an ultimate increase in railroad retirement tax rates equal to, in both instances, the new tax base, and the new tax rate increases provided under the Social Security Act.

Employees who are receiving supplemental annuities but no social security benefits will receive benefits without any offset other than that already contained in existing law. Where railroad retirement beneficiaries are also in receipt of social security benefits, there is an additional offset for the latest increase in social security benefits provided by last year's Social Security Act; however, the mimimum increase will be $10 and $5, as I mentioned before. These increases are, of course, made before any reduction in annuities are made by reason of the age of the recipient.

The social security offsets contained in the bill are designed to avoid preferential treatment of beneficiaries who also are entitled to social security benefits. Without such offsets, the dual beneficiaries would receive two increases amounting to more than the single increase the nondual beneficiaries would receive under the bill.

The bill also provides some further improvements in the railroad retirement program.

The bill permits payment of benefits to employees retired for disability who earn up to $2,400 a year rather than the existing test which only permits them to earn $1,200 a year. At the time the $1,200 limitation was placed in the law in 1959, $1,200 a year was a reasonable income limitation for persons retired on disability. With increases in wages since that date, $200 a month is a much more reasonable level.

The bill also provides for crediting railroad employees with $100 a month additional for military service performed after 1967, providing $260 a month rather than $160 as is provided in existing law. This is identical to the provisions of the social security act providing credit under that act for military service. In addition, the bill provides for payment of retirement benefits to disabled widows and widowers at or above age 50 subject to an actuarial reduction in benefits, just as the social security amendments provide for such benefits. In addition, the bill makes applicable certain tests contained in the social security act for payment of family benefits, making certain additional persons eligible for benefits where, for example, a void marriage is involved.

Title II of the bill amends the railroad unemployment insurance program to permit the payment of $2.50 additional per day in unemployment or sickness benefits to railroad employees. There are some restrictions in the existing program. Maternity benefits are eliminated; however, sickness benefits may be paid to women unable to work because of pregnancy, miscarriage, or the birth of a child. In order to qualify for benefits today, an employee must have earned $750 or mure during the base year. The bill increases this amount to $1,000 which is in line with the increase in wages since 1963 when the $750 test was placed in the law.

Upon attainment of age 65, the bill provides for termination of the right to extended sickness benefits and sickness benefits in an accelerated benefit year. Where an employee receives sickness benefits after attaining the age of 65, and the employee could have qualified for disability retirement benefits under the Railroad Retirement Act, transfers will be made from the retirement fund to the unemployment and sickness fund in amounts equal to disability annuities which otherwise would have been payable.

Under existing law, where an employee exhausts his rights to unemployment benefits, he may receive extended unemployment benefits for periods between 65 and 130 days depending upon the number of years of his service. The bill provides for payment of extended sickness benefits with the same qualifications as apply to unemployment; in addition; the present provision for the possible early beginning of a benefit year in cases involving days of unemployment would be expanded to provide for the possible early beginning of a benefit year in cases involving days of sickness.

An additional disqualifying condition would be added to provide that where an employee has received a separation allowance he would not receive any unemployment or sickness benefits for a period following his separation from service, with the length of this period determined by a formula taking into account the amount of his allowance, his last daily rate of pay, and the number of days in his normal workweek.

The cost of title II of the bill would be approximately $20 million a year additional, financed out of the railroad unemployment insurance fund, which today is receiving—at existing contribution rates—approximately $60 million a year more than is being paid out; therefore, title II will require no increase in contributions from the carriers to finance the added benefits.

Title I of the bill, involving increases in benefits under the Railroad Retirement Act would, as I have mentioned before, require no increase in taxes. The $62 million a year added level cost estimated to be involved in the bill would leave the railroad retirement system in approximately the same actuarial position it was in prior to the enactment of the social security amendments last year.

Mr. Speaker, this bill was drafted to carry out an agreement between railway labor and railway management. It is approved by the Railroad Retirement Board, no objections were made to the bill at our hearings, and our committee was unanimous in recommending the bill to the House, and we urge its passage.

The CHAIRMAN. The Chair recognizes the gentleman from Ohio [Mr. DEVINE].

(Mr. SPRINGER (at the request of Mr. DEVINE) was granted permission to extend his remarks at this point in the RECORD.)

Mr. SPRINGER. Mr. Chairman, we are here today to consider a long, technical, and almost unexplainable bill to modify the benefits under the railroad retirement system and the railroad unemployment system. The portion pertaining to retirement has been subject to the most continuing comment and suggestions for change.

A few years ago the railroad retirement fund had come to the point where it could not be allowed to further progress toward insolvency. It had not reached that state, but it had gradually attained a posture which could not be justified by actuarial considerations. No one wanted higher rates. Everyone would have liked to increase benefits to all recipients. After long study and consideration, the parties in interest—the railroad brotherhoods and the railroads—came to the Congress with their agreed-

upon solution, and we accepted it. It raised rates higher than desired and gave somewhat less in benefits than desired, but it did balance the fund for the long pull.

Since that time medicare has come into being, and this also affected the fund and the rates which must be paid. Adjustments upward in the rates were made.

Then social security was changed to grant a 7-percent increase to beneficiaries. That automatically raised the benefits of many railroad fund beneficiaries because of the provision that no benefit will be less than 110 percent of social security. No doubt at an earlier time it was thought that this sort of automatic relationship would solve all problems. As time went on, however, more and more employees made much greater wages than those covered by social security, and so their benefits were always more than that 110 percent. As a result many retirees were left out in the cold by the 7-percent increase.

Again, recognizing the difficult problem faced by the retirement system, the brotherhoods and the railroads sat down and, while putting the finishing touches upon an experimental supplementary pension for some retirees, agreed to a small increase in rates levied upon both employees and management to provide the 7 percent for the remaining people.

Now we have a new round of changes because of the Social Security Amendments of 1967. Many retirees and other beneficiaries would again receive an increase automatically while many others would not. Knowing that this would cause difficulties, the parties again worked out the matter while consideration of the social security changes was underway. What they worked out is before you today. It takes care of those who would be bypassed and gives them a proportionate increase. It does some additional things for specified categories of recipients, and these have been described in the committee report and here on the floor.

The suggestions for changes, particularly wide liberalization of benefits and qualification for annuities, can be found at every hand. We must, however, follow the recommendation of those who are most directly concerned not only with the benefits but the continuing soundness of the system. Those recommendations are the provisions of this bill. I recommend the bill to my colleagues and trust the House will see fit to pass it as it has come from the committee.

Mr. DEVINE. Mr. Chairman, this is one of the unique situations which arise in our great Committee on Interstate and Foreign Commerce where there is agreement on both sides of the aisle, and agreement by management and by the brotherhoods on this legislation.

This will bring the railroad retirees up to the benefits granted to persons on social security as a result of the action of the Congress in the first session of the 90th Congress.

This legislation is noncontroversial, it is agreed-upon legislation, and the statement made by the chairman is right on the target, when he said that there is no controversy involving this legislation.

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

Mr. DEVINE. I yield to the gentleman from Ohio [Mr. HARSHA].

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

Mr. HARSHA. Mr. Chairman, I strongly support this legislation and I call upon the Congress to pass these Railroad Retirement Act Amendments of 1968.

The meager retirement benefits of the retired railroad workers and their survivors have been continually eroded by inflation and I urge the House of Representatives to promptly adopt these amendments which were designed to restore, to these deserving people, the level of decency and comfort they have worked so hard to earn.

While these increases are not as large as I had hoped the Interstate and Foreign Commerce Committee would recommend, they would be helpful to the retired railroad employees in meeting the rising cost of living. Many persons automatically receive increases in retired railroad benefits when social security benefits increase because their benefits are computed under the social security formula and these individuals are not affected by this legislation. On the other hand, the vast majority of employee annuities and a significant portion of aged widows' annuities are computed under the regular retired railroad formula, and unless the Congress adopts these amendments, the latter will not receive the cost-of-living increase.

The legislation would provide for average increases of around $13 per month for retired employees—running from a minimum of $10 to a maximum of $21—average increases of $7 for spouses, $11 for aged widows, and $11 for other survivors. In addition, the legislation makes certain additional family members eligible for benefits, provides an increase in the credit for future military service, and liberalizes the earnings test for persons eligible for disability annuities under the Railroad Retirement Act from $1,200 annually to $2,400, and furthermore, would increase by $2.50 per day benefits for unemployment and sickness and add some restrictions on eligibility for these benefits. The increase in annuities would become effective February 1, 1968.

Last year, I appealed to the Interstate and Foreign Commerce Committee to bring recommendations to the floor of the House of Representatives providing for similar increases in retirement benefits. This legislation reflects the terms of an agreement entered into by representatives of railway labor and management and is the least the Congress could do to help alleviate the dire situation confronted by the retired railway workers and their families.

It will merely help them provide the necessities of life and should be approved forthwith.

Mr. MILLER of Ohio. Mr. Chairman, I rise today in support of the 1968 amendments to the Railroad Retirement Act.

Faced with the heavy tax of inflation, the retirement benefits of the retired railroad workers and their survivors have greatly diminished in purchasing power. While these benefits were not large in the beginning, we must attempt to restore them to the preinflation purchasing level to combat the rising cost of living, and this is a step in the right direction.

During the last session, the Congress saw fit to raise the benefits of another deserving group, social security recipients. At the same time, some persons will automatically receive increases in retired railroad benefits when the social security increases become effective because their benefits are computed under the social security formula. Today, we are considering a bill which will aid the vast number of railroad retirement annuitants who would not otherwise benefit from the social security increases. These people are most deserving of this cost of living increase which is contained in H.R. 14563.

I strongly urge the House to promptly approve this important legislation.

Mr. BLANTON. Mr. Chairman, my support for H.R. 14563, the Railroad Retirement Act Amendments, is unqualified. I am particularly pleased to see labor and management reason together on this matter.

Important commitments in my district make it necessary for me to be absent from voting on this legislation, however I wish to go on record as being for the passage of this bill.

Mr. BROTZMAN. Mr. Chairman, I rise in support of H.R. 14563, to provide for increased benefits under the Railroad Retirement Act of 1937 and the Railroad Unemployment Insurance Act, which comes from my Committee on Interstate and Foreign Commerce.

The principle purpose of this legislation is to provide an increase in railroad retirement benefits to those persons who will not automatically receive an increase in either their railroad retirement or social security benefits. As you know, we adopted a 13-percent increase in social security benefits during the last session of Congress. This bill, which we are considering today, will give basically the same increase in benefits to those persons who are covered by the Railroad Retirement Act.

The vast majority of survivor annuities and some retirement and spouses' annuities are computed under the formula in section 3(e) automatically receive increases in railroad retirement benefits when social security benefits are increased.

However, many employee annuities and a large proportion of aged widows' annuities are computed under the regular railroad retirement formula. Under H.R. 14563, these persons will receive increases of $10 or more, in the case of retired employees, or $5 or more in the case of wives, widows, parents, and children.

This bill also makes certain disabled widows and widowers eligible for benefits, makes certain additional family members eligible for benefits, provides an increase in the credit for future military service, and liberalizes the earning test for persons eligible for disability annuities under the Railroad Retirement Act. Title II of the bill increases by $2.50 per day benefits for unemployment and

sickness, and provides some restrictions on eligibility for these benefits.

One of the many considerations with which we are all concerned in this time of fiscal crisis is the cost of legislation which we enact here in the Congress. I am pleased to report that the cost of increasing benefits to retired railroad employees under this measure will be financed out of the increases in the income of the railroad retirement fund arising out of the recent Social Security Act amendments and will not require a further increase in railroad retirement taxes.

Mr. Chairman, this is a sound piece of legislation. It is a fair and just measure and deserves our full support. It will bring the same benefits to hundreds of deserving railroad retirees and their families which already have been provided to those covered by the Social Security Act. I urge its adoption.

Mr. BROYHILL of North Carolina. Mr. Chairman, today the House of Representatives is considering a piece of legislation of extreme importance to the many hundreds of retired railroad employees, their wives or widows, and their other dependents. I am proud to rise in support of this bill, which has received the approval of railway management and railway labor.

The bill which we have before us would provide increases in benefits for those persons who will not receive an increase in either their railroad retirement benefits or social security benefits as a result of the Social Security Amendments of 1967. As we all know, many railroad retirees automatically receive increases when social security benefits are increased. However, the remaining retirees, those who are not affected by the social security increases, are also deserving of an increase in benefits, and the purpose of this bill is to assist these individuals.

It has been calculated that this bill would provide an increase of approximately $10 for each retiree and an increase of approximately $5 for each wife, widow, or other dependent. This bill would also make disabled widows and widowers age 50 to 60 eligible for an annuity, as well as liberalizing the earnings test for persons eligible for disability benefits. In addition, this legislation would increase benefits for unemployment and sickness although it would place some restrictions on eligibility for these benefits.

Mr. Chairman, it has been a privilege for me to serve on the Interstate and Foreign Commerce Committee which has the responsibility for railroad retirement legislation, and I fully support the efforts of the committee to make certain that the railroad retirement program is as fair and equitable as possible. I urge the Members of the House of Representatives to pass this bill without delay.

Mr. POFF. Mr. Chairman, in the first session of the 90th Congress while the social security benefit increase bill was under debate, I expressed my concern that railroad workers and their families had not been included for similar treatment.

While it is true that, under the financial interchange amendments, increases in the social security program indirectly increase benefits in certain isolated categories of railroad retirement beneficiaries, in the absence of specific legislation, the general increase does not apply. The bill now under debate is such legislation. It will supply the omission. It should be promptly adopted.

I have not said that H.R. 14563 is a piece of perfection in the legislative process. Indeed, it leaves certain gaps which should be closed. I have particular references to the survivorship annuities and unemployment benefits.

Yet, this bill, which enjoys the endorsement of both the railroads and the brotherhoods, will do substantial justice to most railroad workers and their families. With certain offsets and credits for increases already received by operation of the financial interchange provisions, the railroad retiree will receive under this bill approximately 110 percent of the increase granted last year to the social security beneficiary. Considering the disparity in railroad retirement and Social Security taxes, the 10-percent bonus can hardly be challenged.

This legislation will not require further increases in railroad retirement taxes. Through operation of the financial interchange provisions, the effect of the changes in the Social Security funding program will be to create a modest surplus in the railroad retirement fund. Even after deduction for the cost of this legislation, the deficit in the railroad retirement fund will be 1.16 percent of payroll. This is only slightly more than the present deficit.

It is important to act promptly. Unless both Houses of Congress complete action without further delay, it will be impossible to make the effective date of the railroad retirement increase coincide with the effective date of the social security increase. That increase will be reflected in the March checks.

After this legislation has been placed on the statute books, the Committee on Interstate and Foreign Commerce will, I feel confident, schedule hearings later in the session on other railroad retirement legislation which railroad workers count supremely important. Such legislation includes bills to reduce the retirement age, bills to repeal the last employer clause, bills to repeal the old base period and substitute the 5 best years rule and other bills to improve the railroad retirement program and protect its solvency.

Mr. EILBERG. Mr. Chairman, I want to speak briefly but emphatically in support of H.R. 14563 which this House is now considering. The main purpose of the bill is to reflect the 1967 change in the social security benefit formula in all railroad retirement payments, not merely those falling under the minimum guaranty provision.

Because of the special minimum guaranty provision in the Railroad Retirement Act, starting this February some railroad retirement beneficiaries will receive an increase in their payments ranging from $5 to $20 a month as a result of the Social Security Amendments of 1967. As you know, this provision requires that payments to railroad retirement beneficiaries be at least 10 percent higher than they would be were railroad work covered under the Social Security Act. Many persons receiving benefits under the Railroad Retirement Act will benefit from the 1967 social security legislation. The vast majority of the retired railroad workers themselves, however, as well as other beneficiaries will not because it is in their favor for their annuities to be computed under the regular formula of the Railroad Retirement Act. It is this group to which H.R. 14563 is mainly directed.

The reasons necessitating our increasing social security benefits apply with equal force to railroad retirement benefits. I think these reasons are sufficiently fresh in our minds so that in this brief statement I will concentrate on what H.R. 14563 provides rather than on the obvious need for the bill.

H.R. 14563 does not propose an increase which is a specific percentage applied to the benefit amount. Rather, the increase is a flat dollar amount determined by the average monthly compensation. The retired railroad worker, under the bill, would receive an increase approximately 10 percent larger than the dollar amount of the increase under the 1967 Social Security Amendments received by his social security counterpart with a similar average monthly compensation. This, of course, does not necessarily mean that his total railroad retirement payment will be 10 percent greater than that of the social security counterpart because the basic benefit is computed differently in the two systems.

Expressed in monetary terms, monthly annuities computed on the regular railroad retirement formula will be increased from $10 to $21 for retired employees and from $5 to $17 for wives and survivors. However, if the recipient also receives a social security benefit, his railroad retirement increase would be reduced by the amount of the social security increase legislated in 1967. In any event, H.R. 14563 guarantees a minimum monthly increase of $10 for a retired worker and $5 for spouses and survivors. These minimums are before reductions for early retirement.

The bill also removes the restriction imposed in the 1966 Railroad Retirement Amendments limiting the 1966 7-percent increase to monthly earnings of $450 and below.

The maximum benefit a spouse may receive would be increased. A spouse is entitled to an annuity equal to one-half that of the retired worker's annuity but a maximum is imposed on this amount. A maximum of $92.40 a month went into effect January of this year under present law. If H.R. 14563 is passed, the maximum for the remainder of this year will be $104.50. It will rise to $112.20 in January 1969 and to $115.50 in January 1970.

H.R. 14563 liberalizes the disability provisions of the Railroad Retirement Act. For the first time reduced annuities would be available to disabled widows and widowers at age 50 under similar conditions provided disabled spouses in the Social Security Amendments of 1967, except there would be no waiting period before the annuity could be paid. The bill would allow disability annuitants to

earn $2,400 a year instead of $1,200 without losing annuity payments for any month in the year. Regardless of their total annual earnings, they could earn as much as $200 a month instead of $100 without losing their annuity for that month.

Again following the pattern established by the 1967 Social Security Amendments, the bill would increase the amount to be credited for each month of military service after 1967 from the present $160 to $260. The bill also would incorporate into the Railroad Retirement Act the less strict requirements adopted by the social security system before 1967 regarding the validation of certain marriages and the status of certain children born out of wedlock.

The Railroad Unemployment Insurance Act also would be amended by enactment of H.R. 14563. Included among the amendments would be a $2.50 increase in the daily unemployment and sickness benefit rate at each level, with the maximum rate being $12.70. Also, railroaders under age 65 with 10 or more years of service would be able to receive sickness benefits for longer periods, just as they are already able to receive unemployment benefits for an extended period.

In closing, I want to firmly state that passage of this bill is essential to the economic well-being of our retired railroad workers and is needed for equality of treatment in federally administered retirement plans. It is true that generally when we increase social security benefits, we eventually also increase payments to railroad retirees. But why make them wait? During this period of rising prices any lag imposes a hardship on our former railroaders and their families and survivors. I urge you, therefore, to pass this legislation promptly so that the railroad retirement increase might go into effect the same time as the 1967 social security increase—namely, this February—or as close to this date as legislatively possible.

Mr. JOHNSON of California. Mr. Chairman, as the author of H.R. 14633, a companion to the legislation which we have before us here today, I rise in support of passage of this bill.

We have here a situation where I believe early action is essential in order to permit the railroad retirement system to share in the improvements which this Congress has voted in the social security system. These improved social security benefits will go into effect February 1 and will show up in checks received March 1 by beneficiaries, including retired persons, widows, and the disabled.

Early action on this legislation is essential so that all retired railroad workers may keep pace with these benefits.

Basically the legislation provides an increase in railroad retirement benefits for persons who will not receive an increase in either their railroad retirement or social security benefits as a result of the recent amendments to the Social Security Act. There are, of course, many persons who received automatic increases in their railroad retirement benefits when the social security benefits increased. They are those retired railroad workers whose benefits are computed under the social security formula. They are not affected by this bill.

There are others who do not receive the automatic increases and this legislation would protect the retirement interests of these people by increasing their retirement benefits $10 a month or more, or in the case of wives, widows, parents, and children, $5 a month or more.

The legislation also makes certain disabled widows and widowers eligible for benefits, provides an increase in the credit for future military service, and liberalizes the earnings test for persons eligible for disability annuities under the Railroad Retirement Act.

The cost of these benefits will be financed out of increases in the income of the railroad retirement fund arising out of the recent Social Security Act amendments and will not require a further increase in railroad retirement taxes.

One other point not related to the retirement benefits should be mentioned, and that is the increase by $2.50 per day in benefits for unemployment and sickness. This increases the maximum daily benefit rate to $12.70 per day, which I believe we all agree would be an absolute minimum.

Mr. Chairman, in conclusion I would like to emphasize that we have here legislation which has the support of all concerned. Both labor and management have endorsed the legislation in testimony before the Interstate and Foreign Commerce Committee, whose distinguished chairman, the gentleman from West Virginia, [Mr. STAGGERS], authored the bill we have before us, H.R. 14563. The administration supports the legislation.

I therefore urge my colleagues to add their support to this fine piece of legislation.

Mr. DANIELS. Mr. Chairman, I rise in support of the pending measure, H.R. 14563. As all members of the House Committee on Interstate and Foreign Commerce know, I am vitally concerned with the well-being of America's railroad workers and alarmed as they fall behind other members of the labor force.

In the first session of this Congress, I introduced two bills designed to improve the lot of the railroad worker. One, H.R. 5405, would have provided a 20-percent, across-the-board increase for persons covered by the Railroad Retirement Act of 1937. The other, which has created quite a stir, would have provided full annuity for persons with 30 years of creditable service under the act. The response which I have received from thousands of railroad workers indicates to me that the grassroots is not satisfied with this system.

Mr. Chairman, I make no criticism of the distinguished chairman of this committee nor of the hard-working Members of Congress who have labored hard to keep the railroad retirement system working. Unfortunately, there are problems within the system which are far more serious than those facing the social security and civil service retirement systems, and so long as the railroad retirement system is structured as it is, I see no real hope of achieving our desired ends.

Mr. Chairman, all other members of the labor force, both in the private and public sectors of the economy, are moving toward earlier retirement. Yet, the railroad worker is wedded to a system where no progress at all is being made. I do hope that somehow the collective wisdom of this House can be brought to bear on this badly needed reform.

Mr. Chairman, I commend the distinguished the gentleman from West Virginia, Chairman Staggers, and the members of this committee for today's bill. While some may say it is not enough, it is a step forward and, rather than stay with the status quo, I urge all Members to join with me in supporting the pending bill.

Mr. BOLAND. Mr. Chairman, I want to voice my support today for bill H.R. 14563, a measure that would make thousands of railroad workers and their families eligible for the benefits that the 1967 Social Security Amendments have granted to almost everyone but them.

Stemming from an agreement reached by railway labor and management, the bill would extend retirement benefits comparable to those other citizens now enjoy to people who will not receive an increase in either their railroad retirement or social security payments as a result of the 1967 amendments I have just cited.

The bill, sponsored by the gentleman from West Virginia, Congressman HARLEY STAGGERS, and identical to the H.R. 14625 bill I cosponsored, would amend the 1937 Railroad Retirement Act to give people left out in the cold by last year's upward revisions in the Social Security Act benefits subject to certain offsets but generally equal to 110 percent of the benefits they would have received were they subject to the Social Security Act.

In addition, the bill would extend retirement benefits to disabled widows and widowers 50 years of age and over, close the gap that now exists between the Railroad Retirement Act and the Social Security Act concerning children's eligibility for certain benefits, provide an increase in credit for future military service and liberalize the earnings test for disability annuities.

The money to pay for these increases would come from new income that last year's social security amendments provide for the railroad retirement fund, making it unnecessary for any increase in railroad retirement taxes.

Title II of the bill would increase by $2.50 a day the benefits for unemployment and sickness under the railroad unemployment insurance program.

I want to commend Congressman STAGGERS, able and distinguished chairman of the Committee on International and Foreign Commerce, for speeding action on this bill I joined him in sponsoring.

I feel sure that my fellow Members of the U.S. Congress share my vigorous support for this bill, one that would do justice to the many railroad workers ignored by last year's significant increase in social securities benefits.

The spirit of equity and fair play behind the laws governing both the Social Security Act and the Railroad Retire-

ment Act makes swift passage of this bill necessary.

Mr. BURKE of Massachusetts. Mr. Chairman, my bill, H.R. 14596, a companion bill to H.R. 14563, embodies the provisions of a program developed jointly by railway labor and management in consultation with the Railroad Retirement Board. The bill would improve the programs providing much needed benefit increases and introducing certain new kinds of benefits.

AMENDMENTS TO THE RAILROAD RETIREMENT ACT

The purpose of title I of the bill is to take care of a difficult situation that was created for the railroad retirement program by the enactment of the Social Security Amendments of 1967. General increases in social security benefits automatically result in corresponding increases in benefits for large numbers of railroad retirement beneficiaries but not for all of them. The beneficiaries who receive increases are those whose annuities are computed under the 110 percent social security minimum guaranty of the Railroad Retirement Act and a large proportion of all wives who are paid a spouse's annuity. All other railroad retirement beneficiaries are left without increases, and this group includes the great majority of retired employees. My bill would take care of the group left out, and by doing so, it would assure that all railroad retirement beneficiaries receive equal treatment. In this respect, the bill is similar to the part of the railroad retirement amendments of 1966 which provided benefit increases for those beneficiaries who were not in line for increases as a result of the 1965 Social Security Amendments.

As for immediate effects, increases derived solely from the bill would go to some 594,000 present beneficiaries; increases derived solely from the 1967 social security amendments to 297,000 beneficiaries; and increases derived from both sources to 59,000 beneficiaries. Thus, if the bill is enacted, all railroad retirement beneficiaries, without exception, will receive benefit increases effective on the same date—February 1, 1968—and in amounts based on essentially the same formulas. The minimum basic increases—before reduction, if any, for early retirement—under the bill would be $10 a month for a retired employee and $5 for a spouse or survivor. The present maximum increase for a retired employee would be about $21 because the average monthly compensation used in the computation of an employee annuity can now be no higher than $433. All in all, title I of the bill would give increases to about 653,000 present beneficiaries, most of whom are retired employees. In addition, the bill would bring in some 3,000 beneficiaries of a new type. I am referring to disabled widows between the ages of 50 and 60 who otherwise would not be eligible for benefits under the Railroad Retirement Act. The additional benefit disbursements in the first year would be about $81 million.

AMENDMENTS TO THE RAILROAD UNEMPLOYMENT INSURANCE ACT

Title II of the bill would increase the maximum daily benefit rate for unemployment and sickness from $10.20 to $12.70 and would make it possible for railroad workers with 10 or more years of service to receive sickness benefits for longer periods. Furthermore, an accelerated benefit year, that is a benefit year beginning on a date earlier than July 1, could begin also with a day of sickness, whereas under present law it can begin only with a day of unemployment.

I strongly urge the passage of H.R. 14563.

Mrs. SULLIVAN. Mr. Chairman, it is my privilege to represent in the House one of the great railroad centers of the United States—St. Louis—and I come from what can well be called a railroader family. My husband also had close family connections with railroaders and, in addition, served prior to his death in 1951 on the House Committee on Interstate and Foreign Commerce where he took an active and leading role on all legislation affecting railroad retirement.

So I feel very strongly about the need for improvements in the railroad retirement system to keep up with changes in living costs and the ever-changing complexion of problems of our retirees. I am, therefore, happy to support this bill.

However, Mr. Chairman, it is one thing to provide a modest increase in the benefits of retirees, as we did just recently on the social security bill, and as we do now in this legislation. It is another matter entirely to try to make sure that our retirees are protected as much as possible in the purchasing power of their limited, fixed incomes, and are not victimized by deceptive or fraudulent practices which rob them of their small substance.

I have just been informed that the Consumer Credit Protection Act will be scheduled for House consideration next Tuesday, instead of a week later as originally planned. This bill, H.R. 11601, is probably the most important consumer measure we will consider in this session. It represents 8 long years of effort, initiated in 1960 by former Senator Paul H. Douglas of Illinois and pursued vigorously by him until his defeat in 1966, to pass a strong bill which will give the consumer the full facts—all of the facts—about the cost of credit in any consumer credit transaction. We are nearing the climax of this drive.

REVOLVING CREDIT EXEMPTION UNFAIR TO INDEPENDENT BUSINESS AS WELL AS TO CONSUMERS

It is therefore extremely urgent that every Member of the House who believes sincerely in helping our railroad retirees, and all citizens of modest or average income, to get full value for the dollars they spend in credit transactions be present next week for the fight on consumer credit legislation. Every family today uses credit in many forms, and millions of them have been and are being victimized by unscrupulous practices and exorbitant interest charges and hidden fees of all kinds.

H.R. 11601 is a good, strong bill in many particulars—in most particulars. But, as I told the Rules Committee yesterday, it now suffers from two extremely serious defects written into it as committee amendments in the Committee on Banking and Currency.

One is the exemption for revolving credit. Under this special interest exemption, avidly sought by the huge merchandising chains like Sears, Ward's, Penney's, and all of the major department stores using computerized revolving credit systems, the store would not have to reveal the annual rate of the interest or finance charge on the vast bulk of its credit sales. This is grievously unfair to independent businesses, such as furniture stores, hardware stores, appliance dealers, automobile dealers, radio-TV shops, music stores and all of the thousands of small retail stores which cannot install and finance computerized revolving credit accounts and, instead, depend largely on installment credit as a sales tool. Unlike the department stores, these merchants will have to tell the customer the annual percentage rate of their credit charges. If they are charging for credit at a rate exactly the same as that charged by the department store, or mail-order house, the independent merchant would have to reveal an 18-percent rate, which sounds extremely high, while the giant competitor could say that his rate is only 1½ percent a month.

Unless we defeat that amendment next week, we will soon be seeing about half of all consumer credit in this country operated on a revolving account basis, to take advantage of this loophole on full disclosure. And the customer—the consumer—is the one who will suffer most from this deception.

The whole purpose of truth in lending is to enable consumers to compare all forms of credit offers, so as to make an informed judgment on the kind of credit to use in a particular situation, or whether to dip into savings and pay cash and save substantial credit charges. But in order to "shop for credit," as former Senator Douglas described the objective, we must have the same measuring tape for all transactions—an annual percentage rate.

PROTECTING "LOAN SHARKING"

Otherwise, it would be only fair to require that banks and other institutions offering interest or dividends on investments translate their rates into monthly terms, so instead of 4 percent on a regular savings account, they would say it is one-third of 1 percent a month. I cannot imagine our financial institutions wanting to change over to that kind of system in describing the payout they make to investors.

The other committee amendment to H.R. 11601 which I intend to fight when the bill comes up on the floor is what we call the loan shark amendment, exempting from rate disclosure of any kind those credit transactions in which the credit charge is $10 or less. This would blanket in every loan or purchase up to about $110 in total cost, which would deprive consumers of essential information on most of the credit transactions in which they engage.

It would provide a great advantage to those fringe operators in the consumer credit field who charge fantastic interest rates, up in the 100- or 200-percent level

or even higher, on the small loans or modest purchases made by low-income families. In my opinion, it is immoral to exclude these transactions from the requirement to tell the consumer what the rate of the finance charge is.

Mr. Chairman, H.R. 14563, the bill now before us, helps railroad retirees, and I favor it. I am sure it will pass easily. But in voting for an improvement in the benefits of railroad retirees, I urge that we also pledge ourselves to help those same retirees in an even more meaningful fashion by enabling them, and all other consumers, to use their moderate incomes to the best advantage. And that means that we must pass a truth-in-lending bill which is strong enough and broad enough to include all types of consumer credit—across the board—on the same basis of measurement—that is, annual rate disclosure.

Mr. QUILLEN. Mr. Chairman, I join in wholehearted support of H.R. 14563, the Railroad Retirement Act amendments, and I urge the immediate passage of this legislation.

This bill will provide an increase in railroad retirement benefits for those persons who will not receive an increase in either their railroad retirement or social security benefits as a result of the recent amendments to the Social Security Act. In addition, some widows and other members of the family will be covered, and the earnings test for persons eligible for disability annuities is liberalized.

I cannot emphasize too strongly the great need for this bill. For those persons who, under present provisions of the Railroad Retirement Act, are denied increases in benefits, these amendments could mean the difference between a meager existence in their declining years and a comfortable time of well-earned rest. Through the swift enactment of this legislation, we can reassure these good people that their long years of hard work have not been forgotten.

Mr. PICKLE. Mr. Chairman, I would like to express my support for the bill now before us. It is a good piece of legislation standing on its own, and in the light of the Social Security Act of 1967, it is especially warranted.

There is one point, however, on which I must differ with the majority of my colleagues in the committee. The present procedures call for an actuarial reassessment of the railroad retirement system in 2 years. The purpose of this review is to determine whether new financial measures are needed to keep the plan on a sound footing.

This bill does not require a new review prior to the 2-year period, and in light of the new demands here made on the system, it certainly seems proper that this be done.

With a system of the size dealt with here, a deficit of 0.5 percent is the suggested maximum which can be sustained for the long run. It is indicated, however, that the new benefits added by this bill will increase the drain on the fund to a level of 1.16 percent—and all these figures are speaking of percentages of the total payroll covered by the program.

This amounts to a drain of approximately $58 million a year, as I see it, and I believe this aspect of the proposal calls for further attention.

Admittedly, there are several increases in the railroad retirement tax rates already included in the law. These will take effect in 1972 and again in 1973. Still, the adequacy of these tax rate increases has not been shown to me, and I believe the situation at least calls for a second look. I would hope that the Railroad Retirement Board would take a look at the actuarial costs sooner than 2 years, and make recommendations to Congress to insure the solvency of the fund. I am not alarmed at the present situation; I just think we ought to look sooner at the costs.

Mr. MOSS. Mr. Chairman, I want to take this occasion to commend my colleagues for their action in the passage of H.R. 14563 amending the Railroad Retirement Act of 1937 and the Railroad Unemployment Insurance Act to provide for increases in the daily rates of unemployment compensation and sickness benefits and revising the unemployment program for railroad employees.

This legislation is a testimony to the cooperation which can exist between labor and management on our Nation's railroads. The features of the bill were agreed to by both parties and is of substantial benefit to not only the employees but management as well. Furthermore, the diligent effort which has been put into this measure resulted in the provision of benefits without a requirement for an increase in taxes at this time.

In general, the benefit increases and other modifications contained in the bill are in line with the social security amendments. The increase in benefits for each beneficiary will be equivalent to the increases he would have received had his railroad employment been social security employment, but in the case of a retired employee in no case would the benefit increase be less than $10 a month and in the case of survivors, the benefit increase will be not less than $5 a month. There is an exception to this. Where the beneficiary is receiving benefits under the provision of the Railroad Retirement Act which guarantees that benefits will be 110 percent of social security benefits, that individual receives no increases under this bill but will automatically receive an increase as the result of last year's social security bill.

The bill also provides benefits for disabled widows and widowers at age 50, provides an additional $100 a month credit for military service performed after 1967, permits disabled employees to earn $2,400 a year without reduction in benefits instead of the current $1,200 a year limitation, and makes certain additional beneficiaries eligible for benefits under the same conditions as apply under the Social Security Act.

The bill also makes amendments to the Railroad Unemployment Insurance Act. It provides an increase of $2.50 a day in the benefits which can be paid for unemployment or sickness. The bill provides some restrictions on benefits under the program. It eliminated benefits for maternity as such but permits payment of sickness benefits for time lost from work by reason of pregnancy or birth of a child. The earnings requirement to qualify for benefits is increased from $750 to $1,000 in the base year. Where an employee is paid a separation allowance, he is prohibited from drawing unemployment benefits for a period determined by the amount of the separation allowance and where sickness benefits are paid to employees who would have qualified for a disability annuity, transfers of amounts equivalent to the disability annuity shall be made from the railroad retirement fund to the railroad unemployment insurance fund.

The enactment of this measure provides a remedy which is long overdue, and it serves as testimony that the Members of this House continue to face the responsibility of providing equitable solutions to the problems facing the citizens of this great Nation.

Mr. RANDALL. Mr. Chairman, it is a privilege to support H.R. 14563. I rise to make these brief comments in support of a measure that quite properly is receiving the early attention of the House among its first enactments in this Second Session of the 90th Congress.

No one can predict the length of debate, on any bill but I would hope the membership of our body will be so unanimously in favor of seeing quick justice done to our railroad retirees that the debate will not be lengthy and remarks limited either to explanation of the measure or in support thereof.

The bill provides that the increase in annuities will be effective beginning with the annuities accruing on February 1st, 1968. Although the total amounts to be paid are difficult to set forth in a brief explanation of the bill, it is safe to say no beneficiary will receive less than a $10 per month increase and some may receive as much as $21 per month increase. Wives, widows, parents, and children would receive a somewhat lesser increase.

The bill makes certain disabled widows and widowers eligible for benefits as well as certain additional family members eligible for benefits, and in addition liberalizes the earnings test for persons eligible for disability benefits.

This proposal will not require a further increase in railroad retirement taxes. In general the bill reflects the terms of an agreement entered into by representatives of railroad labor and management and is supported by the administration.

Title II is concerned with amendments to the Railroad Unemployment Insurance Act. It is noteworthy to know that the amount of compensation earned in a base year as a basic qualification for benefits would be increased from $750 to $1,000. The benefits rate schedule will be revised to the maximum daily rate, and increased from $10.20 to $12.70 for days of unemployment and days of sickness. It is most encouraging to find out that the amendment provided by this title would not require an increase in

the contribution base or the contribution rate.

The 73-page report is somewhat difficult to follow because of the complexity of amending an act passed in 1937 and amended repeatedly since that date. It is sufficient to observe that this measure has surely enjoyed the unanimous support of the committee in that it is one of the few reports I have read in a long time that did not contain either minority views or some separate views which were critical of the report. Not a word is heard by any member of the committee. Such unanimity makes this one of those bills that the House should pass in a hurry and without lengthy debate to prove we intend to accord our railroad retirees the same adjusted increases accorded our social security recipients.

Mr. HORTON. Mr. Chairman, I rise in support of H.R. 14563, providing for benefit increases for persons under the railroad retirement system.

The railroad retirement system was the pioneer effort by the Federal Government to attend to the needs of retired non-Federal employees. The experience had under this plan led to the adoption of the Social Security Act in the 1930's. There is no question, Mr. Chairman, that we owe a debt to the millions of Americans who, having contributed to our productivity for several decades, reach the age of retirement from active employment. Although I know that the vast majority of my colleagues in the House recognize the need for financially sound and sensibly administered retirement systems, I feel compelled to note that the history of this conviction is deep rooted in the Railroad Retirement Act, which we have before us today.

Late in the first session, we passed important legislation which brought social security benefits into line with increases in the cost of living which have taken place over the past 2½ years. With the passage of that bill, many beneficiaries of the railroad retirement system, notably survivors and spouses who receive annuities, became entitled to increased payments parallel to those provided for beneficiaries of the social security system. However, the vast majority of employee annuities and a large number of aged widow annuities paid under the Railroad Retirement Act were not included in the terms of the social security legislation. The purpose of this bill is to extend to persons in these categories, benefit increases which are equivalent to those received by others in the railroad retirement under the Social Security Act.

Almost a year ago, I introduced legislation which would provide for automatic increases in the levels of both railroad retirement and social security benefits based on periodic changes in the national standard of living. Under my bill, increases in average national productivity, measured by increases in per capita disposable personal income as set against parallel increases in the consumer price index, would be shared with persons receiving retirement benefits under these two programs. The real benefit of my bill is that it eliminates the need for Congress periodically—and often too late—to review current benefit levels in light of higher cost of living figures. I would like to take this opportunity to again urge my colleagues to consider this legislation. We have already established, by repeated action over the years, the principle that these retirement and survivor benefits should at least keep pace with consumer price levels. By making these adjustments automatic, our senior citizens would be spared the constant and real fear of their fixed incomes shrinking in real value.

I heartily support the legislation now before us, which once again, provides an essential increase in benefits to thousands of railroad retirees and their families. But I reiterate that this legislation provides the very least that these people deserve—it provides them with only enough to barely keep pace with inflation. As we vote to extend these needed increases, we should ponder what more we, as the people's representatives, can do to improve the usefulness of this historic legislation to those who are its beneficiaries.

Mr. STAGGERS. Mr. Chairman, I have no further requests for time.

Mr. DEVINE. Mr. Chairman, I have no further requests for time.

The CHAIRMAN. There being no further requests for time, the Clerk will read.

The Clerk read as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That—

TITLE I—AMENDMENTS TO THE RAILROAD RETIREMENT ACT

SEC. 101. The eighth sentence of section 1(h) of the Railroad Retirement Act of 1937 is amended by inserting "before 1968" after "calendar month" and by adding after such eighth sentence the following new sentence: "In making such a determination there shall be attributable as compensation paid to him for each calendar month after 1967 in which he is in military service so creditable the amount of $260."

SEC. 102. The second paragraph of section 2(d) of the Railroad Retirement Act of 1937 is amended by striking out "$1,200" wherever this figure appears and inserting in lieu thereof "$2,400"; by striking out "$100" wherever such figure appears and inserting in lieu thereof "$200"; and by striking out "$50" and inserting in lieu thereof "$100".

SEC. 103. (a) Section 2(e) of the Railroad Retirement Act of 1937 is amended by striking out "reduction" and inserting in lieu thereof "reductions", and by striking out "section (a)3(1) of this Act" and all that follows and inserting in lieu thereof "section 3(a)(2).".

(b) Section 2(i) of such Act is amended by striking out "the first two provisions in section 3(a)(1)" and all that follows and inserting in lieu thereof "the second proviso in section 3(a)(2), except that, notwithstanding other provisions of this subsection, the spouse's annuity shall (before any reduction on account of age) not be less than one-half of the amount computed in section 3(a)(1) increased by $5 or, if the spouse is entitled to benefits under the Social Security Act, by the excess of $5 over 5.8 per centum of the lesser of (i) any benefit to which such spouse is entitled under title II of the Social Security Act, or (ii) the spouse's annuity to which such spouse would be entitled without regard to section 3(a)(2) and before any reduction on account of age, but in no case shall such an annuity (before any reduction on account of age) be more than the maximum amount of a spouse's annuity as provided in subsection (e)."

SEC. 104. (a) Section 3(a) of the Railroad Retirement Act of 1937 is amended by striking out all that appears therein and inserting in lieu thereof the following:

"SEC. 3. (a)(1) The annuity of an individual shall be computed by multiplying his 'years of service' by the following percentages of his 'monthly compensation': 3.58 per centum of the first $50; 2.69 per centum of the next $100; and 1.79 per centum of the remainder up to a total of (i) $450, or (ii) an amount equal to one-twelfth of the current maximum and taxable 'wages' as defined in section 3121 of the Internal Revenue Code of 1954, whichever is greater.

"(2) The annuity of the individual (as computed under paragraph (1) of this subsection, or under that part of subsection (c) of this section preceding the first proviso) shall be increased in an amount determined from his monthly compensation by use of the following table:

"Monthly compensation:	*Increase*
Up to $100	$9.13
$101 to $250	11.22
$151 to $200	12.87
$201 to $250	14.63
$251 to $300	16.17
$301 to $350	17.82
$351 to $400	19.47
$401 to $450	20.90
$451 to $500	22.55
$501 to $550	24.09
$551 to $600	27.83
$601 and over	31.46

The amount of the increase shall be the amount on the same line as that in which the range of monthly compensation includes his monthly compensation: *Provided, however,* That, for months with respect to which the individual is entitled to a supplemental annuity under subsection (j), the increase provided in this paragraph shall be reduced by 6.55 per centum of the amount determined under paragraph (1), or under that part of subsection (e) of this section which precedes the first proviso, which is based on the first $450 of the monthly compensation or an amount equal to the amount of the supplemental annuity payable to him, whichever is less: *Provided further,* That for months with respect to which the individual is entitled to a benefit under title II of the Social Security Act, the increase shall be reduced by (i) 17.3 per centum of such social security benefit if the increase has not been reduced pursuant to the preceding proviso or (ii) 11.5 per centum of such social security benefit if the increase has been reduced pursuant to the preceding proviso (disregarding for the purpose of this and the following proviso any increase in such benefit based on recomputations other than for the correction of errors after the first adjustment and any increases derived from legislation enacted after the Social Security Amendments of 1967): *And provided further,* That the amount computed under this subsection for any month shall not be less than the amount computed in accordance with paragraph (1), or under that part of subsection (e) of this section which precedes the first proviso, plus (i) $10 minus any reduction made pursuant to the first proviso of this paragraph or (ii) if the individual is entitled to a benefit under title II of the Social Security Act and no reduction is made pursuant to the first proviso of this paragraph, $10 minus 5.8 per centum of the lesser of the amount of such social security benefit, or of the amount computed in accordance with paragraph (1), or under that part of subsection (e) of this section which precedes the first proviso."

(b) The first paragraph of section 3(e) of such Act is amended by striking out the language before the first proviso beginning

with "except that" and continuing through "amended in 1966"; by striking out the language beginning with "(deeming" and continuing through "the Social Security Act)"; and by adding at the end thereof the following three new paragraphs:

"For the purposes of the first proviso in the first paragraph of this subsection, (i) completely and partially insured individuals shall be deemed to be fully and currently insured, respectively; (ii) individuals entitled to insurance annuities under subsections (a)(1) and (d) of section 5 of this Act shall be deemed to have attained age 62 (the provisions of this clause shall not apply to individuals who, though entitled to insurance annuities under section 5(a)(1) of this Act, were entitled to an annuity under section 5(a)(2) of this Act for the month before the month in which they attained age 60); (iii) individuals entitled to insurance annuities under section 5(a)(2) of this Act shall be deemed to be entitled to insurance benefits under section 202 (e) or (f) of the Social Security Act on the basis of disability; (iv) individuals entitled to insurance annuities under section 5(c) of this Act on the basis of disability shall be deemed to be entitled to insurance benefits under section 202(d) of the Social Security Act on the basis of disability; and (v) women entitled to spouses' annuities pursuant to elections made under section 2(h) of this Act shall be deemed to be entitled to wives' insurance benefits determined under section 202(q) of the Social Secuirty Act; and, for the purposes of this subsection, any possible deductions under subsections (g) and (h)(2) of section 203 of the Social Security Act shall be disregarded.

"Notwithstanding the provisions of section 202(q) of the Social Security Act, the amount determined under the proviso in the first paragraph of this subsection for a widow or widower who is or has been entitled to an annuity under section 5(a)(2) of this Act, shall be equal to 90.75 per centum of the primary insurance amount (reduced in accordance with section 203(a) of the Social Security Act) of the employee as determined under this subsection, and the amount so determined shall be reduced by three-tenths of 1 per centum for each month the annuity would be subject to a reduction under section 5(a)(2) of this Act (adjusted upon attainment of age 60 in the same manner as an annuity under section 5(a)(1) of this Act which, before attainment of age 60, had been payable under section 5(a)(2) of this Act); and the amount so determined shall be reduced by the amount of any benefit under title IV of the Social Security Act to which she or he is, or on application would be, entitled.

"In cases where an annuity under this Act is not payable under the first proviso in the first paragraph of this subsection on the date of enactment of the Social Security Amendments of 1967, the primary insurance amount used in determining the applicability of such proviso shall, except in cases where the employee died before 1939, be derived after deeming the individual on whose services and compensation the annuity is based (i) to have become entitled to social security benefits, or (ii) to have died without being entitled to such benefits, after the date of the enactment of the Social Security Amendments of 1967. For this purpose, the provision of section 215(b)(3) of the Social Security Act that the employee must have reached age 65 (62 in the case of a woman) after 1960 shall be disregarded and there shall be substituted for the nine-year period prescribed in section 215(d)(1)(B)(i) of the Social Security Act, the number of years elapsing after 1936 and up to the year of death if the employee died before 1946."

SEC. 105. (a) Section 5(a) of the Railroad Retirement Act of 1937 is amended by inserting "(1)" before "A widow"; by inserting before the colon the following: ", except that if the widow or widower will have been paid an annuity under paragraph (2) of this subsection the annuity for a month under this paragraph shall be in an amount equal to the amount calculated under such paragraph (2) except that, in such calculation, any month with respect to which an annuity under paragraph (2) is not paid shall be disregarded"; and by inserting at the end thereof the following new paragraph:

"(2) A widow or widower of a completely insured employee who will have attained the age of fifty but will not have attained age sixty and is under a disability, as defined in this paragraph, and such disability began before the end of the period prescribed in the last sentence of this paragraph, shall be entitled to an annuity for each month, unless she or he has remarried in or before such month, equal to such employee's basic amount but subject to a reduction by three-tenths of 1 per centum for each calendar month she or he is under age sixty when the annuity begins. A widow or widower shall be under a disability within the meaning of this paragraph if her or his permanent physical or mental condition is such that she or he is unable to engage in any regular employment. The provisions of section 2(a) of this Act as to the proof of disability shall apply with regard to determinations with respect to disability under this paragraph. The annuity of a widow or widower under this paragraph shall cease upon the last day of the second month following the month in which she or he ceases to be under a disability unless such annuity is otherwise terminated on an earlier date. The period referred to in the first sentence of this paragraph is the period beginning with the latest of (i) the month of the employee's death, (ii) the last month for which she was entitled to an annuity under subsection (b) as the widow of such employee, or (iii) the month in which her or his previous entitlement to an annuity as the widow or widower of such employee terminated because her or his disability had ceased and ending with the month before the month in which she or he attains age sixty, or, if earlier with the close of the eighty-fourth month following the month with which such period began."

(b) Section 5(h) of such Act is amended by striking out all that follows: "be increased to $18.14" and inserting in lieu thereof a period.

(c) Section 5(i)(1)(ii) of such Act is amended by inserting ", deeming such an individual who is entitled to an annuity under subsection (a)(1) of this section to have attained age sixty-two unless such individual will have been entitled to an annuity under subsection (a)(2) of this section for the month before the month in which he attained age sixty", after "an activity within the United States".

(d) Section 5(j) of such Act is amended by striking out all after the colon and inserting in lieu thereof the following: "*Provided, however,* That the annuity of a child, qualified under subsection (l)(1)(ii)(C) of this section, shall cease upon the last day of the second month following the month in which he ceases to be unable to engage in any regular employment by reason of a permanent physical or mental condition unless in such second month he qualifies for an annuity under one of the other provisions of this Act and unless his annuity is otherwise terminated on an earlier date."

(e) Section 5(l)(1) of such Act is amended by changing the period at the end of subdivision (i) thereof to a semicolon; by striking out "which began" from subdivision (ii)(C) and inserting in lieu thereof "which disability began"; and by striking out "216(h)(1) of the Social Security Act, as in effect prior to 1957, shall be applied" where such language first appears and inserting in lieu thereof "216(h) of the Social Security Act shall be applied deeming, for this purpose, individuals entitled to an annuity under section 2 (e) or (h) to be entitled to benefits under subsection (b) or (c) of section 202 of the Social Security Act and individuals entitled to an annuity under subsection (a) or (b) of this section to be entitled to a benefit under subsection (e), (f), or (g) of section 202 of the Social Security Act".

(f) Section 5(l)(9) of such Act is amended by inserting "or January 1, 1951, whichever is later" before ", eliminating any excess over $300"; by striking out "for any calendar year before 1955 is less than $3,600" and inserting in lieu thereof "in the period before 1951 is less than $50,400, or for any calendar year after 1950 and before 1955 is less than $3,600"; by inserting "period or such" before "calendar year 'wages' as defined in paragraph (6) hereof"; by striking out "for such year and $3,600 for years before 1955" and inserting in lieu thereof "for such period and $50,400, and between the compensation for such year and $3,600 for years after 1950 and before 1955"; by striking out "closing date: *Provided,* That for the period prior to and including" and inserting in lieu thereof "closing date or January 1, 1951, whichever is later: *Provided,* That for the period after 1950 but prior to and including"; by inserting "after 1950" after "That there shall be excluded from the divisor any calendar quarter"; and by inserting ", any calendar quarter before 1951 in which a retirement annuity will have been payable to him and any calendar quarter before 1951 and before the year in which he will have attained the age of 20" before ". An employee's 'closing date' shall mean (A)".

(g) Subdivision (i) of section 5(l)(10) of such Act is amended by striking out beginning with "$450; plus (C)" down to and including "multiplied by" and inserting in lieu thereof "(i) $450, or (ii) an amount equal to one-twelfth of the current maximum annual taxable 'wages' as defined in section 3121 of the Internal Revenue Code of 1954, whichever is greater, plus (C) 1 per centum of the sum of (A) plus (B) multiplied by"; and by striking out "after 1936 in each of which the compensation, wages, or both, paid to him will be equal to $200 or more" and inserting in lieu thereof "after 1950 in each of which the compensation, wages, or both, paid to him will have been equal to $200 or more plus, for the years after 1936 and before 1951, a number of years determined in accordance with regulations prescribed by the Board".

(h) Section 5(m) of such Act is amended by striking out all that appears therein and inserting in lieu thereof the following:

"(m) The amount of an individual's annuity calculated under the other provisions of this section (except an annuity in the amount determined under the proviso in subsection (a) or (b) shall (before any reduction on account of age) be increased in the amount of 82.5 per centum in the case of a widow, widower, or parent and 75 per centum in the case of a child of the increase shown in the table in section 3(a)(2) on the same line on which the range of monthly compensation includes an amount equal to the average monthly wage determined for the purposes of section 3(e) (except that for cases involving earnings before 1951 and for cases on the Board's rolls on the enactment date of the 1967 amendments to the Railroad Retirement Act, an amount equal to the highest average monthly wage that can be found on the same line of the table in section 215(a) of the Social Security Act as is the primary insurance amount recorded in the records of the Railroad Retirement Board shall be used, and if such an average monthly wage cannot be determined, the employee's monthly compensation on which his annuity was computed shall be used; and

in the case of a pensioner, his monthly compensation shall be deemed to be the earnings which are used to compute his basic amount): *Provided, however,* That the increase shall (before any reduction on account of age) be reduced by 17.3 per centum of any benefit under title II of the Social Security Act to which the individual is entitled (disregarding for the purpose of this and the following proviso any increase in such benefit based on recomputations other than for the correction of errors after the first adjustment and any increases derived from legislation enacted after the Social Security Amendments of 1967): *And provided further,* That the amount computed under this subsection shall (before any reduction on account of age) not be less than $5, or, in the case of an individual entitled to benefits under title II of the Social Security Act, such amount shall not be less than $5 minus 5.8 per centum of the lesser of the social security benefit to which such individual is entitled or the benefit computed under the other provisions of this section."

SEC. 106. Section 10(a) of the Railroad Retirement Act of 1937 is amended by striking therefrom the last sentence and inserting in lieu thereof the following new sentence: "Upon the expiration of his term of office a member shall continue to serve until his successor is appointed and shall have qualified."

SEC. 107. All pensions under section 6 of the Railroad Retirement Act of 1937 and all annuities under the Railroad Retirement Act of 1935 are increased as provided in that part of section 3(a) (2) of the Railroad Retirement Act of 1937 which precedes the provisos (deeming for this purpose (in the case of a pension) the monthly compensation to be the earnings which would be used to compute the basic amount if the pensioner were to die); joint and survivor annuities shall be computed under section 3(a) of the Railroad Retirement Act and reduced by the percentage determined in accordance with the election of such annuity; all survivor annuities deriving from joint and survivor annuities under the Railroad Retirement Act of 1937 in cases where the employee died before the month following the month in which the increases in annuities provided by section 104(a) of this Act are effective are increased by the same amount they would have been increased by this Act if the employee from whose joint and survivor annuity the survivor annuity is derived had been alive during all of the month in which the increases in annuities provided by section 104(a) of this Act are effective; and all widows' and widowers' insurance annuities which began to accrue before the month following the month in which the increases in annuities provided by section 14(a) of this Act are effective and which, in accordance with the proviso in section 5(a) or section 5(b) of the Railroad Retirement Act of 1937, are payable in the amount of the spouse's annuity to which the widow or widower was entitled are increased by the amount by which the spouse's annuity would have been increased by this Act had the individual from whom the annuity is derived been alive during all of the month in which the icrease in annuities provided by section 104(a) of this Act are effective: *Provided, however,* That in cases where the individual entitled to such a pension or annuity (other than an individual who has made a joint and survivor election) is entitled to a benefit under title II of the Social Security Act, the additional amount payable by reason of this subsection shall be reduced by 11.5 per centum of such benefit (disregarding any increases in such benefit based on recomputations other than for the correction of errors after such reduction is first applied and any increases derived from legislation enacted after the Social Security Amendments of 1967): *And provided further,* That (i) such an annuity under the Railroad Retirement Act of 1935 or a pension shall be increased by not less than $10, (ii) such a survivor annuity derived from a joint and survivor annuity shall be increased by not less than $5, and (iii) such a widow's or widower's annuity in an amount formerly received as a spouse's annuity shall be increased by not less than $5, but not to an amount above the maximum of the spouse's annuity payable in the month in which the increases in annuities provided by section 104(a) of this Act are effective.

SEC. 108. (a) Except as otherwise provided, the amendments made by this title, other than section 102, subsections (f) and (g) of section 105, and section 106, shall be effective with respect to annuities accruing for months beginning with the month with respect to which the increase in benefits under title II of the Social Security Act provided for by the Social Security Amendments of 1967 is effective, and with respect to pensions due in calendar months next following the month with respect to which the increase in benefits under title II of the Social Security Act provided for by the Social Security Amendments of 1967 is effective. The amendments made by section 102 shall be effective with respect to annuities accruing for months in calendar years after 1967. The amendments made by section 105 (f) and (g) shall be effective with respect to benefits payable on deaths occurring on or after the date of enactment of this Act. The amendments made by section 106 shall be effective on the enactment date of this Act.

(b) In cases where an annuity is payable in the month before the month with respect to which increases in benefits under title II of the Social Security Act provided for by the Social Security Amendments of 1967 become effective in an amount determined under the Railroad Retirement Act, other than under the first proviso of section 3(e) of such Act, the provisions of this Act shall be presumed, in the absence of a claim to the contrary, to provide a higher amount of increase in the annuity than the provisions of the Social Security Amendments of 1967 would provide as an increase in the amount determined under the first proviso of section 3(e) of the Railroad Retirement Act.

(c) All recertifications required by reason of the amendments made by this title shall be made by the Railroad Retirement Board without application therefor.

TITLE II—AMENDMENTS TO THE RAILROAD UNEMPLOYMENT INSURANCE ACT

SEC. 201. (a)(1) Section 1(k) of the Railroad Unemployment Insurance Act is amended by striking out "or which is included in a maternity period" and inserting in lieu thereof ", or, with respect to a female employee, a calendar day on which, because of pregnancy, miscarriage, or the birth of a child, (i) she is unable to work or (ii) working would be injurious to her health".

(2) The said section 1 (k) is further amended by striking out from the first proviso "$750" and inserting in lieu thereof "$1,000."

(b) Section 1 (l) of such Act is amended by redesignating subsections "(l)" and "(1) (1)" as "(l) (1)" and "(l) (2)", respectively; by striking out from subsection (l) (2), as redesignated, "and the term 'statement of maternity sickness' means a statement with respect to a maternity period of a female employee, in each case"; and by striking out the present subsection (l) (2).

SEC. 202. (a) (1) The first paragraph of section 2(a) of the Railroad Unemployment Insurance Act is amended by striking out (i) "(other than a day of sickness in a maternity period)"; and (ii) ", and (iii) for each day of sickness in a maternity period."

(2) The said section 2(a) is further amended by striking out the third paragraph thereof.

(3) The said section 2 (a) is further amended by striking out the first line from the table thereof; by striking out "5.50", "6.00", "6.50", "7.00", "7.50", "8.00", "8.50", "9.00", "9.50" and "10.20" and inserting in lieu thereof "$8.00", "8.50", "9.00", "9.50", "10.00", "10.50", "11.00", "11.50", "12.00", and "12.70", respectively; and by striking from the proviso "$10.20" and inserting in lieu thereof "$12.70".

(b) (1) Section 2 (c) of such Act is amended by striking out ", other than days of sickness in a matrnity period," wherever it appears; by inserting "and" after "base year;" where it first appears, and by striking out "; and the total amount of benefits which may be paid to an employee for days of sickness in a maternity period shall in no case exceed the employee's compensation in the base year on the basis of which the employee was determined to be qualified for benefits in such maternity period".

(2) The said section 2(c) is further amended (i) by striking out "leave work without good cause or voluntarily retire" from the second proviso and inserting in lieu thereof the following: "retire and (in a case involving exhaustion of rights to benefits for days of unemployment) did not voluntarily leave work without good cause"; (ii) by inserting after the words "normal benefits for days of unemployment", the first time they appear in the second proviso, the following: "or days of sickness"; (iii) by inserting after "for, unemployment" in the second proviso the following: "or sickness (depending on the type of benefit rights exhausted)"; (iv) by inserting after "compensable days of unemployment" in the second proviso the following: "or days of sickness, as the case may be,"; (v) by inserting after "first day of unemployment" in the schedule in the second proviso the following: "or sickness, as the case may be,"; (vi) by inserting after the words "days of unemployment" in the schedule in the second proviso the following: "or days fo sickness"; (vii) by striking out "leave work without good cause or voluntarily retire" from the second sentence and inserting in lieu thereof the following: "retire and (in a case involving unemployment) did not voluntarily leave work without good cause"; (viii) by inserting after "unemployment," in the second sentence, the following: "or fourteen or more consecutive days of sickness,"; (ix) by inserting after the words "such employment", wherever they appear inthe last sentence, the following: "or sickness"; and (x) by adding the following two sentences at the end of such section: "Notwithstanding the other provisions of this subsection, an extended benefit period for sickness benefits shall terminate on the day next preceding the date on which the employee attains age 65, except that it may continue for the purpose of the payment of unemployment benefits; and, except in the case of a succeeding benefit year beginning with a day of unemployment, the next preceding sentence shall not operate to permit the payment of benefits in the period provided for in such sentence for any day of sickness beginning with the day on which age 65 is attained and continuing through the day preceding the first day of the next succeeding general benefit year. For purposes of this subsection and section 10(h), the Board may rely on evidence of age available in its records and files at the time determinations of age are made."

SEC. 203. Section 3 of the Railroad Unemployment Insurance Act is amended by striking out "$750" and inserting in lieu thereof "$1,000".

SEC. 204. (a) Section 4(a-1) of the Railroad Unemployment Insurance Act is amended by inserting at the end thereof the following new paragraph:

"(iii) if he is paid a separation allowance, any of the days in the period beginning with the day following his separation from serv-

ice and continuing for that number of consecutive fourteen-day periods which is equal, or most nearly equal, to the amount of the separation allowance divided (i) by ten times his last daily rate of compensation prior to his separation if he normally works five days a week, (ii) by twelve times such rate if he normally works six days a week, and (iii) by fourteen times such rate if he normally works seven days a week;".

(b) Section 4(a-2) (1) of such Act is amended by striking out from paragraph (A) thereof "$750" and inserting in lieu thereof "$1.000".

SEC. 205. Section 10 of the Railroad Unemployment Insurance Act is amended by inserting in subsection (a) thereof before "; (iii)" the following: "and pursuant to subsection (h) of this section", and by inserting a the end thereof the following new subsection:

"(h) At the close of the fiscal year ending June 30, 1968, and each fiscal year thereafter, the Board shall determine the amount, if any, which, if added to the railroad unemployment insurance account, would place such account in the same position it would have been in at the close of such fiscal year if every employee who has been paid benefits in the fiscal year for days of sickness in an extended benefit period under the first sentence of section 2(c), or in a 'succeeding benefit year' begun in accordance with the second sentence of section 2(c), and who upon application therefor would have been entitled to a disability annuity under section 2(a) of the Railroad Retirement Act of 1937 with respect to some or all of the days for which such benefits were paid, had been paid such annuity with respect to all days of sickness for which he was paid benefits which were also days with respect to which such annuity could have accrued. In determining such amount, the Board shall presume that every such employee was in respect to his permanent physical or mental condition, qualified for such an annuity from the date of onset of the last spell of illness for which he was paid such benefits, if (a) he died without applying for such an annuity and before fully exhausting all rights to such benefits; or (b) he died without applying for such an annuity but within a year after the last day of sickness for which he had been paid such benefits, and had not meanwhile engaged in substantial gainful employment; or (c) he applied for such an annuity within one year after the last day of sickness for which he was paid such benefits and had not engaged in substantial gainful employment after that day and before the day on which he filed an application for such an annuity. The Board shall also have authority to make reasonable approximations deemed necessary in computing annuities for this purpose. The Board shall determine such amount no later than June 15 following the close of the fiscal year, and within ten days after such determination shall certify such amount to the Secretary of the Treasury for transfer from the Railroad Retirement Account to the railroad unemployment insurance account, and the Secretary of the Treasury shall make such transfer. The amount so certified shall include interest (at a rate determined, as of the close of the fiscal year, in accordance with subsection (d) of this section) payable from the close of such fiscal year to the date of certification."

SEC. 206. (a) Section 12(f) of the Railroad Unemployment Insurance Act is amended by striking out ", or maternity" wherever it appears; and by substituting "or"

(i) for the comma between "unemployment-compensation" and "sickness" in the first sentence,

(ii) for the comma between "unemployment" and "sickness" in the second sentence, and

(iii) for the comma between "unemployment-compensation" and "sickness" in the second sentence.

(b) The first paragraph of section 12(g) of such Act is amended by substituting "or" for the comma between "unemployment" and "sickness", and by striking out ", or maternity". The second paragraph of such section is amended by striking out ", or maternity" wherever it appears, and by substituting "or" for the comma wherever it appears between "unemployment" and "sickness".

(c) The third paragraph of section 12(i) of such Act is amended by striking out "and, in case of maternity sickness, the expected date of birth and the actual date of birth of the child".

(d) Section 12(n) of such Act is amended by striking out

(i) "or maternity" wherever it appears, and

(ii) "or as to the expected date of birth of a female employee's child, or the birth of such a child".

SEC. 207. Section 13 of the Railroad Unemployment Insurance Act is amended by striking out the following phrases: "and maternity"; "or for maternity"; "or maternity" wherever it appears; and "or to maternity".

EFFECTIVE DATES

SEC. 208. The amendments made by sections 201(a)(1), 201(b), 202(a)(1), 202(a)(2), 202(b)(1), 206, and 207 shall be effective as of July 1, 1968. The amendments made by sections 201(a)(2) and 203 shall be effective with respect to base years beginning in calendar years after December 31, 1966, except that with respect to the base year in calendar year 1967 the amendments made by section 203 shall not be applicable to an employee whose compensation with respect to that base year was not less than $750 but less than $1,000; further, as to such an employee, the amendments made by section 202(a)(3) shall not be applicable with respect to days of unemployment and days of sickness in regisration periods in the benefit year beginning July 1, 1968. The amendments made by section 202(a)(3) shall otherwise be effective with respect to days of unemployment and days of sickness in registration periods beginning on or after July 1, 1968. The amendments made by sections 202(b)(2)(i) through (vi) shall be effective to provide the beginning of extended benefit periods on or after July 1, 1968. The amendments made by sections 202(b)(2) (vii) through (ix) shall be effective to provide for the early beginning of a benefit year on or after July 1, 1967. The amendment made by section 204(a) shall be effective with respect to calendar days in benefit years beginning after June 30, 1968, and the amendment made by section 204(b) shall be effective with respect to voluntary leaving of work (within the meaning of section 4(a-2)(i) of the Railroad Unemployment Insurance Act) after the enactment date of this Act.

Mr. STAGGERS (during the reading). Mr. Chairman, I ask unanimous consent that further reading of the bill be dispensed with, and that it be printed in the RECORD and open to amendment at any point.

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

There was no objection.

COMMITTEE AMENDMENTS

The CHAIRMAN. The Clerk will report the committee amendments.

The Clerk read as follows:

On page 2, in line 14, change "(a)3(1)" to "3(a)(1)".

On page 2, in line 17, change the word "provisions" to "provisos".

On page 2, in line 23, insert "title II of" after "under".

On page 3, in line 23, change "(c)" to "(e)".

On page 4, after line 2, opposite "Monthly compensation:" and above "$9.13", insert "Increase", and in the second line of the table change "$250" to "$150".

On page 7, in line 19, change "IV" to "II".

On page 8, in line 3, change the word "services" to "service".

On page 10, in line 9, strike out the colon.

On page 12, in line 25, strike out the word "be", and insert in lieu thereof "have been".

On page 15, in line 5, insert a comma after "of 1937".

On page 15, in line 6, insert a comma after "of 1935".

On page 16, in line 2, change "14(a)" to "104(a)".

On page 16, in line 9, change "icrease" to "increases".

On page 18, in line 16, strike out the word "and".

On page 19, in line 2, insert a quotation mark before "(1)(1)" where is appears the second time in that line.

On page 21, in line 7, change "such employment" to "such unemployment".

On page 21, in line 8, change "inthe" to "in the".

On page 21, in lines 15 to 16, delete "except in the case of a succeeding benefit year beginning with a day of unemployment, the next preceding", and substitute therefor the following: "in the case of a succeeding benefit year beginning in accordance with the next preceding sentence by reason of sickness, such".

On page 22, in line 18, change "A" to "(A)".

On page 25, in line 25, strike out the comma after "206".

On page 26, in line 19, change "sections" to "section".

Mr. STAGGERS (during the reading). Mr. Chairman, I ask unanimous consent that the further reading of the committee amendments be dispensed with, and that they be considered en bloc.

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

There was no objection.

The committee amendments were agreed to.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. NIX, 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. 14563, to amend the Railroad Retirement Act of 1937 and the Railroad Unemployment Insurance Act to provide for increases in benefits, and for other purposes, pursuant to House Resolution 1035, he reported the bill back to the House with sundry amendments adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment? If not, the Chair will put them en gros.

The amendments were 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.

The SPEAKER. The question is on the passage of the bill.

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

Mr. DEVINE. 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 Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—yeas 321, nays 0, not voting 111, as follows:

[Roll No. 6]

YEAS—321

Abbitt	Everett	McDade
Abernethy	Evins, Tenn.	McDonald, Mich.
Adair	Fallon	McEwen
Adams	Farbstein	McFall
Addabbo	Fascell	Macdonald, Mass.
Albert	Feighan	MacGregor
Anderson, Tenn.	Findley	Machen
Andrews, Ala.	Fino	Madden
Andrews, N. Dak.	Fisher	Mahon
Annunzio	Flynt	Mailliard
Arends	Ford, Gerald R.	Marsh
Ashley	Ford, William D.	Martin
Ashmore	Friedel	Mathias, Calif.
Aspinall	Fulton, Pa.	Mathias, Md.
Barrett	Fuqua	Matsunaga
Bates	Galifianakis	May
Belcher	Gallagher	Mayne
Bell	Garmatz	Meskill
Bennett	Gathings	Michel
Betts	Gettys	Miller, Calif.
Bevill	Gilbert	Miller, Ohio
Biester	Gonzalez	Mills
Bingham	Goodell	Minish
Blackburn	Goodling	Minshall
Blatnik	Green, Oreg.	Mize
Boggs	Green, Pa.	Monagan
Boland	Griffiths	Montgomery
Bolling	Gross	Moore
Bolton	Grover	Moorhead
Bow	Gubser	Morgan
Brasco	Gude	Morris, N. Mex.
Bray	Gurney	Morton
Brinkley	Hagan	Mosher
Brock	Haley	Murphy, Ill.
Brooks	Hall	Murphy, N.Y.
Brotzman	Halleck	Myers
Brown, Calif.	Halpern	Natcher
Brown, Mich.	Hamilton	Nedzi
Broyhill, N.C.	Hammer-schmidt	Nelsen
Buchanan	Hanley	Nix
Burke, Fla.	Hanna	O'Hara, Ill.
Burke, Mass.	Hansen, Idaho	O'Hara, Mich.
Burleson	Hardy	Olsen
Button	Harrison	O'Neill, Mass.
Byrne, Pa.	Harsha	Ottinger
Byrnes, Wis.	Harvey	Passman
Cabell	Hays	Patten
Cahill	Hechler, W. Va.	Pelly
Carter	Helstoski	Perkins
Celler	Herlong	Pettis
Chamberlain	Hicks	Philbin
Clancy	Holland	Pike
Clawson, Del	Horton	Pirnie
Cleveland	Howard	Poff
Cohelan	Hungate	Price, Ill.
Collier	Hunt	Price, Tex.
Colmer	Hutchinson	Pucinski
Conable	Ichord	Purcell
Corbett	Irwin	Quie
Corman	Jacobs	Randall
Cowger	Joelson	Rees
Culver	Johnson, Calif.	Reid, Ill.
Curtis	Johnson, Pa.	Reid, N.Y.
Daddario	Jonas	Reifel
Daniels	Jones, Mo.	Reinecke
Davis, Ga.	Karsten	Reuss
Davis, Wis.	Karth	Rhodes, Ariz.
de la Garza	Kastenmeier	Rhodes, Pa.
Delaney	Kazen	Riegle
Dellenback	Kee	Rivers
Denney	Kelly	Roberts
Dent	King, N.Y.	Rodino
Derwinski	Kirwan	Rogers, Colo.
Devine	Kleppe	Rogers, Fla.
Dickinson	Kluczynski	Rooney, N.Y.
Dingell	Kornegay	Rooney, Pa.
Donohue	Kuykendall	Rosenthal
Dorn	Kyros	Roth
Dowdy	Laird	Roudebush
Downing	Langen	Roush
Dulski	Latta	Roybal
Duncan	Leggett	Rumsfeld
Dwyer	Lloyd	Ruppe
Eckhardt	Long, La.	Ryan
Edwards, Ala.	Lukens	St Germain
Edwards, Calif.	McCarthy	Sandman
Eilberg	McClory	Satterfield
Esch	McCloskey	Saylor
Scherle	Taft	Whalley
Scheuer	Taylor	White
Schneebeli	Teague, Calif.	Whitener
Schwengel	Tenzer	Whitten
Scott	Thompson, Ga.	Widnall
Shipley	Thompson, N.J.	Wiggins
Sikes	Thomson, Wis.	Williams, Pa.
Skubitz	Tiernan	Willis
Slack	Tunney	Wilson, Charles H.
Smith, Calif.	Udall	Winn
Smith, Iowa	Ullman	Wolff
Smith, N.Y.	Utt	Wyatt
Smith, Okla.	Vander Jagt	Wylie
Snyder	Vanik	Yates
Staggers	Vigorito	Zablocki
Steed	Waggonner	Zion
Steiger, Ariz.	Waldie	Zwach
Stephens	Watkins	
Stuckey	Watts	
Sullivan	Whalen	

NAYS—0

NOT VOTING—111

Anderson, Ill.	Frelinghuysen	Pepper
Ashbrook	Fulton, Tenn.	Pickle
Ayres	Gardner	Poage
Baring	Giaimo	Pollock
Battin	Gibbons	Pool
Berry	Gray	Pryor
Blanton	Hansen, Wash.	Quillen
Brademas	Hathaway	Railsback
Broomfield	Hawkins	Rarick
Brown, Ohio	Hébert	Resnick
Broyhill, Va.	Heckler, Mass.	Robison
Burton, Calif.	Henderson	Ronan
Burton, Utah	Holifield	Rostenkowski
Bush	Hosmer	St. Onge
Carey	Hull	Schadeberg
Casey	Jarman	Schweiker
Cederberg	Jones, Ala.	Selden
Clark	Jones, N.C.	Shriver
Clausen, Don H.	Keith	Sisk
Conte	King, Calif.	Springer
Conyers	Kupferman	Stafford
Cramer	Kyl	Stanton
Cunningham	Landrum	Steiger, Wis.
Dawson	Lennon	Stratton
Diggs	Lipscomb	Stubblefield
Dole	Long, Md.	Talcott
Dow	McClure	Teague, Tex.
Edmondson	McCulloch	Tuck
Edwards, La.	McMillan	Van Deerlin
Erlenborn	Meeds	Walker
Eshleman	Mink	Wampler
Evans, Colo.	Morse, Mass.	Watson
Flood	Moss	Wilson, Bob
Foley	Nichols	Wright
Fountain	O'Konski	Wydler
Fraser	O'Neal, Ga.	Wyman
	Patman	Young

So the bill was passed.

The Clerk announced the following pairs:

Mr. Hébert with Mr. Cederberg.

Mr. King of California with Mr. Frelinghuysen.

Mr. Nichols with Mr. Robison.

Mr. Lennon with Mr. O'Konski.

Mr. Blanton with Mr. Lipscomb.

Mr. Gibbons with Mr. Keith.

Mr. Baring with Mr. Ayres.

Mr. O'Neal of Georgia with Mr. Berry.

Mr. St. Onge with Mr. Broomfield.

Mr. Holifield with Mr. Cramer.

Mr. Pickle with Mr. Conte.

Mr. Teague of Texas with Mr. Quillen.

Mr. Burton of California with Mr. Morse of Massachusetts.

Mr. Brademas with Mr. Hosmer.

Mr. Carey with Mr. Anderson of Illinois.

Mr. Moss with Mr. Broyhill of Virginia.

Mr. Edmondson with Mr. Springer.

Mr. Pepper with Mr. Talcott.

Mr. Evans of Colorado with Mr. Bob Wilson.

Mr. Giaimo with Mr. Stafford.

Mr. Hull with Mr. Watson.

Mr. Jarman with Mr. Wydler.

Mr. Walker with Mr. Dole.

Mr. Casey with Mr. Cunningham.

Mr. Patman with Mr. Bush.

Mr. Pryor with Mr. Ashbrook.

Mr. Roman with Mr. Battin.

Mr. Rostenkowski with Mr. Pollock.

Mr. Stubblefield with Mr. McCulloch.

Mr. Sisk with Mr. Don. H. Clausen.

Mr. Fountain with Mr. Brown of Ohio.

Mr. Flood with Mr. Burton of Utah

Mr. Foley with Mr. Erlenborn.

Mr. Gray with Mr. Shriver.

Mr. Hathaway with Mr. Railsback.

Mr. Henderson with Mr. Eshleman.

Mr. Jones of North Carolina with Mr. Kupferman.

Mr. Clark with Mrs. Heckler of Massachusetts.

Mr. Meeds with Mr. Schadeberg.

Mr. Fulton of Tennessee with Mr. Stanton.

Mr. Stratton with Mr. Wydler.

Mr. Fraser with Mr. Schweiker.

Mr. Jones of Alabama with Mr. Kyl.

Mr. Pool with Mr. Wyman.

Mr. Young with Mr. Wampler.

Mr. Van Deerlin with Mr. McClure.

Mr. Tuck with Mr. Steiger of Wisconsin.

Mr. Wright with Mr. Landrum.

Mrs. Mink with Mr. Dawson.

Mr. Dow with Mr. Diggs.

Mr. Resnick with Mr. Conyers.

Mrs. Hansen of Washington with Mr. Rarick.

Mr. Hawkins with Mr. Long of Maryland.

Mr. Edwards of Louisiana with Mr. Selden.

The result of the vote was announced as above recorded.

The doors were opened.

A motion to reconsider was laid on the table.

GENERAL LEAVE TO EXTEND

Mr. STAGGERS. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on the bill just passed.

The SPEAKER. Is there objection to the request of the gentleman from West Virginia?

There was no objection.

PERSONAL EXPLANATION

(Mr. PEPPER asked and was given permission to extend his remarks at this point in the RECORD.)

ROLLCALL NO. 6

I would have voted "yea" in favor of H.R. 14563, to amend the Railroad Retirement Act of 1937 and the Railroad Unemployment Insurance Act to provide for increased benefits, with committee amendments. This legislation passed by a recorded vote of 321 yeas to 0 nays and 111 not voting. This appears on page H389 of the January 25, 1968, CONGRESSIONAL RECORD.

fair increases in benefits for over 650,000 railroaders.

This bill, providing congressional approval to an agreement between railroad management and labor, will provide well-deserved benefits to our Nation's railroaders.

Needless to say, I would have voted for H.R.14563 had I been present.

RAILROAD RETIREMENT ACT AMENDMENTS

(Mr. DOLE (at the request of Mr. EDWARDS of Alabama) was granted permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. DOLE. Mr. Speaker, I regret I was unavoidably absent when H.R. 14563, the 1968 amendments to the Railroad Retirement Act of 1937 and Railroad Unemployment Insurance Act, was approved by the House.

These amendments represent a broad-based consensus of railroad management and labor. They were endorsed by the Railroad Retirement Board. They were unanimously reported by the Committee on Interstate and Foreign Commerce and then passed without dissent by the House on January 23, 1968.

These amendments of 1968 represent

Calendar No. 935

90TH CONGRESS
2d Session

SENATE

REPORT
No. 954

AMENDING THE RAILROAD RETIREMENT ACT OF 1937 AND THE RAILROAD UNEMPLOYMENT INSURANCE ACT

JANUARY 26, 1968.—Ordered to be printed

Mr. PELL, from the Committee on Labor and Public Welfare, submitted the following

REPORT

[To accompany S. 2839]

The Committee on Labor and Public Welfare, to which was referred the bill (S. 2839) to amend the Railroad Retirement Act of 1937 and the Railroad Unemployment Insurance Act to provide for increases in benefits, and for other purposes, having considered the same, reports favorably thereon and recommends that the bill do pass without amendment.

PRINCIPAL PURPOSE OF THE BILL

Title I of the bill provides an increase in railroad retirement benefits for persons who will not receive an increase in either their railroad retirement or social security benefits as a result of the recent amendments to the Social Security Act. This increase, subject to certain offsets explained hereafter, will equal 110 percent of the increases the affected individuals would have received under the Social Security Act had that act been applicable to the railroad service involved rather than the Railroad Retirement Act. Many persons automatically receive increases in railroad retirement benefits when social security benefits increase, because their benefits are computed under the social security formula, which was increased by last years amendments. These individuals are not affected by the bill. All other beneficiaries will receive increases of $10 or more, in the case of retired employees, or $5 or more in the case of wives, widows, parents, and children (before any reductions for early payment of benefits).

Title I also makes certain disabled widows and widowers eligible for benefits, makes certain additional family members eligible for benefits, provides an increase in the credit for future military service, and liberalizes the earnings test for persons eligible for disability annuities, under the Railroad Retirement Act. The cost of these benefits will be financed out of increases in the income of the railroad retirement fund arising out of the recent Social Security Act amendments and will not require a further increase in railroad retirement taxes.

Title II of the bill would increase by $2.50 per day benefits for unemployment and sickness, and would provide some restrictions on eligibility for those benefits.

The bill reflects the terms of an agreement entered into by representatives of railway labor and management and is supported by the administration.

BRIEF EXPLANATION OF THE BILL

TITLE I

There are two formulas for computing annuities under the Railroad Retirement Act, the social security minimum guarantee formula in section 3(e) of the act, and the regular formula. The vast majority of survivor annuities and some retirement and spouses' annuities are computed under the formula in section 3(e) which, in effect, provides for payment of 110 percent of the amount which would be payable under the Social Security Act if the railroad service had been social security employment; and many spouses' annuities would be larger except for a limit to 110 percent of the highest amount that could be paid to anyone as a wife's benefit under the Social Security Act. On the other hand, the vast majority of employee annuities and a significant proportion of aged widows' annuities are computed under the regular railroad retirement formula. The enactment of the 1967 Social Security Amendments will result in increases in the annuities of individuals described in the first sentence above, without the aid of this bill. With respect to the individuals described in the second sentence above, title I of the bill would increase their annuities by an amount approximately equivalent to 110 percent of the dollar amount resulting from the percentage increase in benefits provided by the Social Security Amendments of 1967 under the Social Security Act, subject to certain adjustments which are described below.

The increase in annuity amounts, described in the last sentence above, would relate only to the percentage increase in the amount of social security benefits over the amount payable under the 1965 amendments to the Social Security Act. The reason for this restriction is that higher social security benefits attributable solely to the higher limit on creditable earnings would come about from the increase in the social security earnings base by the Social Security Amendments of 1967 and from the maximum creditable monthly compensation under the Railroad Retirement Act which is automatically increased from $550 to $650 per month by the operation of existing provisions of the

Railroad Retirement Act. This increase in the maximum creditable compensation of itself will produce higher annuity amounts for those employees who earn in excess of $550 a month. Further, the 7-percent increase in annuity amounts provided by the 1966 amendments to the Railroad Retirement Act (Public Law 89–699) which do not now apply to monthly compensation over $450 would be made to apply to such monthly compensation.

Where a railroad retirement annuitant is also being paid social security benefits, there would be an offset against the schedule increase in his annuity by the amount of the percentage increase in his social security benefits provided by the Social Security Amendments of 1967; however, before any reduction required for age, there would be an increase of at least $10 a month in employee annuities (and this increase would be in addition to the higher amount payable due to the raise in the compensation limit and to the application of the 7-percent increase in 1966 to compensation above $450), and of at least $5 a month in each spouse and survivor annuity; and these minimum increases would be without regard to the offset for entitlement to social security benefits.

The increases in annuities provided by the bill will be effective beginning with annuities accruing on February 1, 1968.

In the opinion of the Board's Chief Actuary, the bulk of the costs of the amendments to the Railroad Retirement Act (75 percent) would be offset by the actuarial gains from the 1967 Social Security Amendments. Therefore, the enactment of this title of the bill would not cause a material change in the actuarial condition of the railroad retirement system; it would be nearly the same as it was before the enactment of the Social Security Amendments of 1967.

TITLE II

This title of the bill would eliminate maternity benefits, as such, but with respect to a female employee, a day of sickness would include a day on which, because of pregnancy, miscarriage, or the birth of a child (i) she is unable to work or (ii) working would be injurious to her health.

The amount of compensation to be earned in a base year as a basic qualification for benefits would be increased from $750 to $1,000.

The benefit rate schedule would be revised and the maximum daily benefit rate would be increased from $10.20 to $12.70 for days of unemployment and days of sickness.

Provision would be made for extended sickness benefits, similar to the extended unemployment benefits now available, and for accelerated sickness benefits through possible early beginning of a benefit year with a day of sickness, similar to the possible early beginning of an accelerated benefit year with a day of unemployment as now provided for.

Extended and accelerated sickness benefits would not be paid for days after attainment of age 65. In an accelerated benefit year begun by reason of sickness, attainment of age 65 prior to the beginning of the general benefit year which was accelerated would end all rights to further sickness benefits until the beginning of the general benefit

year. This limitation would not deprive any employee of rights he now has to sickness benefits under the present law. It would also have no effect upon his rights to normal, extended, or accelerated unemployment benefits after attainment of age 65.

With respect to every employee who, upon application therefor, would have been entitled to a disability annuity under section 2 of the Railroad Retirement Act for a period which includes days for which extended or accelerated sickness benefits had been paid, there would be transferred from the railroad retirement account to the railroad unemployment insurance account at the close of each fiscal year the amount which would have been paid as such annuity if the employee had applied for it, up to that total amount of all sickness benefits paid him during that fiscal year for days for which the disability annuity could have accrued. Provision is made for interest on the amount transferred from the close of the fiscal year to the date of certification on the amount for transfer.

An additional disqualifying condition would be added, with the effect that an employee who has been paid a separation allowance would not receive any unemployment or sickness benefits for a period following his separation from service; the length of the period is determined by a formula taking into account the amount of his separation allowance, his last daily rate of pay, and his normal workweek.

The amendments proposed by this title of the bill to the Railroad Unemployment Insurance Act would not require an increase in the contribution base or the contribution rate.

EXPLANATION OF THE AMENDMENTS

TITLE I—AMENDMENTS TO THE RAILROAD RETIREMENT ACT

The amendments to the Railroad Retirement Act proposed by title I of the bill have their origin in congressional enactments of 1965, 1966, and 1967, as follows:

(1) The Social Security Amendments of 1965 (Public Law 89–97, approved July 30, 1965) increased benefits under the Social Security Act by 7 percent. Although these same amendments increased the maximum annual creditable and taxable wage base for the Social Security Act from $4,800 to $6,600 (the equivalent of an increase from the old maximum average monthly wage of $400 a month to a new maximum average monthly wage of $550), the 7-percent increase in the benefit formula was limited to the part of the benefit based on the first $400 of an individual's average monthly wage (the former maximum);

(2) The 1965 amendments to the Railroad Retirement Act (Public Law 89–212, approved September 29, 1965) made the railroad retirement creditable and taxable monthly compensation base one-twelfth of the social security annual limit and had the effect of increasing the maximum creditable compensation from $450 to $550 per month; and the 1966 amendments to the Railroad Retirement Act (Public Law 89–699, approved October 30, 1966) also increased annuities by 7 percent, but (as in the case of the 7-percent increase in the social security benefits) limited such increase to the part of the annuity based on the first $450 of an individual's monthly compensation (the former maximum);

(3) The 7-percent increase in annuities was achieved by increasing by 7 percent the factors in the formula in section 3(a) of the Railroad Retirement Act for computing an annuity (3.35 percent of the first $50 of the monthly compensation was increased to 3.58 percent, 2.51 percent of the next $100 was increased to 2.69 percent, and 1.67 percent of the next $300 was increased to 1.79 percent). The limitation of the 7-percent increase to the part of the annuity based on the first $450 of an individual's monthly compensation was achieved by adding the former 1.67-percent factor to the remainder of the monthly compensation over $450 as a fourth factor (the effect of this is to limit the application of the increased factors to the first $450 of the individual's monthly compensation);

(4) In cases where individuals are entitled to benefits under the Social Security Act, the 7-percent increase in their railroad retirement annuities is subject to a reduction by the amount of the 7-percent increase in benefits under the 1965 Social Security Amendments. The amount of the reduction is obtained by multiplying the social security benefit, as increased, by 6.55 percent;[1]

(5) The 7-percent increase in annuity is not payable, however, if the individual is entitled to a supplemental annuity under section 3(j) of the act as provided for in the same 1966 amendments to the Railroad Retirement Act; but if the amount of the supplemental annuity is less than the individual would receive as a 7-percent increase in his regular annuity, the 7-percent increase in the regular annuity is reduced by the amount of his supplemental annuity;

(6) There is an overall guarantee that in no case would the regular annuity be less in amount than it would have been if the 1966 amendments to the Railroad Retirement Act had not been enacted; and

(7) The 1967 amendments to the Social Security Act provide:

(*a*) An across-the-board increase in benefits of 13 percent, with a minimum primary insurance amount of $55;

(*b*) An increase in the earnings base from $6,600 to $7,800 beginning in 1968;

(*c*) An increase in the amount an individual may earn without losing benefits, and other favorable changes in the provisions requiring a loss of benefits because of earnings;

(*d*) New guidelines for determining when an individual is so disabled as to qualify for benefits;

(*e*) An alternative insured-status test for individuals disabled before age 31;

(*f*) Monthly cash benefits for disabled widows and disabled dependent widowers after age 50 on a reduced basis;

(*g*) A new definition of dependency for a child on his mother;

(*h*) Additional wage credits for military service; and

(*i*) Other improvements in the social security cash benefits and health insurance programs.

The cost of the changes in the Social Security Act would be financed through an increase in the earnings base from $6,600 to $7,800, after

[1] For example, if the individual's social security benefit of $100 was increased by 7 percent to $107, the offset against the increase of the annuity is by $7 ($107 times 6.55 percent equals $7.0085).

1967, and a small increase in the tax rates, as shown in the table below:

[In percent]

Period	OASDI		Health insurance		Total	
	Present law	1967 amendments	Present law	1967 amendments	Present law	1967 amendments
Combined employer-employee contribution rates:						
1967	7.8	7.8	1.0	1.0	8.8	8.8
1968	7.8	7.6	1.0	1.2	8.8	8.8
1969–70	8.8	8.4	1.0	1.2	9.8	9.6
1971–72	8.8	9.2	1.0	1.2	9.8	10.4
1973–75	9.7	10.0	1.1	1.3	10.8	11.3
1987 and after	9.7	10.0	1.6	1.8	11.3	11.8
Self-employed contribution rates:						
1967	5.9	5.9	.5	.5	6.4	6.4
1968	5.9	5.8	.5	.6	6.4	6.4
1969–70	6.6	6.3	.5	.6	7.1	6.9
1971–72	6.6	6.9	.5	.6	7.1	7.5
1973–75 [1]	7.0	7.0	.55	.65	7.55	7.65
1987 and after	7.0	7.0	.8	.9	7.8	7.9

[1] The hospital insurance tax rate would increase to 1.4 percent 1976–79 and to 1.6 percent 1980–85.

PRINCIPAL AUTOMATIC EFFECTS ON THE RAILROAD RETIREMENT SYSTEM OF THE 1967 AMENDMENTS TO THE SOCIAL SECURITY ACT

Those annuities which are payable under the special social security minimum guarantee of the Railroad Retirement Act will be automatically increased as a result of the social security amendments. The slight increase in tax rates for the social security system will automatically result in a similar increase in tax rates for the railroad retirement system (secs. 3201, 3211, and 3221 of the Railroad Retirement Tax Act). The increase in the maximum annual creditable and taxable wage base for social security purposes automatically results in an increase in the maximum monthly creditable and taxable compensation base for railroad retirement purposes (see sec. 3 of Public Law 89–212, approved Sept. 29, 1965), and this also will result in an increase in benefits under the Railroad Retirement Act for employees earning more than $550 a month. The improvements in the hospital insurance program for persons covered under the Social Security Act would automatically result in like improvements for persons covered under the Railroad Retirement Act. The maximum of a spouse's annuity would be increased to not more than $115.50 ($105 plus 10 percent) effective January 1, 1970.

PROPOSALS TO AMEND THE RAILROAD RETIREMENT ACT OF 1937

The bill S. 2839

Title I of the bill would amend the Railroad Retirement Act of 1937 as shown below.

(*1*) *Increase in annuities*

Annuities would be increased by an amount *approximately* equal to 110 percent of the dollar amount of the increase resulting from the percentage increase in benefits under the Social Security Amendments of 1967 for corresponding monthly earnings, subject to certain adjustments described below. This increase in annuities would relate only

to the percentage increase in the formula for determining the amount of the social security benefit over the corresponding formula under the 1965 amendments to the Social Security Act. Further, this increase in annuities would not take account of the increase in the social security benefit resulting solely from the increase in the social security creditable and taxable wage base because (i) such increase in the wage base automatically results in an equivalent increase in the monthly creditable and taxable compensation base for the Railroad Retirement Act, and this, in turn, will produce an increase in annuities for individuals earning more than the former creditable and taxable maximum of $550 a month, and (ii) otherwise, the increase in annuities would be higher than the financing would permit.[2] The increase in annuities, as above stated, would be in addition to the increase resulting from the proposal in this bill to apply the 7-percent increase in benefits provided by the 1966 amendments to the Railroad Retirement Act, to monthly compensation in excess of $450.

(2) Removal of the limitation of the 7-percent increase in annuities

The provision which limits the 7-percent increase in annuities in 1966 to the part of the annuity based on the first $450 of an individual's monthly compensation would be changed to make such increase applicable to the individual's entire creditable monthly compensation.

(3) Reduction of the increase in annuities

(a) Reduction for entitlement to a supplemental annuity.—There would be no reduction in the increase provided in this bill for the individual's entitlement to a supplemental annuity. However, for administrative reasons, the reduction for the 7 percent 1966 increase in annuities to individuals entitled to supplemental annuities will be made in the schedule increases of section 3(a)(2) rather than in the basic benefit of section 3(a)(1) as is done under the 1966 amendments. Such reduction would be computed by reducing the 1967 increase provided by the proposed new section 3(a)(2) by (i) 6.55 percent of the amount calculated (under the amended sec. 3(a)(1) of the act) on the basis of the first $450 of monthly compensation, or (ii) an amount equal to the supplemental annuity payable, whichever is less.

(b) Reduction for entitlement to a social security benefit.—There would be a reduction of the increase in annuities described in (1) above by the amount of the increase to which the individual would be entitled in benefits under the Social Security Act (other than the increase due to the increase in wage base) by virtue of both the 1965 and 1967 increases. The amount of the reduction would be computed by multiplying the individual's increased social security benefit by

[2] The highest benefit in the 1965 Social Security Act was one based on average earnings of $550. This benefit applied to all individuals whose total earnings averaged $550 or higher. The 1967 Social Security Amendments raised the maximum benefit in two ways: (1) the formula was changed to produce a higher benefit, and (2) the maximum on creditable earnings was raised, which will make possible higher average earnings (up to $650 in the future). Since the regular railroad retirement formula automatically gives an increase for the higher ceiling on creditable earnings, the part of the social security increase resulting from the higher earnings base must be eliminated to avoid duplication of increases. For example, the 1967 social security table provides a full retirement benefit of $204 for average earnings of $600 a month as compared to a maximum of $168 for average earnings of $550 in the 1965 table. The difference is $36 (due to both the change in the formula and the increase in average earnings) which becomes $39.60 when increased by 10 percent. Without a change in formula, the benefit for a $600 average monthly wage would have been $178.70. The difference between $204 and $178.70 is $25.30, and is due to the change in the formula only. Increasing the $25.30 by 10 percent gives $27.83, which is the increase shown in the schedule of section 3(a)(2). The difference between $39.60 and $27.83 is the amount provided by the increase in the earnings limit under the Social Security Act, and duplicates an increase already provided for under the regular railroad retirement formula. Obviously, permitting the duplicate increase for the higher earnings base would cost considerably more money which is not now available.

17.3 percent, or, in cases where he is being paid a supplemental annuity, by 11.5 percent. The reason for the 11.5-percent figure is that if he is being paid a supplemental annuity, the reduction for the 7-percent 1966 increase in annuities is being made under the provision explained in item 3(a) so there would be no offset for the 7-percent 1965 increase in his social security benefit under the 1965 amendments and none would be desired under the bill; but there would be an offset for the 13-percent increase of 1967 in his social security benefit, and this offset would be computed by deducting 11.5 percent of the increased social security benefit.[3]

(*c*) *Reduction on account of age.*—All employee annuities under the Railroad Retirement Act (compute as provided in section 3, other than annuities to women age 60 with 30 years of service and annuities based on disability) are reduced on account of age when the annuitant is under age 65 (see sec. 2(a)(3)). Therefore, the increases in annuities (including the minimum increase) provided for by the amendments to section 3 (as well as the adjustments for entitlement to social security benefits) would be before any reduction on account of age. There are specific provisions in this bill for such reductions of spouses' annuities and in the newly provided for survivor annuities on the basis of disability.

(*4*) *Minimum increase in annuities*

The current guaranty that in no case shall the annuity be less than it would be if the 1966 amendments to the Railroad Retirement Act had not been enacted would be replaced by a guaranty that in no case would the increase (before any reduction for early retirement or by reason of other benefits based on military service) above the amount that would be payable under the 1966 amendments to the Railroad Retirement Act be less (after applying all the provisions of the bill) than about $10 for an employee annuity or less than about $5 in spouses' and survivors' annuities; but the increase in a spouse's annuity would not produce an amount in excess of the applicable maximum in the spouse's annuity payable under the Railroad Retirement Act. Benefits payable under the overall minimum provision of section 3(e) would not be subject to this guaranty so that some of such beneficiaries may not receive increases of as much as $10 in the case of employees and $5 in the case of wives and survivors.

(*5*) *Disability annuities for widows and widowers*

Disabled widows and widowers age 50 to 60, would be entitled to annuities, subject to a reduction.

(*6*) *Family relationships*

The provisions in the Railroad Retirement Act with regard to the determination of family relationships would be made to accord with current provisions of the Social Security Act.

[3] For example, an individual's social security benefit of $100 was increased, pursuant to the 1965 amendments to the Social Security Act, by 7 percent to $107 ($100 plus $7 equals $107), and the latter amount was increased, pursuant to the 1967 amendments to the Social Security Act, by 13 percent to $121 ($107 plus $13.91 equals approximately $121); $121 times 17.3 percent equals approximately $20.93 ($7 plus $13.91 equals $20.91). Thus, in the above example, to decrease the individual's annuity by the 7 percent of his increased social security benefit of $121, or by $7, multiply $121 by 5.8 percent ($121 times 5.8 percent equals $7.02); and to reduce the increased annuity by the percentage of his increased social security benefit of $121, multiply $121 by 11.5 percent. Thus, 5.8 percent plus 11.5 percent equals 17.3 percent.

All of the foregoing provisions would be made applicable to railroad retirement beneficiaries now on the rolls of the Railroad Retirement Board.

(There is no provision in the bill for increasing tax rates under the Railroad Retirement Tax Act. As stated above, the increase in social security tax rates will automatically increase the railroad retirement scheduled tax rates for employees and employers alike by 0.3 percent for 1971–72, by 0.25 percent for 1973–75, by 0.25 percent for 1987 and later, and would also cause the taxable and creditable compensation limit to increase to $650 after 1967. For 1969–70, the rate would be decreased by 0.1 percent.)

AMENDMENTS TO SECTION 3(a) OF THE RAILROAD RETIREMENT ACT

(*A*) *The formula for computing an employee annuity*

The removal of the provision which limits the 7-percent 1966 increase to the part of the annuity based on the first $450 a month of an individual's monthly compensation is achieved by eliminating the fourth factor (1.67 percent) from the formula in section 3(a) of the Railroad Retirement Act for computing an employee annuity. The effect of this will be that the 7-percent increase of 1966 will apply to the individual's annuity based on his entire creditable monthly compensation. Since the 7-percent increase (which would now be included in the formula factors applicable to the entire monthly compensation) is (i) subject to an offset for the 7-percent increase in the individual's social security benefit, and (ii) is not payable if the individual is entitled to a supplemental annuity, an adjustment in the increase in annuity will have to be made, but for administrative convenience, it will be made in the schedule increases discussed below.

(*B*) *The increase in the employee annuity*

To provide an increase equal to exactly 110 percent of the increase, the individual would have received under the Social Security Act if his service covered under the Railroad Retirement Act had been employment covered under the Social Security Act, it would be necessary to secure information from the Social Security Administration as to the individual's wages (in cases where the individual also had employment and wage credits under the Social Security Act), and this would result in delays and other complications in the adjudication of the claim. The bill would avoid this by treating the individual's average monthly compensation (on which his annuity is based) as if it were his average monthly wage under the Social Security Act, and arrive at an approximation of 110 percent of the dollar amount of the social security percentage increases as shown in the table below:

DERIVATION OF INCREASES IN TABLE IN SEC. 104(a) OF THE BILL TO AMEND THE RAILROAD RETIREMENT ACT[1]

(Revised sec. 3(a) of the Railroad Retirement Act)

Average monthly compensation	1965 act primary insurance amount as extended	1967 act primary insurance amount	110 percent of increase in primary insurance amount
(I)	(II)	(III)	(IV)
Up to $100	$63.20	$71.50	$9.13
$101 to $150	78.20	88.40	11.22
$151 to $200	89.90	101.60	12.87
$201 to $250	101.70	115.00	14.63
$251 to $300	112.40	127.10	16.17
$301 to $350	124.20	140.40	17.82
$351 to $400	135.90	153.60	19.47
$401 to $450	146.00	165.00	20.90
$451 to $500	157.00	177.50	22.55
$501 to $550	168.00	189.90	24.09
$551 to $600	178.70	204.00	27.83
$601 and over	189.40	218.00	31.46

[1] The primary insurance amounts and the increases are those for an average monthly wage corresponding to the highest average monthly compensation in the intervals shown with those on the last line being for an average monthly wage of $650.

As constructed, the first two columns of the above table are an extension of the table in section 215(a) of the Social Security Act before its amendment in 1967. This extension is achieved by adding 21.4 percent of the average monthly wage in excess of $550 to the primary insurance amount of $168 applicable to the former maximum average monthly wage under the Social Security Act of $550. The formula underlying this table for computing a social security benefit in the Social Security Act before it was amended in 1967 calls for 62.97 percent of the first $110, 22.90 percent of the next $290, and 21.4 percent of the average monthly wage in excess of $400.

The monthly compensation in column I of the table is deemed to be the individual's average monthly wage. The figures above $550 show what his monthly benefit would have been under the Social Security Act as amended in 1965 if the social security wage base had then been increased to the maximum provided by the 1967 Social Security Amendments. The amount determined accordingly is shown in column II. The benefit from the table in section 215(a) of the Social Security Act as amended in 1967 is shown in column III; and the difference between the amount in column III and the amount in column II is increased by 10 percent to the amount shown in column IV.[4]

Since columns II and III above merely show how the amounts in column IV are arrived at, they are not necessary for the purposes of the bill and are omitted from the table in the proposed section 3(a)(2).

[4] Thus, the $100 monthly compensation, if it were the individual's average monthly wage, would, under the 1965 table, produce a primary insurance amount (the amount of the employee's benefit, except where there is a reduction for age) of $63.20, and under the 1967 social security formula, $71.50, an increase of $8.30 which, when increased by 10 percent, becomes $9.13; and this is the amount by which the annuity would be increased, subject, of course, to any offsets for the increases in his social security benefit. Similarly, if the individual's monthly compensation of $650 were his average monthly wage, his primary insurance amount under the 1965 table, as extended (as above stated), would be $189.40, and under the 1967 social security formula, would be $218, an increase of $28.60; and 110 percent of $28.60 equals $31.46, which is the amount by which the individual's annuity would be increased, subject, also, to any offsets for the increase in his social security benefits. (See (C) and (D) below for explanation of offsets.) However, note that in every case there will be a minimum increase in the employee's annuity, before any reduction for early retirement and after any offsets, of $10. (See (E) below for explanation of minimum increase of $10.)

The table takes account of the change in formula for increasing benefits under the Social Security Act due to the higher percentages used in fixing the amounts in the 1967 social security table (by taking the difference between the 1967 social security formula amounts in the 1967 table over the amounts in the 1965 table as extended to include an average monthly wage in excess of $550) but would disregard the effect of the raises in social security benefits due solely to the increase in the average monthly wage to amounts in excess of $550. The table in the bill is thus intended to avoid duplication of benefit increases on the basis of earnings in excess of $550 a month because, as stated earlier, the increase in the wage base under the Social Security Act would automatically result in an increase in the monthly compensation limit for the railroad retirement system from the present $550 to $650 a month. Since such increase in the compensation limit would, of itself, produce higher annuity amounts, there would be a duplication of increases derived from the higher earnings (which would be very costly) if the table reflected also the social security increases due to the higher average monthly wage. As so extended, the table includes an average monthly wage up to the new limit ($650 a month), using, throughout the extended portion of the table, the formula applied in deriving the primary insurance amounts from an average monthly wage up to $550 (which, as to an average monthly wage up to $400 only, included the 7 percent social security increase in 1965) and subtracting the primary insurance amount thus determined (see col. II) from the primary insurance amount in the 1967 social security table which is derived by using a formula which includes both the 1965 and 1967 increases in benefits under the Social Security Act (see col. III), and increasing the difference by 10 percent (see col. IV).

(C) The first proviso of the proposed section 3(a)(2)

It is the intent of the bill to make certain that every employee annuitant receives an increase in benefits by an amount in excess of the amount to which he would be entitled under the 1966 amendments to the Railroad Retirement Act, and that in no case shall such increase (before any reduction for early retirement) be less than about $10. The 1966 amendments, as stated earlier, provided (i) for a supplemental annuity, (ii) for a 7-percent increase in benefits based on the first $450 of his average monthly compensation, (iii) that the 7-percent increase be not payable to anyone entitled to a supplemental annuity (unless the supplemental annuity is reduced by reason of a supplemental pension to an amount less than the 7-percent increase, in which case the difference is paid) and (iv) that the 7-percent increase be offset by the amount of the 1965 increase in any social security benefits to which the individual is entitled. The amount computed under section 3(a)(1) plus the increase computed under that part of section 3(a)(2) which precedes the provisos in that section includes the 7-percent increase of 1966 even though the individual is not entitled to that increase by virtue of his entitlement to a supplemental annuity. Therefore, this first proviso of section 3(a)(2) adjusts the increase calculated under that section to take away the 7-percent increase or

that part thereof to which the individual, being paid a supplemental annuity, is not entitled.[5]

(D) The second proviso in the proposed section 3(a)(2)

As stated earlier, the 1966 amendments to the Railroad Retirement Act, which provided for an increase in annuities by 7 percent, provided that such increase of an individual's annuity be reduced by the 7 percent increase in benefits to which the same individual is entitled under the 1965 amendments to the Social Security Act. Thus, under present law if an individual's regular annuity of, say, $150 is increased by 7 percent to $160.50, and the same individual is entitled to a monthly social security benefit of $107 ($100 plus $7 as a result of the 1965 amendments to the Social Security Act), the $10.50 increase in his annuity is reduced by the $7 increase he received under the Social Security Act to $3.50, resulting in an annuity of $153.50. This reduction in his annuity for the 1965 increase in social security benefits is now achieved by multiplying his increased social security benefit of $107 by 6.55 percent ($107 times 6.55 equals approximately $7). The second proviso of the new section 3(a)(2), however, would require that the reduction for 1965 as well as for the 1967 increases in his social security benefits be made from the amount calculated under paragraph (2) of the new section 3(a). Since the amount calculated under the new section 3(a)(1) and that part of the new section 3(a)(2) which precedes the provisos, would include both the 7 percent increase effected in 1966, and the increase provided by the table in paragraph (2), without any reduction of such amount by the increases in his social security benefits effected in 1965 and 1967, the amount thus calculated must be reduced for both of such increases.[6]

If, however, the individual is not entitled to a supplemental annuity, and is entitled to a social security benefit, there would be no reduction by the first proviso to account for the 1966 increase of 7 percent.[7]

[5] For example, if the individual is entitled to a regular annuity of $150 a month under the Railroad Retirement Act as amended in 1966 and to a supplemental annuity of $70 a month, his regular annuity is not increased from $150 by 7 percent (by $10.50 to $160.50) as it would if he were not entitled to a supplemental annuity; his annuity would be computed under the new section 3(a)(1) which already includes the 7 percent increase effected by the 1966 amendments, and under that part of section 3(a)(2) which precedes this proviso. Thus, the amount computed under the new section 3(a)(1) would be $160.50 (because such formula already includes the 7 percent increase). To this amount (assuming the individual's monthly compensation is in the $151-to-$200 bracket of the table in section 3(a)(2), would be added $12.87 (see col. IV of the table), making a total of $173.37. Since the individual is also entitled to a supplemental annuity, the first proviso requires that the $12.87 increase in his case be reduced by 6.55 percent of $160.50 (the amount computed under the first paragraph of the new sec. 3(a)), or by $10.50 ($160.50 x 6.55 percent equals $10.50) to $2.37 which when added to $160.50 (the amount computed under par. (1) of sec. 3(a)) provides an annuity of $162.87. This is, of course, the same as the amount of his regular annuity of $150, payable before the enactment of this bill, plus an increase of $12.87.

[6] Thus, in a case like that in the example given in note 5 above (except that the individual is also entitled to a supplemental annuity), the increase of $12.87 would be subject to a reduction of $10.50 under the first proviso, and of $13.91 ($121—the new 1967 social security benefit—times 11.5 percent) under the second proviso. Since $24.41 ($10.50 plus $13.91)wipes out the $12.87 increase—under the new section 3(a)(2), the amount calculated under the new section 3(a)(1), of $160.50, would remain payable. This gives an increase of $10.50 over the amount of $150 payable under present law.

[7] Thus, in a case like that in the example given in note 6 above (except that the individual is not entitled to a supplemental annuity), the 7 percent ($10.50) increase provided by section 3(a)(1) and the $12.87 increase provided by that part of section 3(a)(2) which precedes the provisos, would have to be reduced for both the 1965 and 1967 increases in the individual's social security benefit. This reduction would be by 5.8 percent for the 7 percent social security increase in 1965 (5.8 percent of a social security benefit as increased by 13 percent is approximately the same as 6.55 percent of the benefit before such increase; thus, $107 times 6.55 percent equals approximately $7; $107 plus 13 percent thereof equals approximately $121; and 5.8 percent of $121 equals approximately $7), and by 11.5 percent for the 13 percent social security increase in 1967 (11.5 percent of his new social security benefit of $121 (see above) equals approximately $13.91, making a total of ($7 plus $13.91) or about $121), or by a total of 17.3 percent of his increased social security benefit. The social security benefit of $121 multiplied by 17.3 percent gives an amount of approximately $20.93 Since the $20.93 wipes out the $12.87 increase, the amount calculated under the new section 3(a)(1) would be payable (that amount is $160.50, which exceeds by $7 the amount of $153.50 payable under present law (the amount of $150 payable before the 1966 amendments was increased by those amendments to $160.50 and reduced under the same amendments by the $7 he received as a 1965 increase in the social security benefit to $153.50)).

This amount of $160.50, however, would be increased by $3 under the third proviso of the new section 3(a)(2) which provides a minimum increase of $10 (see (E) below for an explanation of such third proviso).

For another example, assume that the annuity of an individual who is not entitled to a supplemental

(E) The third proviso of the proposed section 3(a)(2)

The third proviso of the new section 3(a)(2) is intended to make certain that after all the other computations provided for in section 3(a)(1) and (2), the increase (before any reduction for early retirement) would be about $10 above the amount to which the individual would be entitled under the 1966 amendments to the Railroad Retirement Act. Thus, if the amount calculated under the new section 3(a)(1) and that part of the new section 3(a)(2) which precedes the third proviso does not, in effect, exceed by $10 or more the amount calculated under the 1966 law, the third proviso of the new section 3(a)(2) would apply. In such a case, there would be added to the amount computed under the new section 3(a)(1), which includes the 7 percent increase of 1966, $10, minus 6.55 percent of that part of the amount calculated under the new section 3(a)(1) based on the first $450 of monthly compensation if he is entitled to a supplemental annuity (this would, in effect, take away from the $10 the 7-percent increase to which he is not entitled under the 1966 amendments to the Railroad Retirement Act, but which is included in the computation under the new section 3(a)(1)). However, the third proviso of the new section 3(a)(2) would seldom apply where the individual is entitled to a supplemental annuity but not to social security benefits because the increase under the other provisions would ordinarily be in excess of $10.[8]

If the individual is entitled to a social security benefit but not to a supplemental annuity and his annuity as computed under the new section 3(a)(1) and that part of the new section 3(a)(2) which precedes the third proviso does not, in effect, exceed the amount to which he would be entitled under the 1966 law by about $10, the third proviso of the new section 3(a)(2) would apply. In such a case, the amount calculated under the new section 3(a)(1) would be increased by $10 minus 5.8 per centum of (i) his social security benefit, or (ii) the amount computed under the new section 3(a)(1), whichever would produce the smaller reduction. This would take away from the $10 (where the 5.8 per centum is taken of his social security benefit), the amount of the reduction for social security benefits required under the 1966

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annuity, is $170 after the7 percent increase in 1966 but before any reduction for the 1965 increase in his social security benefits; he is actually being paid $163.06 because the $170 had to be reduced by 6.55 percent of his social security benefit which, in his case, is $106, or by $6.94 (approximately the amount of the increase by 7 percent in 1965). The amount calculated under the new section 3(a)(1) would treat him as if he was paid the full amount of $170, which, when increased (assuming that his monthly compensation is in the $201–$250 bracket of the table in section 3(a)(2)) by $14.63 would be $184.63. Since this amount would include the $6.94 which had already been deducted under the 1966 amendments to the Railroad Retirement Act, it would be without any reduction by the second proviso in the new section 3(a)(2) for the 1965 and 1967 increases in social security benefits. Therefore, under the second proviso of the new section 3(a)(2), the increase of $14.63 would be reduced by 17.3 percent of his social security benefit as increased by 13 percent in 1967 to $119.80 ($106 plus $13.80), or by $20.72. Since $20.72 is greater than the $14.63 increase, there would be no increase in the amount of $170 calculated under the new section 3(a)(1). The amount of $170 exceeds the amount of $163.06, payable under the present law, by less than $10; therefore, the third proviso would apply to increase the annuity to $173.06, which is $10 above the amount payable under present law (see (E) below for the minimum increase of about $10).

[8] For example, the individual's annuity under the 1966 amendments to the Railroad Retirement Act is $150, and he is not entitled to social security benefits. This does not include the 1966 increase of 7 percent which is not payable because of his rights to a supplemental annuity; but the amount calculated under the formula in the new section 3(a)(1), which includes the 1966 increase of 7 percent, would be $160.50 ($150 plus 7 percent thereof, or $10.50). That part of the new section 3(a)(2) which precedes the provisos would add (assuming a monthly compensation in the $151–$200 bracket of the table in section 3(a)(2)) $12.87, producing a total of $173.37. The first proviso of the new section 3(a)(2) would reduce the $12.87 by 6.55 percent of $160.50, or by $10.51, leaving $2.36 to be added to $160.50, producing $162.86. This would be the amount payable under the bill and is more than $10 in excess of the amount of $150 payable under the 1966 amendments to the Railroad Retirement Act. In this example, the third proviso of the new section 3(a)(2) would have no effect.

amendments to the Railroad Retirement Act, and, by limiting this reduction to 5.8 per centum of the amount computed under the new section 3(a)(1), avoids taking away more than an amount equal to the 7-percent increase of 1966.[9]

If the individual is entitled to both a supplemental annuity and a social security benefit, the third proviso of the new section 3(a)(2) would apply in the same manner as if he were not entitled to the social security benefit. This is so because the supplemental annuity would preclude entitlement to the 7-percent 1966 increase in annuities, and the third proviso guarantees that the 1967 increase in annuities would be by about $10.

INCREASES IN ANNUITIES TO SPOUSES AND SURVIVORS OF AN EMPLOYEE

Annuities to spouses and survivors of an employee would be increased in a way similar to that provided for increasing employee annuities, except that the minimum increase above the amount payable under the 1966 amendments to the Railroad Retirement Act would be about $5 a month instead of about $10, and except that the spouse's annuity would not be increased over the maximum amount provided in section 2(e) of the Railroad Retirement Act.

OTHER AMENDMENTS PROPOSED IN TITLE I OF THE BILL

In addition to the increase in annuities, title I of the bill would provide reduced annuities for disabled widows and widowers who have attained age 50 on roughly the same conditions as monthly benefits would be provided for totally disabled widows and widowers covered under the Social Security Amendments of 1967; except that there would be no waiting period after disability occurs before an annuity could be paid. The reduction would be by three-tenths of 1 percent for each month the individual is under age 60 when the annuity begins. This is almost the same reduction that would be applied under the Social Security Act.

The reduction would remain in effect throughout the individual's life. If the annuity is not paid for some months after it begins (for example, in the case of a recovery from disability) the reduction would be adjusted after age 60 is attained by removing from the reduction period the months for which the annuity is not paid.

This title of the bill would also remove a glaring inequity. Prior to 1957, the Railroad Retirement Act and the Social Security Act required, for the purpose of benefits based on a marital relationship, that there would be a marriage valid in all respects. In 1957, the Social Security Act was amended to provide benefits in some cases even if

[9] For example, the individual's annuity under the 1966 amendments to the Railroad Retirement Act is $170 reduced by $6.94 (6.55 percent of his social security benefit of $106) to $163.06. The amount computed under the new sec. 3(a)(1) would be $170, and that part of the new sec. 3(a)(2) which precedes the provisos would add (assuming a monthly compensation in the $201–$250 bracket of the table in sec. 3(a)(2)) $14.63, producing a total of $184.63. By deducting from $14.63 an amount derived by taking 17.3 percent of his 1967 social security benefit of $119.80 (produced by increasing his social security benefit of $106 by 13 percent) or $20.72 (through the application of the second proviso of the new sec. 3(a)(2)), there would be no increase by that part of the new sec. 3(a)(2) before the third proviso. Therefore, the third proviso would apply in this manner: 5.8 percent of his social security benefit as raised in 1967 (which is $119.80) would produce $6.95; while 5.8 percent of the amount calculated under the new sec. 3(a)(1) would produce $9.86. Since $6.95 is the smaller reduction, the $10 would be reduced by $6.95, leaving $3.05, which, when added to the amount computed under the new sec. 3(a)(1) of $170, would produce $173.05. This would be the amount payable under the bill and exceeds $163.06 the amount payable under the 1966 amendments to the Railroad Retirement Act, by about $10. The rounding provisions of the Railroad Retirement Act have been ignored in this and all other examples shown in this report.

the marriage was not valid as theretofore required. The strict requirements in this respect under the Railroad Retirement Act, however, remained unchanged. This resulted in the denial, under the Railroad Retirement Act, of benefits in cases where, in similar situations, the Social Security Administration would have paid the benefits. There are also other cases where individuals, such as a child, can qualify as having the necessary family status under the Social Security Act to be paid benefits but, in such cases, cannot qualify under the Railroad Retirement Act. This title of the bill would amend the Railroad Retirement Act to incorporate the provisions of the entire current section 216(h) of the Social Security Act in this respect.

The provisions requiring the loss of an employee's disability annuity payment because of work would be changed so that he can now earn $2,400 in a year instead of $1,200 without losing annuity payments for any month in the year; also, as a result of the change, he could earn as much as $200 in a month instead of $100, regardless of his total earnings for the year, and not lose his annuity for that month.

FINANCING THE INCREASES IN BENEFITS PROPOSED BY TITLE I OF THE BILL

The bill would provide no increases in railroad retirement tax rates to cover the cost of the benefit increases provided for in title I of the bill. As stated earlier, railroad retirement tax rates would be automatically increased by 0.3 of one percentage point for 1971–72, and by 0.25 of one percentage point for 1973 and after (including the rate for medicare) as a result of the 1967 Social Security Amendments which would also result in increasing the taxable compensation limit after 1967 to $650 a month. The present surplus in the railroad retirement system (after taking into account the effects of the Social Security Amendments of 1967) is about 0.08 percent of taxable payroll. As the result of the enactment of title I of the bill, this would be changed to a deficit of about 1.16 percent of taxable payroll or about $58 million a year. This is not very much larger than the deficit of 0.94 percent of taxable payroll or $43 million a year that existed before the 1967 Social Security Amendments.

Title II. Amendments to the Railroad Unemployment Insurance Act

Title II of S. 2839 would amend the Railroad Unemployment Insurance Act as shown below.

(1) Maternity benefits would be eliminated, but the definition of "day of sickness" in section 1(k) of the act would be amended so as to specifically include a day on which, because of pregnancy, miscarriage, or the birth of a child, a female employee is unable to work or working would be injurious to her health.

(2) The amount of creditable compensation an employee must earn in a base year, as a qualifying condition for the payment of benefits under the act, would be increased from the present $750 to $1,000. A corresponding increase would be made in the subsidiary remuneration provision, and in the provision stating the minimum amount of compensation which an employee who has voluntarily left work must be paid with respect to time after such leaving before his disqualification for unemployment benefits can end.

(3) The benefit rate schedule would be revised and the maximum daily benefit rate would be increased from $10.20 to $12.70 for days of unemployment and days of sickness.

(4) Provision would be made for extended sickness benefits, similar to the extended unemployment benefits now provided.

(5) The present provision for the possible early beginning of a benefit year in cases involving days of unemployment would be expanded to provide for the possible early beginning of a benefit year in cases involving days of sickness.

(6) Attainment of age 65 would end all rights to extended sickness benefits. In an accelerated benefit year begun for the purpose of the payment of sickness benefits, attainment of age 65 prior to the beginning of the general benefit year which was accelerated would end all rights to further sickness benefits until the beginning of the general benefit year. These limitations would not deprive any employee of rights he now has to sickness benefits under the present law; such rights would continue unaffected. Provision is made for the transfer from the railroad retirement account to the railroad unemployment insurance account, at the close of each fiscal year, of the amount, if any, which, if added to the railroad unemployment insurance account, would place such account in the same position it would have been in at the close of such fiscal year if every employee who had been paid extended or accelerated sickness benefits in the fiscal year, and who upon application therefor would have been entitled to a disability annuity under section 2(a) of the Railroad Retirement Act with respect to some or all of the days for which such benefits were paid, had been paid such annuity with respect to all days of sickness for which he was paid benefits which were also days with respect to which such annuity could have accrued.

(7) An additional disqualifying condition would be added, with the effect that an employee who has been paid a separation allowance would not receive any unemployment or sickness benefits for a period following his separation from service. The length of the period would be determined by a formula taking into account the amount of his allowance, his last daily rate of pay, and the number of days in his normal workweek.

(1) *Elimination of maternity benefits and provision for days of sickenss due to pregnancy, miscarriage, or the birth of a child.*—Under present law, a woman employee could receive the equivalent of 260 days of sickness and maternity benefits in a single benefit year (130 days for sickness, and the equivalent of 130 days of maternity benefits). Under the amendments she could receive no maternity benefits, and the maximum number of days for which she could receive normal sickness benefits in a single benefit year would be 130. For example: If a female employee should be paid for 100 days of sickness during pregnancy and following the birth of her child, she would be entitled to normal sickness benefits for no more than 30 additional days of sickness in that same benefit year (she might be entitled to extended sickness benefits if she had 10 or more years of service and met the other requirements). The statement of sickness that the Board would require with respect to the days of sickness during the pregnancy and following the birth of her child would establish that each day claimed is a day of sickness because it is a day on which, because of pregnancy,

miscarriage, or the birth of a child, she is unable to work or working would be injurious to her health.

(2) *Increase in qualifying amount.*—The increase from $750 to $1,000 in the amount of creditable compensation which an employee must earn in a base year in order to be qualified to receive benefits under the act is warranted by the increase in wages since 1963, when such qualifying amount was last increased (from $500 to $750). Corresponding changes would be made in the subsidiary remuneration provision, and in the provision stating the minimum amount of compensation which an employee who has voluntarily left work must be paid with respect to time after such leaving before his disqualification for unemployment benefits can end.

(3) *Increase in maximum daily benefit rate.*—Except for the stricter eligiblity requirements provided for in the 1963 amendments to the Railroad Unemployment Insurance Act (by Public Law 88–133), there have been no changes in the benefit provisions of the act since those made by the 1959 amendments to the act (Public Law 86–28). Since that time, however, there have been major changes in railroad pay rates and earnings levels. Moreover, there have been many improvements in the State unemployment compensation laws in that interval, with the result that the Railroad Unemployment Insurance Act now compares less favorably with the State laws than it did in 1959.

In 19 States, with over half the workers under State unemployment compensation laws, it is now possible for a beneficiary to receive more (including the dependents allowances in six States) than the $51-a-week maximum (5 times $10.20) now payable under the Railroad Unemployment Insurance Act. Furthermore, supplementary unemployment benefit plans and nongovernmental sickness benefit plans frequently pay more than $51 a week, and in some cases pay more than the $63.50 a week (5 times $12.70) which will be the maximum for Railroad Unemployment Insurance Act benefits under the proposed amendments. Benefits in excess of $63.50 a week are available in eight States (including the dependents allowances in six States).

(4) and (5) *Extended and accelerated benefits for sickness.*—The addition of extended benefit periods and accelerated benefit years for sickness would provide for sickness the same treatment that unemployment has received since 1959. This would benefit primarily the older, long-service employees, who are more likely to have long illnesses. Currently, the proportion of beneficiaries exhausting sickness benefits is as large as the proportion exhausting normal unemployment benefits, and the need is greater for the sickness beneficiary. Even with the fine health and welfare benefits that have been negotiated for railroad employees, the cost of illness is much greater than the cost of unemployment and, of course, the sickness beneficiary is not available for placement in nonrailroad employment the way an unemployment beneficiary is, so he does not have the same opportunity to obtain other income.

It is now possible for beneficiaries in two of the four States with statutory plans for sickness benefits to become entitled to sickness benefits for more than 26 weeks in a single year, if they have more than one spell of sickness in that year. Also, sick leave plans (for example, in Federal employment) may have payment durations longer

than 26 weeks where the length of available leave is based on total service and the amount of leave previously used; some large industrial plans pay sickness benefits for 52 weeks or more.

(6) *Termination of right to extended sickness benefits, and sickness benefits in an accelerated benefit year, upon attainment of age 65; transfer of amount from Railroad Retirement Account to railroad unemployment insurance account.*—When an employee attains age 65, his rights to extended sickness benefits would cease. If he attained age 65 after the early beginning of a benefit year based on sickness, and before the beginning of the general benefit year which was accelerated, his rights to further sickness benefits would end until the beginning of that general benefit year. These limitations based on attainment of age 65 would not deprive any employee of rights he now has to sickness benefits under the present law; such rights would continue unaffected.

Many individuals who will receive the new extended sickness benefits, or sickness benefits in an accelerated benefit year, would be qualified for disability annuities under the Railroad Retirement Act. If they were to apply for, and receive, such annuities, their entitlement to sickness benefits would be limited by section 4(a-1)(ii) of the Railroad Unemployment Insurance Act, the purpose of which is to prevent the duplication of payments under the act and other social insurance laws. It is expected, however, that a large number of these individuals will postpone applying for their disability annuities, with the result that section 4(a–1)(ii) will not operate in their cases. For this reason, the amendments include provision for an annual transfer of funds from the Railroad Retirement Account to the railroad unemployment insurance account in an amount which will place the latter account in the position it would have been in at the close of the fiscal year if those individuals had applied for, and received, their disability annuities for days, for which they were paid sickness benefits in the fiscal year. Ordinarily, an individual's annuity qualifications in terms of age, service, and physical and mental condition, are investigated and determined by the bureau of retirement claims on a case-by-case basis. Such a thorough treatment is not practical or desirable for purposes of the contemplated inter-account transfer. The amendments authorize the Board to presume that individuals in certain situations are qualified for disability annuities; to make reasonable approximations deemed necessary in computing annuities for this purpose; and to rely on evidence of age available in its files and records. It is expected that the amount to be transferred will be ascertained by applying statistical methods and reasonable rules of thumb.

(7) *Disqualification for days after separation in the case of an employee who has been paid a separation allowance.*—The new disqualifying condition would mean that an employee who has been paid a separation allowance could not receive any unemployment or sickness benefits for a period following his separation from service. The length of the period will be determined by a formula taking into account the amount of his allowance, his last daily rate of pay, and the number of days in his normal workweek. The disqualification would apply to any of the days in the period beginning with the day following his separation from service and continuing for that number of consecutive 14-day periods which is equal, or most nearly equal, to the amount of the separation allowance divided (i) by 10 times his last daily rate

of compensation prior to his separation if he normally works 5 days a week, (ii) by 12 times such rate if he normally works 6 days a week, and (iii) by 14 times such rate if he normally works 7 days a week. The purpose of the formula is to make the disqualification cover a period as nearly as possible equivalent to the length of time it would have taken the employee to earn the amount of the separation allowance. In the application of the formula, every employee would be regarded as normally working 5 days a week unless the evidence showed that he normally works 6 or 7 days a week.

The application of the formula may be illustrated by the following example: An employee received a separation allowance of $1,000; his last daily rate of pay was $25, and there was nothing to show that he normally works 6 or 7 days a week. The daily rate of pay, $25, would be multiplied by 10, the product being 250. The amount of the separation allowance, $1,000, would be divided by this 250, the result being 4. Consequently, the disqualification period, beginning with the day following the employee's separation from service, would continue for four consecutive 14-day periods, amounting to 56 consecutive days.

SECTION-BY-SECTION ANALYSIS OF S. 2839

TITLE I—AMENDMENTS TO THE RAILROAD RETIREMENT ACT

SECTION 101

This section would amend section 1(h) of the act to increase the amount to be credited for each month of military service after 1967 from $160 to $260.

SECTION 102

This section would amend section 2(d) of the act to change the amount that an employee entitled to a disability annuity could earn in a year without losing an annuity payment for any month in the year from $1,200 to $2,400; and to change the amount he could earn in a month without losing his annuity for the month, regardless of his total earnings in the year, from $100 to $200.

SECTION 103

Subsection (a).—The change made by this subsection is required in section 2(e) of the Railroad Retirement Act since section 3(a) is revised. The change is purely technical, the purpose being to retain the provisions for calculating a spouse's annuity on the basis of the employee's annuity before any reduction of the latter annuity because of rights to a supplemental annuity or to benefits under title II of the Social Security Act. This automatically results in an increase in the spouse's annuity by an amount equal to one-half the increase in the employee's annuity, subject, of course, to the provisions for a maximum spouse's annuity.

Subsection (b).—This subsection would amend section 2(i) of the act to provide for a reduction of the increase in the spouse's annuity as a result of the 1967 amendments by the amount of the 1967 increase in any social security benefit to which the spouse is entitled, and combines this reduction with that required under present law to

offset the 1965 increases in social security benefits against the 1966 increase in railroad retirement annuities. This would be accomplished simply by reference to the provisions of the second proviso in section 3(a)(2) which relate to the reduction in the 1967 increase of an employee's annuity because of the 1967 increase in any social security benefits to which he is entitled and combines the reduction with that now required for the 1965 increases in such benefits.

This subsection would also provide that the spouse's annuity would be increased by about $5 nonwithstanding any reduction requirements because of such spouse's rights to social security benefits. The provision for the calculation of the minimum as the excess of $5 over either of two amounts, is only a device for accomplishing that purpose. The provision with regard to the minimum applies without regard to a reduction in the spouse's annuity by reason of the 7-percent increase in social security benefits effected in 1965, and, therefore, 5.8 percent of the lesser of these two amounts only restores, in effect, the amount of the reduction in the 1966 act because of the 7-percent increase. The result is that, if the 1967 legislation does not otherwise produce an increase in the spouse's annuity by about $5, such spouse would be assured of an increase by that minimum amount over the annuity to which such spouse would be entitled under the 1966 Railroad Retirement Act. However, there is a restriction that, in no event can the spouse's annuity be increased to an amount which is more than 110 percent of the highest amount that could be paid as a wife's benefit under the Social Security Act as provided in section 2(e) of the Railroad Retirement Act. When 5.8 percent of a social security benefit, as increased in 1967, is taken, the product is equivalent to the 7-percent increase in social security benefits effected in 1965 (5.8 percent of a social security benefit, as increased in 1965 and 1967, is approximately the same as 6.55 percent of the benefit, as increased in 1965). Where the railroad retirement amount is used in the calculation, the spouse gets a slight break because 5.8 percent of the spouse's annuity to which she would be entitled without any reduction for the 1965 increase in social security benefits, would be slightly less than the 7-percent increase in a spouse's annuity to which she would be entitled under the 1966 legislation to the Railroad Retirement Act, and the minimum increase, therefore, in such a case would be slightly more than $5.

The increases provided by this subsection, including those under the $5 minimum (as well as the adjustments of the increases for entitlement to social security benefits), would be before any reduction on account of age. In addition, the guarantee of a minimum increase does not apply to benefits computed under the overall minimum guarantee of section 3(e) so that some spouses paid under this provision may receive increases as a result of the 1967 Social Security Amendments which will be less than $5.

SECTION 104

Subsection (a).—The general design of the bill is to revise section 3(a) entirely in order to accomplish the objective of the 1967 increase and yet simplify the adjudication process. The idea is to produce an annuity amount which would be equivalent to that payable under the 1966 Railroad Retirement Act and then add the increase desired

through the 1967 legislation. The amount derived before including the 1967 increase could be higher, however, since the concept of limiting the 1966 increase of 7 percent to that part of the annuity produced by monthly compensation of $450 or less, would be revised so that the 7-percent increase would be applied to the average monthly compensation up to any limit. This would be accomplished by the removal of the fourth factor in the present provisions of section 3(a)(1). There follows an explanation of the processes in continuity that the revised section 3(a) would require.

(1) Paragraph (1) would produce an amount which includes the 7-percent increase effected in 1966, but applicable to the entire monthly compensation. This, as stated before, is accomplished by the removal of the fourth factor in the formula for computing retirement annuities under present law. It is to be noted that there is no reduction provided in paragraph (1) for rights to social security benefits or a supplemental annuity.

(2) Paragraph (2) would, in substance, effect the general intent of the 1967 increases by adding to the amount determined in paragraph (1) 110 percent of the increase that the individual would have received in social security benefits through the 1967 social security legislation (subject to certain adjustments described below) if his railroad service were employment under the Social Security Act; except that, the increase so determined would be restricted to the increase derived from the higher percentages used in calculating primary insurance amounts under the Social Security Act as amended in 1967. In other words, any increase in social security benefits which would be attributable only to an increase in the average monthly wage over the present limit of $550 would not be taken into account in determining the increase. To illustrate this point, assume that the primary insurance amount under the 1965 law is obtained by taking 20 percent of the average monthly wage (this is not the precise percentage actually used, but is merely used for explanatory purposes) and that this is changed to 30 percent in the calculation of primary insurance amounts under the 1967 Social Security Amendments. The increase to be applied to the amount determined in paragraph (1) would be limited to the increase resulting from raising the percentage from 20 to 30, disregarding any additional increase in the primary insurance amount that is attributable only to average monthly wages in excess of $550.

This process would be implemented by the inclusion of a table in paragraph (2). For the purposes of determining the increases in this table, the individual's monthly compensation would be treated as an average monthly wage for social security purposes. In effect, this table, as it applies to monthly compensation, or, in effect, to an average monthly wage above $550, would give an increase determined by extending the primary insurance amount table in section 215(a) of the 1965 Social Security Act to average monthly wages up to $650 by applying the percentage factor now applicable to that part of the average monthly wage in the range of $400 to $550 to amounts over $550. The increase would be derived as the product of 110 percent of the excess of the primary insurance amount determined from the 1967 table over the amount derived from the extended 1965 table. The table in paragraph (2) would, however, show only the final product, which would be the increase.

(3) The amount determined from the application of paragraphs (1) and (2) of the new section 3(a) must now be reduced as required in the 1966 Railroad Retirement Act where the individual has rights to a supplemental annuity or to benefits under title II of the Social Security Act, or both. In addition, a further reduction must be applied to offset the 1967 increase in the social security benefit of individuals entitled to such benefits. The first two provisos in paragraph (2) effect these reductions.

The first proviso deals with an individual who is entitled to a supplemental annuity. In such case, he is not entitled to the 7-percent increase provided in 1966. Therefore, the reduction which this proviso makes, by 6.55 percent of the amount determined under paragraph (1), would eliminate the 7-percent increase of 1966. However, since the 7-percent increase in 1966 was limited to that part of the annuity produced from monthly compensation not in excess of $450, this percentage of 6.55 would be applied only to the amount derived from monthly compensation not in excess of $450. There are cases in which the individual is paid a supplemental annuity which, by reason of a supplemental pension, is reduced to an amount less than the 7-percent increase of 1966 would provide. In those cases, the 7-percent increase in 1966 was reduced only by the amount of the net supplemental annuity. In order to avoid an excessive reduction in the regular annuity in those cases, this first proviso requires that the reduction be by 6.55 percent of the amount determined under paragraph (1) (based on the first $450 of his monthly compensation) or by the amount of the supplemental annuity, whichever is less.

The second proviso deals primarily with cases in which the individual is entitled to benefits under title II of the Social Security Act. If such an individual is not entitled to a supplemental annuity, the increase would be reduced by an amount obtained by taking 17.3 percent of his social security benefit. The 17.3 factor combines the reduction for the 7-percent increase in the 1966 legislation with the percentage increase in the 1967 amendments to the Social Security Act, which is the percentage increase applicable to primary insurance amounts derived from an average monthly wage up to $550 (5.8 percent of social security benefits as increased in 1967 is the same as 6.55 percent of a social security benefit as increased in 1965; to the 5.8 percent would be added 11.5 percent (the 11.5 percent would produce an amount approximately equivalent to the increase in 1967, where the average monthly wage is up to $550; where the average monthly wage exceeds $550 the amount calculated by taking 11.5 percent of the social security benefit would be a little less than the 1967 increase in social security benefits derived from the increase in the formula only), and the two together give the 17.3 percent factor). In the case where the employee is entitled to both a supplemental annuity and a social security benefit, the 7-percent increase of the 1966 amendments will already have been removed by the first proviso explained above. Therefore, the reduction for the social security benefit should be limited to the 13-percent increase of the 1967 amendments. Thus, in these cases, a factor of 11.5 percent will be used against the social security benefit rather than the 17.3 percent.

(4) The third proviso is designed to insure that in every case the individual will receive a minimum of $10 as an increase in his annuity through the 1967 legislation before any reduction for early retirement

or for other benefits based on military service which was used in the computation of the annuity. Clause (i) deals with a case in which the individual is not entitled to a social security benefit, but is entitled to a supplemental annuity, and provides that the amount computed under the whole subsection shall be higher than the amount calculated under paragraph (1), by at least $10 minus, in effect, the reduction required in the 7-percent increase of 1966 by rights to a supplemental annuity (as stated hereinbefore, the amount calculated under paragraph (1) includes the 1966 increase of 7 percent without any reduction because of rights to a supplemental annuity). Clause (ii) concerns an individual entitled to a social security benefit, but not to a supplemental annuity. In that case, for technical reasons, the minimum increase is by $10 minus 5.8 percent of the lesser of the two amounts. The two amounts are the amount calculated under the new paragraph (1) and the amount of the social security benefit. The purpose is to take away from the amount calculated under the new paragraph (1), plus $10, the amount of the 7-percent increase of the 1966 amendments which is included in the amount so calculated but is not payable under present law. Since the 7 percent is automatically added in paragraph (1) and no reduction is made in that part of the increase, only the difference between that 7 percent and $10 is needed to insure a minimum increase of $10.

The increases provided by this subsection (as well as the adjustments of the increases for entitlement to social security benefits) would be before any reduction on account of age. Furthermore, this guarantee of a minimum increase does not apply in cases where the annuity is computed under the overall minimum provision of section 3(e) so that some individuals will not get a $10 increase as the result of the legislation enacted in 1967 and 1968.

Subsection (b).—This subsection would amend section 3(e) of the act.

A portion of section 3(e) which precedes the first proviso is stricken because the provisions of section 3(a) of the act, as amended by the bill, relating to the increase in annuities and adjustments for rights to social security benefits, require this portion to be removed. The "deeming" provisions in parenthesis in the first proviso of this section are stricken and are included with other "deeming" provisions in the first of the three new paragraphs added (by the bill) after the first paragraph of this subsection.

Widows, widowers, and parents who are entitled to an annuity under section 5 (a) or (d) of the act are now deemed to have attained age 65 for purposes of applying the guarantee provisions in section 3(e); but age 65 would be changed in the first of these new paragraphs to 62 since such individuals can now quality for full benefits at age 62 under the Social Security Act instead of age 65 as in the past, An exception would be made as to widows and widowers who were entitled to an annuity as such on the basis of disability in the month before attaining age 60 (at which time they would technically switch to an annuity on the basis of age—but the reduction for entitlement on the basis of disability before age 60 would be retained). The effect of this is to avoid applying the social security work reduction for such individuals before they actually attain age 62, since under the Social Security Amendments of 1967 the work reduction would not be applied in the case of disabled widows or widowers until they attain age 62.

This first new paragraph would also provide that widows and widowers entitled to annuities as such on the basis of disability and children entitled to annuities as such on the basis of disability would be deemed to be entitled to the comparable disability benefits under the Social Security Act. This would avoid, in applying the minimum guarantee provisions, a new determination applying the social security disability standards after the individual has already been found disabled under the railroad retirement standards and it would also prevent the application of a 6 months waiting period that would otherwise be applicable. The social security standards, however, would have to be applied when making the financial interchange determination under section 5(h)(2).

The second of these new paragraphs would provide that the reduction in annuities for disabled widows and widowers, which are payable under the social security guarantee provision of the act, be made in the same way as are reductions for such annuities payable under the regular railroad retirement formula. The reason for this provision is that a benefit for a nondisabled widow aged 60 to 62 is reduced under the Social Security Act and the reduction period for a disabled widow includes all the months before she attains age 62. Also, since widowers can qualify for an annuity as such on the basis of age after age 60 is attained under the Railroad Retirement Act, but not until age 62 for a benefit under the Social Security Act, this provision would avoid a reduction to a disabled widower for months after age 60, whereas there would be a reduction for the period after age 60 and before age 62 under the Social Security Amendments of 1967. The reduction percentage required under this bill is almost the same as the social security reduction percentage would be if no reduction under the latter was taken for the period between age 60 to 62.

The third of these new paragraphs would enable the Board to ascertain wages and compensation before 1951 by a computer in applying the social security guarantee provision except in cases where an individual is being paid under that provision when S. 2839 is enacted and except in cases where the employee died before 1939. Under the Social Security Amendments of 1967, the social security provisions for ascertaining wages before 1951 by the computer apply only in cases where an individual becomes entitled to social security benefits after the enactment of such amendments or dies without being entitled to such benefits before the enactment. This, in effect, confines the application of the social security provisions to those for whom a primary insurance amount has not been calculated before the enactment of the Social Security Amendments of 1967. The deeming provisions in this paper will, thus, permit the Board to treat the individual, for purposes of the guarantee provision, as if no benefits had been calculated before the enactment of this bill.

SECTION 105

Subsection (a) would amend section 5(a) of the Railroad Retirement Act to provide a reduced annuity for a widow or widower, aged 50 to 60, of an insured employee, if she or he is disabled to the extent required for an employee to qualify for an annuity on the basis of total and permanent disability. The reduction would be by three-tenths of 1 percent for each month the individual is under age 60

when the annuity begins. The reduction would remain in effect after age 60 is attained. At age 60, the reduction would be adjusted by removing from the adjustment period any month for which an annuity was not paid. For example, if a widow becomes entitled to an annuity as such at age 54, there would be a reduction for 6 years or 72 months; if she recovered at age 56, when she attains age 60 her annuity (to which she would then be entitled on the basis of age) would be adjusted so that it would be reduced by only 24 months—in other words, the 48 months or 4 years following her recovery and before age 60 is attained would be removed from the original reduction period required of 72 months or 6 years. As under the Social Security Amendments of 1967, to be eligible, the disability would have to begin within certain prescribed periods. For example, except in certain circumstances, the disability would have to begin within 84 months of the employee's death. There would be no waiting period after the individual became disabled before benefits could begin as there would under the Social Security Amendments of 1967.

The annuity would cease with the third month following the month in which the annuitant ceases to be disabled. For example, if the disability ceases in the month of August, the third month following would be November, and the annuity would end with the payment for October.

Subsection (b) would merely eliminate a part of section 5(h) of the act (relating to minimum and maximum survivor annuity amounts) which are rendered obsolete by the provisions of the revised section 5(m) of the act. This would permit the total of annuities to a family to exceed the maximum provided in section 5(h) by the amount of the increase provided for in this bill for each individual in the family.

Subsection (c) would amend section 5(i)(1)(ii) of the act so that the social security work reduction provisions would continue to apply to widows and widowers aged 60 to 62 who are qualified for annuities as such on the basis of age but would not apply for widows and widowers of that age who were entitled to an annuity on the basis of disability in the month before attaining age 60. This would be in accord with the provisions of the Social Security Amendments of 1967 under which the work provisions would not apply to widows and widowers aged 60 to 62 qualified on the basis of disability.

Subsection (d) would merely change section 5(j) of the act to improve and clarify the language.

Subsection (e) would amend section 5(1)(l) of the act so that determinations as to family status would be made in accordance with provisions of the Social Security Act currently in effect instead of in accordance with provisions of that act in effect prior to 1957. Under the Social Security Act there are several situations where individuals can qualify as having the necessary family status or relationship to be paid benefits as dependents or survivors. For example, a woman who married an employee without knowing that he had not been divorced from another wife can be paid benefits under the Social Security Act as a wife or widow even though the marriage is not valid, but she could not be paid benefits under the Railroad Retirement Act. There are other circumstances in which individuals can qualify as a wife, husband, widow, widower, or child under the Social Security Act but not under the Railroad Retirement Act. This amendment would enable certain individuals to qualify as having the necessary family

status to be paid benefits under the Railroad Retirement Act who cannot now qualify. This amendment of section 5(1)(l) of the act would not permit a wife, husband, widow, or widower who can qualify only by virtue of this change to be paid an annuity for any month, beginning with the month in which it is determined that a wife, husband, widow, or widower is qualified for an annuity on the same compensation record under the provisions of paragraph (A) of section 216(h)(1) of the Social Security Act. Further, a lump sum payment under section 5(f) of the Railroad Retirement Act would not be made to a widow or widower who can qualify only by virtue of this change, if such a payment has been, or can be, made on the same compensation record to a widow or widower who qualified under paragraph (A) of section 216(h)(1) of the Social Security Act.

Subsection (f) would amend section 5(1)(9) of the act to permit, in arriving at the average monthly renumeration needed to calculate the basic amount, the employee's compensation and wages before 1951 to be determined by the use of the computer. This would expedite and facilitate the determinations and would be comparable to the provisions of the Social Security Amendments of 1967 for determining wages before 1951. (A study conducted by the Board revealed in a sample of 500 cases that—

(In 65 percent, or 322, of the cases the basic amount determined under the proposed methods was exactly equal to the basic amount computed under the now existing method.

(In 121 cases there was a variance of less than $1.

(In 49 cases there was a variance of $1 to $5 (in only 16 cases was it less).

(In eight cases there was a variance of $5 or more (in only 2 cases was it less).

(In the 18 cases in which it was less by $1 or more, there is one case in which no monthly benefit was payable. Of the 17 remaining, the majority would be payable under the social security guarantee provision and the basic amount computation would not apply.)

There is no savings provision to allow a comparative determination under the old method with the new upon request. Such a provision would largely take away the advantages of the change if (as it is assumed) a request would be made in a large number of cases.

Subsection (g) would amend section 5(1)(10) of the act to revise the formula for determining the basic amount (from which survivor benefit amounts are determined) by eliminating the third factor which is included in the 1966 amendments to the Railroad Retirement Act. The effect of this would be to provide for the 7-percent increase of 1966 to apply to average monthly renumeration in excess of $450. Another amendment made by this subsection to section 5(1)(10) would facilitate the determination of increment years before 1951 in arriving at the basic amount. This would be needed to effectuate fully the concept of the change made by subsection (f).

Subsection (h) would revise section (m) of the act to provide increases in survivor annuity amounts. Subsection (m), as revised, would provide an increase in all survivor annuities except a widow's annuity which is based on the amount of her spouse's annuity payable in the month before the month of the enployee's death (and except, of course, those payable under section 3(e) (the social security guaranty pro-

vision)). The survivor annuities would be increased by approximately 110 percent of the amount to which the individual would be entitled as an increase in social security benefits by virtue of the 1967 amendments to the Social Security Act, but the increase would be derived in the same manner as the increase in employee annuities and by reference to the same table used for the employee increases. However, since the amount of survivor benefits under the Social Security Act is determined by a percentage of the primary insurance amount, only an appropriate percentage of the increase, as derived from the table, would be applied to obtain the increase in survivor annuities. For the purposes of determining the increase in survivor annuities, the actual average monthly wage, calculated on the basis of the combined railroad retirement compensation credits and social security wage credits, would be used to obtain the amount in the first column in the table in the new section 3(a)(2) which is applicable in calculating the increase. Under existing law, the Board must have full information as to wages as well as compensation in order to calculate survivor benefits so the calculation of the average monthly wage in such a manner would pose no additional administrative burden.

The first proviso would require a reduction of the increase provided in survivor benefits to be obtained by applying 17.3 percent of the social security benefit to which the survivor is entitled. This 17.3-percent factor has been explained above.

The second proviso would require a minimum increase of about $5. In order to insure an increase of about $5, the device is to provide an increase of $5 minus 5.8 percent of the lesser of two amounts. This would, in effect, restore the amount of any reduction up to $5 made because of entitlement to social security benefits in the 7-percent increase in 1966, and where the reduction was by less than $5, would add enough to provide an increase of $5 over the amount calculated under present law. The two amounts referred to above would be the amount of the social security benefit or the amount of the survivor benefit computed without regard to the increase provided by this subsection.

The increases provided by this subsection (as well as the adjustments of the increases for entitlement to social security benefits) would be before any reduction on account of age. Further, the guaranty of a minimum increase would not apply in cases where the benefit is computed under the overall minimum guaranty provision of section 3(e) so a few cases may not receive increases of as much as $5 under the 1967 or 1968 legislation.

SECTION 106

This section would amend section 10(a) of the act to provide that a Board member would continue to serve until his successor has qualified. The purpose is apparent and is similar to provisions for other agencies.

SECTION 107

This section would increase pensions under section 6 of the Railroad Retirement Act and annuities under the Railroad Retirement Act of 1935 in accordance with that part of section 3(a)(2) which precedes the provisos. Survivor annuities deriving from joint and survivor

annuities in cases where the employee died before the month following the month in which the increases in annuities provided by the amendatory act are effective would be increased by the same amount they would have been increased had the employee lived long enough for his annuity to be increased. Also, this section would provide for increases in widows' and widowers' annuities which are based on the amount of the spouse's annuity payable in the month before the month of the employee's death where the employee died at such a time as to prevent the spouse's annuity from being increased under this bill. The increase in such annuities would be in an amount equal to the amount of the increase which would be payable had the employee lived long enough for the spouse's annuity to be increased by this bill. The increases would be reduced by 11.5 per centum of any social security benefit to which the individual is also entitled in order to effect an offset for the increases provided by this subsection. The reduction is only by 11.5 per centum instead of by 17.3 per centum since the increase effected in such benefits by the 1966 legislation would continue to be subject to the provisions of that legislation which requires a reduction because of the 1965 increases in social security benefits. A minimum increase of $10 would be provided for each such pension or retirement annuity. The minimum increase in the case of a survivor annuity would be $5. The minimum increase would, in each case, be applicable despite the requirement for the offset for social security benefits. Joint and survivor annuities would be first adjusted in accordance with the provisions of the new section 3. The reduction because of the joint and survivor option elected will be applied after all other reductions have been made. The increase in the survivor annuity deriving from the joint and survivor annuity provided by this section would also be adjusted by applying the ratio of the survivor annuity to the joint and survivor annuity from which the survivor annuity is derived.

SECTION 108

Subsection (a) would provide that the increases in annuities provided for the bill be effective with respect to annuities accruing for months beginning with the month in which the increases in benefits under title II of the Social Security Act provided by the Social Security Amendments of 1967 are effective and with respect to pensions due in months next following such month. This subsection would also provide that annuities for disabled widows and widowers would first become payable for months after January 1968. The changes by section 102 as to the increase in the amount of disability annuitant can earn without loss of annuity payments would take effect as to annuities accruing for months after 1967. There is no specific reference as to the effective dates in regard to lump-sum death benefit payments of the changes made by section 105(e) of the bill as to the standards to be applied in determining the qualifications of family members. The committee intends that the changes made by section 105(e) in this respect shall be effective as to lump-sum death payments on deaths of employees occurring on or after the enactment date of this act. The changes made by section 105(e) as to determinations of qualifications of family members for annuity payments would be effective as to annuities accruing for months after January 1968.

Subsection (*b*) would provide in cases where annuities are payable under the regular railroad retirement formula for months before the month in which increases in social security benefits become effective that the increases in such annuities provided by this bill would be presumed to increase the annuities by more than the social security increases would raise the amount calculated under the social security guarantee provision of the act. This would avoid an examination of all such cases to ascertain the very few cases where the guarantee provision would produce a higher amount than the regular formula by virtue only of the 1967 social security increases. There is, however, the savings clause to permit an individual to request a determination and be paid the amount calculated under the guarantee provision if that amount is higher.

Subsection (*c*) would require that all recertifications required by the bill would be made by the Board without application therefor.

TITLE II—AMENDMENTS TO THE RAILROAD UNEMPLOYMENT INSURANCE ACT

SECTION 201

Paragraph (*a*)(*1*).—This paragraph would amend the definition of "day of sickness" in section 1(k) of the act so as to remove the reference to a day in a maternity period. It would insert in that definition a provision under which a day might be a day of sickness for a female employee if on that day, because of pregnancy, miscarriage, or the birth of a child, she is unable to work or working would be injurious to her health.

Paragraph (*a*)(*2*).—This paragraph would amend the "subsidiary remuneration" provision in the first proviso of section 1(k) of the act. Under that provision certain small earnings are not considered such remuneration as would prevent a day from being a day of unemployment or a day of sickness. However, this provision is not operative if, without compensation from the position or occupation in which he had the small earnings in question, the employee would not have had the base-year compensation needed, under section 3 of the act, in order to qualify for benefits. Since section 203 of the bill would amend section 3 of the act to raise the qualifying amount from $750 to $1,000, this paragraph makes a corresponding increase in the amount specified in the "subsidiary remuneration" provision.

Subsection (*b*).—One purpose of the bill is to eliminate from the act all provisions for maternity benefits and any references to such benefits. Accordingly, this subsection would remove the definitions of the terms "statement of maternity sickness" and "maternity period."

SECTION 202

Paragraphs (*a*) (*1*) *and* (*2*).—The amendments made by these two paragraphs would remove from the act other provisions relating to the payment of maternity benefits.

Paragraph (*a*)(*3*).—This paragraph would strike out the first line of the table in section 2(a) of the act. That line specifies the daily benefit rate for an employee who had base-year compensation of from $750 to $999.99. It would no longer serve any purpose, since under sec-

tion 203 of the bill an employee with base-year compensation of less than $1,000 would not be able to meet the qualifying requirement of section 3 of the act.

This paragraph would also raise the daily benefit rates contained in column II of the table in section 2(a) of the act. Each rate would be increased by $2.50, and the highest rate would be $12.70 per day.

Under a proviso contained in section 2(a) of the act an employee's daily benefit rate cannot be less than an amount equal to 60 percent of his daily rate of compensation for his last employment for an employer in the base year, up to a maximum benefit rate of $10.20 per day. Paragraph (a)(3) would raise this maximum rate to $12.70 per day.

Paragraph (b)(1).—The amendments made by this paragraph would remove from the act other provisions relating to the payment of maternity benefits.

Paragraph (b)(2), subdivisions (i) through (vi).—These subdivisions would amend section 2(c) of the act to provide extended sickness benefits, similar to the extended unemployment benefits now provided for in that section. To be eligible for extended sickness benefits under the amendments an employee must have had 10 or more years of service, must have had current rights to normal benefits for days of sickness in a benefit year, and must have exhausted such rights. In addition, he must not have voluntarily retired (this is also a requirement for extended unemployment benefits). However, there is no provision, as there is in the case of extended unemployment benefits, that the employee must not have left work voluntarily without good cause. While such a leaving of work might be the cause of an individual's unemployment, it would have no casual relationship to his sickness. Like the extended benefit period based on exhaustion of normal unemployment benefits, the extended benefit period based on exhaustion of normal sickness benefits would continue for seven registration periods and include up to 65 compensable days in the case of employees with 10 but less than 15 years of service, and would continue for 13 registration periods and include up to 130 compensable days in the case of employees with 15 or more years of service. Concerning the effect of attainment of age 65 on an employee's rights to extended sickness benefits, see the analysis, below, of subdivision (x) of this paragraph.

Under the present provisions of section 2(c), when an employee is entitled to an extended benefit period the benefit year in which he exhausted his unemployment benefit rights cannot end before the last day of the extended benefit period. The extended benefit period might continue until after the normal ending date of the benefit year. During the extended benefit period the employee is, of course, entitled to extended unemployment benefits as provided in the act. At present there is no provision for extended sickness benefits, but if the employee has not exhausted his rights to normal sickness benefits he may draw such benefits even in a portion of the extended benefit period which extends beyond the normal ending date of the benefit year. If he has exhausted his rights to sickness benefits for the benefit year, he cannot be paid any additional sickness benefits for that benefit year.

An employee's exhaustion of rights to normal sickness benefits may occur during an extended benefit period based on an exhaustion of rights to normal unemployment benefits. Under the bill the employee

could in such a case begin another extended benefit period, this one based on his exhaustion of normal sickness benefit rights. The establishment of this extended benefit period would not terminate the previously established extended benefit period based on exhaustion of unemployment benefit rights. The two extended benefit periods would continue to exist independently, each for the period prescribed in the act. Conversely, an employee who exhausts his unemployment benefit rights during an extended benefit period established under the amendments on the basis of an exhaustion of rights to sickness benefits could then have an extended benefit period based on his exhaustion of unemployment benefit rights.

In every extended benefit period the provision enlarging the number of days for which benefits may be paid would apply only to days of the type involved in the exhaustion on the basis of which the period was established. Thus, in an extended benefit period based on the exhaustion of unemployment benefits, benefits for days of unemployment in excess of the normal maximum could be paid, but no benefits would be payable for days of sickness in excess of the normal maximum for sickness benefits. On the other hand, sickness benefits in excess of the normal maximum could be paid in an extended benefit period based on the exhaustion of rights to sickness benefits, but the normal maximum would control the number of days for which unemployment benefits could be paid in such an extended benefit period. As under the present provisions of the act, the benefit year in which normal benefit rights were exhausted would not end before the last day of an extended benefit period based on that exhaustion. In a case involving the exhaustion of both unemployment and sickness benefits, the benefit year would not end before the last day of the later of the extended benefit periods established on the basis of those exhaustions.

Paragraph (b)(2), subdivisions (vii) through (ix).—The second sentence of section 2(c) of the act now provides for the early beginning of a general benefit year (sometimes referred to as an accelerated benefit year) in certain cases involving days of unemployment. Subdivisions (vii) through (ix) of this paragraph would add provisions for a similar early beginning of a general benefit year in certain cases involving days of sickness. If an employee has 10 or more years of service, has not voluntarily retired, has 14 or more consecutive days of sickness, does not meet the qualifying requirements of section 3 of the act for the general benefit year current when such sickness commences but does for the next succeeding general benefit year, the succeeding benefit year would, in his case, begin on the first day of the month in which the sickness commences if it had not already begun early on the basis of the provisions relating to unemployment. There is no provision, as there is in the case of the early beginning of a benefit year because of unemployment, that the employee must not have left work voluntarily without good cause. Though leaving work might be the cause of an individual's unemployment, it would have no casual relationship to his sickness. As to the effect of attainment of age 65 on an employee's rights to sickness benefits in an accelerated benefit year, see the following analysis of subdivision (x) of this paragraph.

Paragraph (b)(2), subdivision (x).—This subdivision would add two sentences to section 2(c) of the act. The first has to do with the effect of attainment of age 65 on an employee's receipt of extended sickness

benefits and on his receipt of sickness benefits in an accelerated benefit year. This sentence reads as follows:

> Notwithstanding the other provisions of this subsection, an extended benefit period for sickness benefits shall terminate on the day next preceding the date on which the employee attains age 65, except that it may continue for the purpose of the payment of unemployment benefits; and, in the case of a succeeding benefit year beginning in accordance with the next preceding sentence by reason of sickness, such sentence shall not operate to permit the payment of benefits in the period provided for in such sentence for any day of sickness beginning with the day on which age 65 is attained and continuing through the day preceding the first day of the next succeeding general benefit year.

The portion of this sentence preceding the semicolon would terminate an extended benefit period for sickness benefits on the day before the employee attains age 65, except that the period could continue for the purpose of the payment of unemployment benefits. This provision would also operate to prevent an employee from *beginning* to receive extended sickness benefits after age 65 has been attained.

> *Example 1.*—On February 15, 1969, an employee began an extended benefit period based on his exhaustion of rights to sickness benefits. (Such extended benefit period might continue for seven or 13 14-day registration periods to enable the employee to receive 65 or 130 days of additional sickness benefits, depending upon whether he had at least 10 or 15 years of service, respectively.) On March 15, 1969, he attained age 65. No sickness benefits could be paid him for March 15, 1969, or subsequent days in the extended benefit period. However, he could be paid any unemployment benefits for which he would be eligible in such extended benefit period.
>
> *Example 2.*—An employee already 65 years of age exhausted his rights to normal sickness benefits on February 15, 1969. No extended benefit period for sickness benefits could be established for him.

The portion of the sentence in question which follows the semicolon relates to the payment of benefits in accelerated benefit years. In the case of a benefit year which was accelerated on the basis of sickness, this provision would prevent the payment of any sickness benefits, either normal or extended, for days on or after the date of attainment of age 65 and before the first day of the next general benefit year. The employee's rights to normal or extended benefits for days of sickness *prior to* attainment of age 65 would not be affected, and on and after the date of the beginning of the general benefit year the employee could draw any normal sickness benefits for which he is qualified; under the portion of the sentence preceding the semicolon he could not be paid extended sickness benefits for any day on or after attainment of age 65.

The portion of the sentence following the semicolon is not applicable to benefit years accelerated on the basis of unemployment. The reason for this is the understanding that under the amendments an employee is not to lose any rights he would have under the present law; at present, in a benefit year accelerated on the basis of unemployment

an employee can receive sickness benefits regardless of his age. Of course, under the first portion of the sentence in question, which is discussed above, the employee, even in a benefit year accelerated on the basis of unemployment, could not receive *extended* sickness benefits for days on or after his attainment of age 65.

Example 3.—On February 15, 1969, an employee whose 1967 earnings were not enough to qualify him for benefits in the benefit year beginning July 1, 1968, but who had sufficient earnings in 1968 to be qualified for benefits in the general benefit year beginning July 1, 1969, began an accelerated benefit year based on *unemployment*. This was an acceleration of the general benefit year beginning July 1, 1969. On March 15, 1969, the employee attained age 65. This fact would not affect his right to further unemployment benefits, or to normal sickness benefits, in the accelerated benefit year. Under the first portion of the sentence in question he would not, of course, be entitled to extended sickness benefits in the accelerated benefit year or in any subsequent benefit year.

Example 4.—On February 15, 1969, an employee who was not qualified for benefits in the current benefit year began an accelerated benefit year based on *sickness*. As in example 3, this was an acceleration of the general benefit year beginning July 1, 1969. On March 15, 1969, the employee attained age 65. In the accelerated benefit year beginning February 15, 1969, the employee, as a result of the portion of the sentence following the semicolon, could not receive any sickness benefits, either normal or extended, for any day in the period beginning with March 15, 1969, the day on which he attained age 65, and ending with June 30, 1969, the day preceding the first day of the general benefit year beginning July 1, 1969. His rights to normal benefits for days of sickness prior to attainment of age 65 would not be affected. Beginning with July 1, 1969, the employee, even though 65 years of age, could receive any normal sickness benefits for which he is qualified; in view of his age, the portion of the sentence preceding the semicolon would prevent him from receiving extended sickness benefits. The employee's rights to unemployment benefits would, of course, not be affected by his attainment of age 65.

The second sentence which would be added to section 2(c) of the act by subdivision (x) of paragraph (b)(2) relates to the evidence of age on which the Board may rely for purposes of section 2(c) of the act (determination of attainment of age 65) and the new subsection (h) which would be added to section 10 of the act by section 205 of the bill, discussed below. In such matters the Board could rely on evidence of age available in its records and files when determinations of age are made.

SECTION 203

Section 3 of the act now provides that an employee, in order to be qualified for benefits, must have had compensation of at least $750 in his base year; also, if he had no compensation prior to the base year, he must have had compensation in at least 7 months in the base year.

Section 203 of the bill would raise the required amount of base-year compensation from $750 to $1,000; no change would be made in the further requirement of at least 7 months of service in the base year if the employee had not had compensation prior to that year.

SECTION 204

Subsection (a).—This subsection would add a new disqualification provision to those now contained in section 4(a–1) of the act. The new disqualification is applicable when the employee receives a separation allowance. While such an allowance is "remuneration," it is ordinarily not attributable to any day after the last day of service, and consequently does not prevent the payment of unemployment or sickness benefits under the present act. The new provision would prevent any day during a prescribed period from being a day of unemployment or a day of sickness if the employee received a separation allowance. That period would begin with the day following the employee's separation from service, and would continue for a length of time determined under a formula which takes into account the amount of the allowance, the employee's last daily rate of compensation, and the number of days a week he normally works. The purpose of the formula is to make the disqualification cover a period as nearly as possible equivalent to the length of time it would take the employee to earn the amount of the separation allowance. The employee's last daily rate of compensation could be determined in the same manner as it is now administratively determined for the purposes of the proviso in section 2(a) of the act by virtue of the last sentence of that proviso.

Under the formula the disqualification would continue for that number of consecutive 14-day periods which is equal, or most nearly equal, to the amount of the separation allowance divided (i) by 10 times the employee's last daily rate of compensation prior to his separation if he normally works 5 days a week, (ii) by 12 times such rate if he normally works 6 days a week, and (iii) by 14 times such rate if he normally works 7 days a week. In the application of the formula every employee would be regarded as normally working 5 days a week unless the evidence showed that he normally works 6 or 7 days a week.

The application of the formula may be illustrated by the following example: An employee received a separation allowance of $1,000; his last daily rate of pay was $25, and there was nothing to show that he normally works 6 or 7 days a week. The daily rate of pay, $25, would be multiplied by 10, the product being 250. The amount of the separation allowance, $1,000, would be divided by this 250, the result being 4. Consequently, the disqualification period, beginning with the day following the employee's separation from service, would continue for four consecutive 14-day periods, amounting to 56 consecutive days.

Subsection (b).—Section 4(a–2)(i) of the act provides a disqualification for unemployment benefits in the case of an employee who leaves work voluntarily. The disqualification begins with the day on which the employee left work, and continues until he has been paid compensation of at least $750 with respect to time after the voluntary leaving. Subsection (b) of section 204 of the bill would raise this amount from $750 to $1,000. This change is in line with the increase in the qualifying amount made by section 203 of the bill.

SECTION 205

Section 4(a–1)(ii) of the act contains certain provisions against duplication of benefits under the act and payments under other laws. Among other things it provides that a day cannot be a day of unemployment or a day of sickness if it is in a period for which an annuity under the Railroad Retirement Act is payable; if unemployment or sickness benefits have already been paid before the annuity is awarded, the Railroad Retirement Board may recover the amount by which the unemployment or sickness benefits were increased by including, as days of unemployment or days of sickness, days in the period covered by the annuity. The provisions discussed in the preceding sentence are, however, not applicable if the part of the annuity payments which is apportionable to the days of unemployment or sickness is less than the unemployment or sickness benefits which would have been payable for such days (and not recoverable) if it were not for the provisions of section 4(a–1)(ii); in such cases, the unemployment or sickness benefits which would thus have been payable (and not recoverable) are to be diminished, or if already paid are to be recoverable, in the amount of the part of the annuity payments apportionable to the days of unemployment or sickness.

Many employees who would be entitled to annuities under the Railroad Retirement Act if they applied for them prefer not to apply, and instead claim unemployment or sickness benefits to which they are entitled. In such cases the provisions of section 4(a–1)(ii) are not applicable.

Section 205 of the bill would add to section 10 of the act a new subsection (h), providing for an annual transfer of funds from the Railroad Retirement Account to the railroad unemployment insurance account. The Railroad Retirement Board would determine for each fiscal year an amount which, if added to the railroad unemployment insurance account, would place the account in the same position it would have been in at the close of the fiscal year if certain annuity payments had been made. The hypothetical annuity payments to be taken into consideration would be those which would have been made to employees who during the fiscal year were paid benefits for days of sickness in an extended benefit period or in an accelerated benefit year, and who upon application would have been entitled to a disability annuity under section 2(a) of the Railroad Retirement Act of 1937 with respect to some or all of the days for which such benefits were paid. It would be assumed that every such employee had been paid such an annuity with respect to all of the days in the fiscal year for which he was paid sickness benefits (including normal benefits as well as benefits in an extended benefit period or in an accelerated benefit year) which were also days with respect to which such annuity could have accrued.

The provisions of the new subsection (h) concerning the transfer of funds are similar to those contained in section 5(k)(2) of the Railroad Retirement Act of 1937, under which the Railroad Retirement Board and the Secretary of Health, Education, and Welfare are directed to determine the amounts which should be transferred annually between the Railroad Retirement Account and the several funds under the Social Security Act. Under the amendment which would be made by the new subsection the Railroad Retirement Board would,

for the fiscal year ending June 30, 1968, and subsequent fiscal years, determine the amount described in the preceding paragraph.

In making the determination the Board would apply a presumption regarding an employee's qualification for a disability annuity. If any one of three conditions is met, the Board would presume that the employee's permanent physical or mental condition was such that he was qualified for such an annuity from the date of onset of the last spell of illness for which he was paid sickness benefits. The three conditions are: (1) the employee died without applying for a disability annuity and before fully exhausting all his rights to sickness benefits; (2) the employee died without applying for a disability annuity but within a year after the last day of sickness for which he had been paid benefits, and had not meanwhile engaged in substantial gainful employment, or (3) the employee applied for a disability annuity within 1 year after the last day of sickness for which he was paid benefits, and had not engaged in substantial gainful employment after that day and before the day on which he filed his annuity application.

The Board, in making the determination referred to in the preceding paragraphs, would have authority to make such reasonable approximations as it considers necessary in computing annuities for this purpose. This authority would enable the Board to use statistical methods of estimating, to use information in its files without conducting individual investigations and making individual determinations, and to employ other reasonable timesaving methods to arrive at the amount to be transferred. The Board's determination would have to be made no later than June 15 following the close of the fiscal year, and within 10 days after such determination the Board would be required to certify to the Secretary of the Treasury the amount to be transferred from the Railroad Retirement Account to the railroad unemployment insurance account. The Secretary of the Treasury would be directed to make the transfer. The amount to be certified by the Board would include interest from the close of the fiscal year to the date of certification. The rate of interest would be determined, as of the close of the fiscal year, in accordance with section 10(d) of the act; that section provides for an interest rate for each fiscal year equal to the average rate of interest borne by all special obligations held by the Railroad Retirement Account on the last day of the preceding fiscal year, rounded to the nearest multiple of one-eighth of 1 percent.

Besides adding the new subsection (h) to section 10 of the act, section 205 of the bill would amend subsection (a) of section 10. The second sentence of subsection (a) states what the railroad unemployment insurance account shall consist of. Section 205 would insert in subdivision (ii) of that subsection a reference to amounts transferred into the account pursuant to the new subsection (h).

SECTIONS 206 AND 207

The amendments made by these two sections would remove from the act other provisions relating to maternity benefits.

SECTION 208

This section provides effective dates for some of the amendments made by Title II; no dates are stated for those amendments which themselves show clearly the time as of which they are to take effect.

The amendments removing references to maternity benefits (sections 201(a)(1), 201(b), 202(a)(1), 202(a)(2), 202(b)(1), 206 and 207 of the bill) would be effective as of July 1, 1968. This would also be the effective date of the amendment (section 201(a)(1) of the bill) which would include in the definition of "day of sickness" a provision relating to pregnancy, miscarriage, or the birth of a child.

The amendment to the "subsidiary remuneration" provision (section 201(a)(2) of the bill) would be effective with respect to base years beginning in the calendar year 1967 and subsequent calendar years.

The amendments concerning the increase in the daily benefit rate (sestion 202(a)(3) of the bill) would be effective with respect to days of unemployment and days of sickness in registration periods beginning on or after July 1, 1968. This is subject to an exception, discussed below, in the case of an employee having compensation of at least $750 but less than $1,000 in the 1967 base year.

The amendment to section 3 raising the qualifying amount from $750 to $1,000 (section 203 of the bill) would generally be effective with respect to base years beginning in the calendar year 1967 and subsequent calendar years. This is subject to an exception in the case of an employee whose 1967 base-year compensation was at least $750 but less than $1,000. In his case the increase in the qualifying amount would not be applicable. However, in registration periods in the benefit year beginning July 1, 1968, any benefits to which he might be entitled would be payable at the rates provided for in the present act, not at the increased rates provided for in section 202(a)(3) of the bill.

The amendments providing for extended sickness benefits (section 202(b)(2) (i) through (vi) of the bill) would be effective to provide for the beginning of extended benefit periods on or after July 1, 1968.

The amendments providing for accelerated benefit years on the basic of sickness (section 202(b)(2) (vii) through (ix) of the bill) would be effective to provide for the early beginning of a benefit year on or after July 1, 1967.

The amendments providing a disqualification because of receipt of a separation allowance (section 204(a) of the bill) would be effective with respect to calendar days in benefit years beginning after June 30, 1968.

The amendment increasing the amount of compensation needed to terminate the disqualification for leaving work voluntarily (section 204(b) of the bill) would be effective with respect to such voluntary leaving after the enactment date.

RAILROAD RETIREMENT BOARD,
Chicago, Ill., January 19, 1968.

Hon. LISTER HILL,
Chairman, Committee on Labor and Public Welfare,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is the report of the Railroad Retirement Board on the bill S. 2839 which was introduced by Senator Morse in his behalf and in behalf of Senator Pell on Thursday, January 18, 1968. This bill embodies the provisions of a program which was developed jointly by railway labor and management in consultation with the Board. The Board joins these parties in recommending the enactment of the bill.

The bill consists of two titles, the first of which would increase annuities under the Railroad Retirement Act and the other would increase benefits under the Railroad Unemployment Insurance Act. Each title will make other improvements in the act it would amend, and each will be discussed separately below.

TITLE I—AMENDMENTS TO THE RAILROAD RETIREMENT ACT

The bill would increase annuity amounts payable under the regular formula of the Railroad Retirement Act by an amount approximately equivalent to 110 percent of the dollar amount of increase which an individual with a similar earnings history could have obtained from the percentage increase in benefits provided by the Social Security Amendments of 1967, subject to certain adjustments which are described below. Annuities payable under the social security minimum guarantee provision in section 3(e) of the Railroad Retirement Act would not be increased by the bill because such amounts are automatically increased as the result of the 1967 increase in social security benefits.

The increase in annuities provided by the bill would relate only to the percentage increase in the amount of social security benefits over the amount payable under the 1965 amendments to the Social Security Act. The reason for so restricting the increases is that higher benefits attributable solely to the increase in the social security earnings base to $7,800 per year come automatically under the Railroad Retirement Act by the operation of the existing provision which fixes the railroad retirement monthly compensation limit at one-twelfth of the annual wage limit under the Social Security Act. This increase in the maximum creditable compensation under the Railroad Retirement Act to $650 per month will of itself produce higher annuity amounts for those employees who earn in excess of $550 a month. There will be an additional increase in annuities resulting from the provision in the bill to remove the limitation of the 7-percent 1966 increase in annuities to the part of the individual's annuity based on the first $450 of his monthly compensation. The removal of this limitation would make the 7-percent increase in benefits applicable to the annuity based on the entire monthly compensation, and this would result in an increase in his annuity. Thus, an employee earning more than $550 a month would have his railroad retirement annuity increased under two legislative enactments. The total of the two increases will, in the general case, be considerably greater than 110 percent of the increase that could be derived from the 1967 Social Security Amendments by virtue of the combination of the formula increase and the higher earnings base. (See the last part of the appendix for an illustrative example.)

The change required in the formula for computing retirement annuity amounts which is required to effect the increase is provided for in section 104(a) of the bill. This section would amend the present section 3(a) of the Railroad Retirement Act in several ways. First, it would raise the annuity factor applicable to the part of the average monthly compensation in excess of $450, from 1.67 to 1.79 percent. The effect of this would be to make the 7-percent increase of 1966 applicable to the whole range of average monthly compensation.

Second, the amended section 3(a) of the Railraod Retirement Act would add another increase computed from the schedule appearing in section 3(a)(2). The amount of the increase would be subject to certain reductions which are explained later in this report.

For purposes of the schedule increase, section 3(a) would treat an individual's average monthly compensation (on which his annuity is based) as if it were his average monthly wage under the Social Security Act, and arrive at an approximation of 110 percent of the social security percentage increases as shown in the table below.

DERIVATION OF INCREASES IN TABLE SEC. 104(a) OF THE BILL TO AMEND THE RAILROAD RETIREMENT ACT[1] (REVISED SEC. 3(a) OF THE RAILROAD RETIREMENT ACT)

Average monthly compensation (I)	1965 act primary insurance amount as extended (II)	1967 act primary insurance amount (III)	110 percent of increase in primary insurance amount (IV)
Up to $100	$63.20	$71.50	$9.13
$101 to $150	78.20	88.40	11.22
$151 to $200	89.90	101.60	12.87
$201 to $250	101.70	115.00	14.63
$251 to $300	112.40	127.10	16.17
$301 to $350	124.20	140.40	17.82
$351 to $400	135.90	153.60	19.47
$401 to $450	146.00	165.00	20.90
$451 to $500	157.00	177.50	22.55
$501 to $550	168.00	189.90	24.09
$551 to $600	178.70	204.00	27.83
$601 and over	189.40	218.00	31.46

[1] The primary insurance amounts and the increases are those for an average nonthly wage corresponding to the highest average monthly compensation in the intervals shown.

As constructed, the second column of the above table includes an extension of the table in section 215(a) of the Social Security Act before its amendment in 1967. This extension is achieved by adding 21.4 percent of the average monthly wage in excess of $550 to the primary insurance amount of $168 for the 1965 maximum average monthly wage of $550. The formula underlying the 1965 table for computing a social security benefit called for 62.97 percent of the first $110, 22.9 percent of the next $290, and 21.4 percent of the average monthly wage in excess of $400.

As stated before, the upper end of the monthly compensation in column I of the table is deemed to be the individual's average monthly wage. The figures above $550 show what his monthly benefit would have been under the Social Security Act as amended in 1965 if the social security wage base had then been increased to the maximum provided by the 1967 Social Security Amendments. The corresponding amount of the social security benefit under the 1965 act is shown in column II. This amount is then converted to a corresponding higher amount under the 1967 Social Security Amendments and is shown in column III. Finally, the difference between the amount in column III and the amount in column II is increased by 10 percent of the amount shown in column IV. Since columns II and III above merely show how the amounts in column IV are arrived at, they are not necessary for the purposes of the bill and are omitted from the table in the proposed section 3(a)(2).

The table takes account of the 1967 change in formula for increasing benefits under the Social Security Act but disregards the effect of the raises in social security benefits due solely to the increase in the earn-

ings base from $6,600 to $7,800 per year. The table in the bill thus avoids duplication of benefit increases on the basis of earnings in excess of $550 a month because, as stated earlier, the increase in the wage base under the Social Security Act will automatically result in an increase in the railroad retirement annuity even without this bill. If the table had included also the part of the social security benefit which is due solely to the increase in the earnings base, there would be a duplication of the increase already available under the present provisions of the Railroad Retirement Act.

The increases in annuities provided for in the bill would be subject to certain reductions. It is the intent of the bill to make certain that every employee annuitant paid under the regular formula receives an increase in the benefit to which he would be entitled under the 1966 amendments to the Railroad Retirement Act, and that in no case shall such increase (prior to reduction for early retirement) be less than about $10.

To facilitate administration, the bill provides for a method which avoids the computation of an annuity under the 1966 act as a first step. This is accomplished by applying all reductions against the amount of the increase derived from the schedule in section 3(a)(2). The reductions provided for in the first two provisos of section 3(a)(2) aim at the following results:

1. The reduction for the receipt of a supplemental annuity shall be dollarwise the same as under the 1966 act.
2. The social security offset shall be a combination of the offset in present law for the 7-percent increase in the Social Security Amendments of 1965 and an additional offset for the 13-percent increase in the Social Security Amendments of 1967. This is a continuation of the principle which was established by the Railroad Retirement Amendments of 1966.

Basically, there would be four types of cases: (1) no offset of any kind is applicable; (2) the employee is entitled to a supplemental annuity but not to a social security benefit; (3) the employee is entitled to a social security benefit but not to a supplemental annuity; and (4) the employee is entitled to both a supplemental annuity and a social security benefit. In the last three kinds of cases, the offsets are computed by means of appropriate reduction factors in the manner explained in the appendix.

The third proviso of the new section 3(a)(2) is intended to make certain that after all the other computations provided for in section 3(a) (1) and (2), the increase (before any reduction for early retirement) would be about $10 above the amount to which the retired employee would be entitled under the 1966 amendments to the Railroad Retirement Act. Thus, if the amount calculated under the new section 3(a)(1) and that part of the new section 3(a)(2) which precedes the third proviso does not, in effect, exceed by $10 or more the amount calculated under the 1966 law, the third proviso of the new section 3(a)(2) would apply. To arrive at the amount which would be payable under the 1966 law, it would have been necessary to make a separate calculation which would considerably complicate the adjudication process. In order to avoid this, the bill provides for a procedure which would accomplish the desired result without direct reference to the benefit amount under the 1966 law. How this would be done is explained in the computations shown in the appendix for case 3. The

proviso contains additional language to make sure that in the unusual case where the individual's social security benefit is larger than his railroad retirement annuity, the amount to be deducted from the basic $10 minimum will not be greater than the amount of the reduction applied against the 7-percent increase under the 1966 law.

Other provisions in the bill would increase annuities of spouses and survivors of employees in a way similar to that provided for increasing employee annuities, except that the minimum increase above the amount payable under the 1966 amendments to the Railroad Retirement Act would be about $5 a month instead of about $10, and except that the spouse's annuity would not be increased over the maximum amount provided in section 2(e) of the Railroad Retirement Act.

Further, the bill would provide reduced annuities for disabled widows and widowers who have attained age 50 under roughly the same conditions as monthly benefits would be provided for totally disabled widows and widowers covered under the Social Security Amendments of 1967, except that there would be no waiting period before such an annuity could be paid. The reduction would be by three-tenths of 1 percent for each month the individual is under age 60 when the annuity begins. This factor will ordinarily produce for the disabled widow a benefit somewhat higher than 110 percent of the corresponding amount under the Social Security Act. The reduction would remain in effect throughout the individual's life. If the annuity is not paid for some months after it begins—for example, in the case of a recovery from disability—the reduction would be adjusted after age 60 is attained by removing from the reduction period the months for which the annuity was not paid.

This bill would amend section 1(h) of the act to increase the amount to be credited for each month of military service after 1967 from $160 to $260. This would be in accord with the increase in wage credits under the Social Security Act (as amended in 1967) for military service.

The provisions requiring the loss of an employee's disability annuity payment because of work would be changed so that he could now earn $2,400 in a year instead of $1,200 without losing annuity payments for any month in the year; also, as a result of the change, he could earn as much as $200 in a month instead of $100, regardless of his total earnings for the year, and not lose his annuity for that month.

Finally, the bill would remove an inequity in present law. Prior to 1957, the Railroad Retirement Act and the Social Security Act required, for the purpose of benefits based on a marital relationship, that there be a marriage valid in all respects. In 1957, the Social Security Act was amended to provide benefits in some cases even if the marriage was not valid as theretofore required. The strict requirements in this respect under the Railroad Retirement Act, however, remained unchanged. This resulted in the denial, under the Railroad Retirement Act, of benefits in cases where, in similar situations, the Social Security Administration would have paid the benefits. There are also other cases where individuals, such as a child, can qualify as having the necessary family status under the Social Security Act to be paid benefits but cannot qualify under the Railroad Retirement Act. Title I of the bill would amend the Railroad Retirement Act to incorporate the provisions of the entire current section 216(h) of the Social Security Act in this respect.

There would be some changes of a technical nature designed to facilitate administration. Some of these changes in regard to determining wage and compensation credits before 1951 by electronic computer, would be in general accord with similar changes in the Social Security Act effected by the amendments of 1967.

The increase in annuities provided by the bill would be effective with respect to annuities accruing for months beginning with the month in which the increases in benefits under title II of the Social Security Act are effective (February 1968) and with respect to pensions due in months next following such month.

TITLE II—AMENDMENTS TO THE RAILROAD UNEMPLOYMENT INSURANCE ACT

Title II of S. 2839 would amend the Railroad Unemployment Insurance Act as shown below.

(1) Maternity benefits would be eliminated, but the definition of "day of sickness" in section 1(k) of the act would be amended so as to specifically include a day on which, because of pregnancy, miscarriage, or the birth of a child, a female employee is unable to work or working would be injurious to her health.

(2) The amount of creditable compensation an employee must earn in a base year, as a qualifying condition for the payment of benefits under the act, would be increased from the present $750 to $1,000. A corresponding increase would be made in the subsidiary remuneration provision, and in the provision stating the minimum amount of compensation which an employee who has voluntarily left work must be paid with respect to time after such leaving before his disqualification for unemployment benefits can end.

(3) The benefit rate schedule would be revised, and the maximum daily benefit rate would be increased from $10.20 to $12.70 for days of unemployment and days of sickness.

(4) Provision would be made for extended sickness benefits similar to the extended unemployment benefits now provided.

(5) The present provision for the possible early beginning of a benefit year in cases involving days of unemployment would be expanded to provide for the possible early beginning of a benefit year in cases involving days of sickness.

(6) Attainment of age 65 would end all rights to extended sickness benefits. In an accelerated benefit year begun for the purpose of the payment of sickness benefits, attainment of age 65 prior to the beginning of the general benefit year which was accelerated would end all rights to further sickness benefits until the beginning of the general benefit year. These limitations would not deprive any employee of rights he now has to sickness benefits under the present law; such rights would continue unaffected.

(7) Provision is made for the transfer from the railroad retirement account to the railroad unemployment insurance account, at the close of each fiscal year, of the amount which, if added to the railroad unemployment insurance account, would place such account in the same position it would have been in at the close of such fiscal year if every employee who had been paid extended or accelerated sickness benefits in the fiscal year, and who upon application therefor would have been entitled to a disability annuity under section 2(a) of the

Railroad Retirement Act with respect to some or all of the days for which such benefits were paid, had been paid such annuity with respect to all days of sickness for which he was paid benefits which were also days with respect to which such annuity could have accrued.

(8) An additional disqualifying condition would be added, with the effect that an employee who has been paid a separation allowance would not receive any unemployment or sickness benefits for a period following his separation from service. The length of the period would be determined by a formula taking into account the amount of his allowance, his last daily rate of pay, and the number of days in his normal workweek.

A more detailed explanation of these changes is given below.

(1) *Elimination of maternity benefits, and provision for days of sickness due to pregnancy, miscarriage, or the birth of a child.*—Under present law, a woman employee could receive the equivalent of 260 days of sickness and maternity benefits in a single benefit year (130 days for sickness, and the equivalent of 130 days of maternity benefits). Under the amendments she could receive no maternity benefits, and the maximum number of days for which she could receive normal sickness benefits in a single benefit year would be 130. For example, if a female employee should be paid for 100 days of sickness during pregnancy and following the birth of her child, she would be entitled to normal sickness benefits for no more than 30 additional days of sickness in that same benefit year (she might be entitled to extended sickness benefits if she had 10 or more years of service and met the other requirements). The statement of sickness that the Board would require with respect to the days of sickness during the pregnancy and following the birth of her child would establish that each day claimed is a day of sickness because it is a day on which, because of pregnancy, miscarriage, or the birth of a child, she is unable to work or working would be injurious to her health.

(2) *Increase in qualifying amounts.*—The increase from $750 to $1,000 in the amount of creditable compensation which an employee must earn in a base year in order to be qualified to receive benefits under the act is warranted by the increase in wages since 1963, when such qualifying amount was last increased (from $500 to $750). Corresponding changes would be made in the subsidiary remuneration provision, and in the provision stating the minimum amount of compensation which an employee who has voluntarily left work must be paid with respect to time after such leaving before his disqualification for unemployment benefits can end.

(3) *Increase in maximum daily benefits rate.*—Except for the stricter eligibility requirements provided for in the 1963 amendments to the Railroad Unemployment Insurance Act (by Public Law 88–133), there have been no changes in the benefit provisions of the act since those made by the 1959 amendments (Public Law 86–28). Since that time, however, there have been major changes in railroad pay rates and earnings levels. Moreover, there have been many improvements in the State unemployment compensation laws in that interval, with the result that the Railroad Unemployment Insurance Act now compares less favorably with the State laws than it did in 1959.

In 19 States, with over half the workers under State unemployment compensation laws, it is now possible for a beneficiary to receive more (including the dependents allowances in six States) than the $51-a-

week maximum (5 times $10.20) now payable under the Railroad Unemployment Insurance Act. Furthermore, supplementary unemployment benefit plans and nongovernmental sickness benefit plans frequently pay more than $51 a week, and in some cases pay more than the $63.50 a week (5 times $12.70) which will be the maximum for Railroad Unemployment Insurance Act benefits under the proposed amendments. Benefits in excess of $63.50 a week are available in eight States (including the dependents allowances in six States).

(4) and (5) *Extended and accelerated benefits for sickness.*—The addition of extended benefit periods and accelerated benefit years for sickness would provide for sickness the same treatment that unemployment has received since 1959. This would benefit primarily the older, long-service employees, who are more likely to have long illnesses. Currently, the proportion of beneficiaries exhausting sickness benefits is as large as the proportion exhausting normal unemployment benefits, and the need is greater for the sickness beneficiary. Even with the fine health and welfare benefits that have been negotiated for railroad employees, the cost of illness is much greater than the cost of unemployment and, of course, the sickness beneficiary is not available for placement in nonrailroad employment the way an unemployment beneficiary is, so he does not have the same opportunity to obtain other income.

It is now possible for beneficiaries in two of the four States with statutory plans for sickness benefits to become entitled to sickness benefits for more than 26 weeks in a single year, if they have more than one spell of sickness in that year. Also, sick leave plans—for example, in Federal employment—may have payment durations longer than 26 weeks where the length of available leave is based on total service and the amount of leave previously used; some large industrial plans pay sickness benefits for 52 weeks or more.

(6) *Termination of right to extended sickness benefits, and sickness benefits in an accelerated benefit year, upon attainment of age 65.*—When an employee attains age 65, his rights to extended sickness benefits would cease. If he attained age 65 after the early beginning of a benefit year based on sickness, and before the beginning of the general benefit year which was accelerated, his rights to further sickness benefits would end until the beginning of that general benefit year. These limitations based on attainment of age 65 would not deprive any employee of rights he now has to sickness benefits under the present law; such rights would continue unaffected.

(7) *Transfers from the railroad retirement account to the railroad unemployment insurance account.*—Many individuals who will receive the new extended sickness benefits, or sickness benefits in an accelerated benefit year, would be qualified for disability annuities under the Railroad Retirement Act. If they were to apply for, and receive, such annuities, their entitlement to sickness benefits would be limited by section 4(a–1)(ii) of the Railroad Unemployment Insurance Act, the purpose of which is to prevent the duplication of payments under that act and other social insurance laws. It is expected, however, that after extended and accelerated sickness benefits are introduced a considerable number of these individuals will postpone applying for their disability annuities, with the result that section 4(a–1)(ii) will not operate during the periods of such postponement. For this reason, the amendments include a provision

for an annual transfer of funds from the railroad retirement account to the railroad unemployment insurance account in an amount which will place the latter account in the position it would have been in at the close of the fiscal year if those individuals had applied for, and received, their disability annuities for days for which they were paid sickness benefits in the fiscal year. Ordinarily, an individual's annuity qualifications in terms of age, service, and physical and mental condition are investigated and determined by the Bureau of Retirement Claims on a case-by-case basis. Such a thorough treatment is not practical or desirable for purposes of the contemplated interaccount transfer. The amendments authorize the Board to presume that individuals in certain situations are qualified for disability annuities, to make reasonable approximations deemed necessary in computing annuities for this purpose, and to rely on evidence of age available in its files and records. It is expected that the amount to be transferred will be ascertained by applying statistical methods and reasonable approximations.

(8) *Disqualification for days after separation in the case of an employee who has been paid a separation allowance.*—The new disqualifying condition would mean that an employee who has been paid a separation allowance could not receive any unemployment or sickness benefits for a period following his separation from service. The length of the period will be determined by a formula taking into account the amount of his allowance, his last daily rate of pay, and the number of days in his normal workweek. The disqualification would apply to any of the days in the period beginning with the day following his separation from service and continuing for that number of consecutive 14-day periods which is equal, or most nearly equal, to the amount of the separation allowance divided (i) by 10 times his last daily rate of compensation prior to his separation if he normally works 5 days a week; (ii) by 12 times such rate if he normally works 6 days a week; and (iii) by 14 times such rate if he normally works 7 days a week. The purpose of the formula is to make the disqualification cover a period as nearly as possible equivalent to the length of time it would have taken the employee to earn the amount of the separation allowance. In the application of the formula, every employee would be regarded as normally working 5 days a week unless the evidence showed that he normally works 6 or 7 days a week.

The application of the formula may be illustrated by the following example: An employee received a separation allowance of $1,000; his last daily rate of pay was $25, and there was nothing to show that he normally works 6 or 7 days a week. The daily rate of pay, $25, would be multiplied by 10—the product being 250. The amount of the separation allowance, $1,000, would be divided by this 250—the result being four. Consequently, the disqualification period, beginning with the day following the employee's separation from service, would continue for four consecutive 14-day periods, amounting to 56 consecutive calendar days.

ACTUARIAL COST ESTIMATES

The bill would increase the cost of the retirement and survivor program by $62 million a year and the cost of the unemployment and sickness insurance program by $21 million per year. Since the bill would not generate any additional revenues, the added cost would have to be

met from existing resources. In the case of the railroad retirement amendments (title I of the bill), the effect of the bill would be to use up the actuarial gains resulting from the 1967 Social Security Amendments and to have the system absorb an additional $15 million per year. This means that after the enactment of the bill there will be an actuarial deficiency of $58 million per year on a level basis which is equivalent to 1.16 percent of taxable payroll under the new limit of $650 per month. The amendments to the Railroad Unemployment Insurance Act (title II of the bill) would have the effect of prolonging the liquidation of the remaining indebtedness to the railroad retirement account and of slowing down the accumulation of reserves thereafter.

A more detailed analysis of the financial consequences of the bill is given below.

I. Amendments to the Railroad Retirement Act

The pertinent question here is how the actuarial condition of the railroad retirement system after the enactment of the bill will compare with that which existed immediately prior to enactment of the 1967 Social Security Amendments. In order to answer this question, it is necessary to begin the cost analysis with a discussion of the financial effects of these amendments on the railroad retirement system.

ACTUARIAL EFFECTS OF THE 1967 SOCIAL SECURITY AMENDMENTS

In broad outline, the 1967 Social Security Amendments affected the railroad retirement system in the following ways:

1. The railroad retirement earnings base went up from $550 to $650 per month effective January 1, 1968. This will generate substantial increases in both tax collections and benefit disbursements.
2. The scheduled tax rates were changed by the same fractions of percentage points as were the social security rates.
3. Benefits computed under the social security minimum guarantee went up by 110 percent of the corresponding increases granted by the social security amendments. A similar increase took place in the amount of the maximum spouse's annuity that may be paid under the Railroad Retirement Act.
4. The benefit reimbursements under the financial interchange with social security will be substantially increased but so will the contributions on railroad payrolls which are credited to social security under that arrangement.

Some of the effects will be felt almost immediately and some will be delayed for many years. In the first category are the additional taxes due to the increase in the earnings base, the additional benefits payable in the social security minimum and spouse maximum cases, and a large part of the additional credits and debits under the financial interchange. On the other hand, the additional benefits due to the increase in the earnings base will build up very gradually and it will take many years before they will be fully developed. Because of this, the experience in the next several years will not give a good indication of the cost effects over the long range.

The actuarial cost analysis for the effects of this legislation on the railroad retirement system is given in some detail in table 1. The analysis was made from a long-range point of view and is based on the assumptions used in the 10th actuarial valuation. The additional income is expected to exceed the additional outgo by about $47 million a year on a level basis. This would have been sufficient to wipe out the actuarial deficiency of $43 million per year and to create an actuarial surplus of $4 million per year.

TABLE 1.—*Estimated cost effects of the 1967 social security legislation on the railroad retirement system (equivalent level amounts per year)*

Item	*Amount per year (millions)*
Additional railroad retirement taxes exclusive of medicare	$89.9
Additional RRA benefit payments, total	92.8
Higher earnings base (exclusive of effect on spouse maximum)	34.1
Increase in spouse maximum	18.3
Overall minimum cases	40.4
Additional gain from financial interchange, net	49.9
Benefit reimbursements	+96.9
OASDI contributions	−47.4
Additional medicare taxes	+.4
Actuarial balance after enactment, surplus	+4.0
Deficiency before any 1967 legislation	−43.0
Excess of additional income over additional outgo	+47.0

ACTUARIAL EFFECTS OF S. 2839

Title I of this bill would affect only benefit payments under the Railroad Retirement Act; it would not affect in any way the earnings base, tax receipts, or the transactions under the financial interchange. (The latter are governed by social security law and not railroad retirement law.) As stated elsewhere in this report, the main purpose of this part of the bill is to assure that all railroad retirement beneficiaries will receive benefit increases approximately equal to 110 percent of the increase they could have received by virtue of the formula changes provided for in the 1967 Social Security Amendments if railroad service had been covered under the Social Security Act. More specifically, the bill aims at taking care of those beneficiaries who otherwise would not have received increases in their railroad retirement benefits by virtue of the changes in the social security benefit formulas. (Additional benefits due to the increase in the earnings base would have been available even without this bill.) In order to treat nondual and dual beneficiaries alike, the bill provides for reducing the railroad retirement increase by the dollar amount of the latest increase in the individual's simultaneous social security benefit, if any. It should be noted in this connection that the partial social security offset also had the effect of keeping the cost of the amendments within reasonable bounds. Without it, the cost would have been nearly $35 million per year greater.

It is estimated that the enactment of the bill would increase railroad retirement benefit disbursements by $62.2 million a year on a level basis (table 2). When this additional cost is combined with the actuarial surplus of $4.0 million per year which would have existed

without this bill (table 1), an actuarial deficiency of $58.2 million per year emerges. This is equivalent to 1.16 percent of taxable payroll under the new limit of $650 per month. While the existence of such an actuarial deficiency is a matter of potential concern, it does not pose a threat to the operating solvency of the system for many years to come. It should also be kept in mind that, in a sense, the cost estimates given here are preliminary because they are based on a valuation for the program provisions in effect immediately before the enactment of the 1967 Social Security Amendments. The next valuation (due some time in 1970) should give a more precise picture of the situation.

TABLE 2.—*Estimated cost effects of S. 2839 on the railroad retirement system (equivalent level amounts per year)*

Item	*Amount per year (millions)*
Schedule increases before dual-benefit offsets	+$88.6
Addition for $10 and $5 minimums	+2.5
Savings from dual-benefit offsets	−34.6
Benefits to disabled widows	+2.0
Increases in last annuity factors	+4.2
Change in disability work restriction	+1.0
Savings on residual payments	−1.5
Net cost	+62.2
Actuarial deficiency after enactment	[1] 58.2

[1] Equivalent to 1.16 percent of taxable payroll.

IMMEDIATE EFFECTS

The immediate effects of the 1967 Social Security Amendments and this bill on benefit payments under the Railroad Retirement Act are shown in table 3. All the 950,000 railroad retirement beneficiaries would receive increases effective February 1, 1968. The increases would average around $13 per month for retired employees (they would generally range from a minimum of $10 to a maximum of nearly $21), $7 for spouses, $11 for aged widows, and $11 for other survivors. Also, benefits averaging $83 per month would become available to about 3,000 disabled widows between the ages of 50 and 60. The additional benefit payments for the first year would come to somewhat over $130 million. The additional retirement tax receipts for calendar year 1968 (on an accrual basis exclusive of medicare taxes) will be around $60 million. As stated before, these additional taxes will result from the 1967 Social Security Amendments and not from the bill.

The financial interchange determine due in May or June of 1968 will not as yet reflect any of the effects of the new legislation because it will pertain to operations during fiscal year 1966–67. As stated earlier, the financial interchange transactions will be affected only by the 1967 Social Security Amendments; this bill would have no bearing on them.

As shown in table 3, the average railroad retirement increases for the major classes of beneficiaries affected by the bill will be smaller than for those affected by the Social Security Amendments of 1967. This seeming peculiarity is due to the fact that substantial proportions of the individuals affected only by the bill are receiving social security benefits in addition to their railroad retirement annuities. These dual beneficiaries would not receive a full increase under the bill because of

the provision calling for a partial social security offset. (They would receive, however, a full increase in their benefit income from both systems.) By comparison, the great majority of the individuals affected by the social security amendments will receive full increases from the Railroad Retirement Board because there are relatively few dual beneficiaries among them. For nondual beneficiaries—that is, those not entitled to simultaneous social security benefits—the increases under the bill would, as a general matter, compare favorably with the increases which came about as a result of the social security amendments. (See last part of appendix for an illustrative example.)

TABLE 3.—IMMEDIATE EFFECTS OF H.R. 12080 AND S. 2839 IN THE 1ST YEAR AFTER THE EFFECTIVE DATE

Item	Total	Retired employees	Wives	Aged widows	Other monthly survivors
Number receiving increases on effective date (thousands) [1]	[1] 950	437	205	258	50
By virtue of 1967 Social Security Amendments	356	44	[2] 89	173	50
By virtue of S. 2839	653	393	[2] 175	85	----------
Average amount of increases [3]	----------	$13	$7	$11	$11
By virtue of 1967 Social Security Amendments	----------	17	7	13	11
By virtue of H.R. 14563	----------	13	5	6	----------
Total additional benefit payments during year (millions)	[1] $128	70	18	33	7
By virtue of 1967 Social Security Amendments	50	9	7	27	7
By virtue of H.R. 14563	78	61	11	6	----------

[1] In addition almost $3,000,000 will be paid to about 3,000 disabled widows between the ages of 50 and 60 who will become eligible to benefits averaging $83 a month by virtue of H.R. 14563.
[2] About 59,000 wives will receive increases by virtue of both bills. This duplication is shown in these figures but omitted in the total.
[3] For those receiving increases by virtue of the particular legislation.

II. Amendments to the Railroad Unemployment Insurance Act

Title II of the bill provides for a substantial increase in the daily benefit rate for both unemployment and sickness and would make it possible for employees with 10 or more years of service to draw sickness benefits for considerably longer periods. As a result of the bill, average benefits per full week of unemployment or sickness would increase from about $50 to $62 and larger amounts of sickness benefits would be paid to most employees who will experience long illness in a benefit year. The bill also contains several features aimed at keeping additional costs within reasonable bounds. Of these, the most important costwise is the provision calling for certain reimbursements from the railroad retirement account, designed to recoup the savings which would otherwise accrue to that account because of the introduction of extended and accelerated sickness benefits. No change is made by the bill either in the amount of compensation subject to contributions or in the schedule of contribution rates.

It is estimated that title II of the bill would increase the benefit costs of the unemployment and sickness insurance program by $20.5 million a year (table 4). This figure is an average for the next 5 years rather than a level cost because the latter cost approach is not applicable to programs which do not involve liabilities deferred for many

years. To make the cost estimate moderately conservative, the additional costs were calculated on the assumption that benefit disbursements under present law would have averaged $45 million a year for unemployment and $40 million a year for sickness.

In the last fiscal year, when benefit payments were at their lowest in the past 15 years, the income of the unemployment and sickness insurance program exceeded the benefit outgo by $60 million so that it was possible to reduce the indebtedness to the railroad retirement account by about the same amount. Under these circumstances, it is felt that the program can absorb the additional cost created by the bill without materially affecting its potential solvency. Obviously, the amounts available for the repayment of the indebtedness to the railroad retirement account would be greatly reduced; however, it is expected that they would still be of the order of $30 million per year. With such a rate of repayment of principal, the indebtedness would be liquidated in another 5 or 6 years. From that point on, some reserves would begin to gradually accumulate.

TABLE 4.—COST ESTIMATE FOR PROPOSED AMENDMENTS TO THE RUIA (AVERAGE ADDITIONAL COSTS PER YEAR IN 1ST 5 YEARS)

[In thousands]

Provision	Total	Unemployment	Sickness
Increase in maximum daily benefit	$19,900	$10,100	$9,800
Increase in amount of qualifying earnings	−2,780	−2,400	−380
Restriction on claimants receiving separation allowances	−1,240	−1,040	−200
Introduction of extended and accelerated sickness benefits [1]	5,500		5,500
Elimination of special maternity benefits	−930		−930
Net increase in benefit costs	[2] 20,450	6,660	13,790

[1] Net amount after adjustment for reimbursements from the railroad retirement account.
[2] To this another $500,000 per year would be added for increases in administration expenses. Thus, the total cost comes to about $21,000,000 per year.

Note: All items in the table relate to a benefit schedule with a maximum of $12.70 per day.

This report is being submitted on behalf of all three members of the Board who unanimously recommend enactment of this bill.

The Bureau of the Budget advises that while there is no objection to the submission of this report, the actuarial deficiency which this bill would create is a matter of serious concern and that the Board should develop recommendations at an early date to cover the increased cost of this measure.

Sincerely yours,

HOWARD W. HABERMEYER,
Chairman.

APPENDIX

The table which follows explains how employee annuities would be computed under the bill, S. 2839. It deals with all four types of cases which may arise. In case 1, there is no offset involved, because the annuitant is not entitled to a supplemental annuity and is not receiving a social security benefit. In case 2, the employee is entitled to a supplemental annuity but not to a social security benefit. Case 3 refers to a man who is not entitled to a supplemental annuity but is receiving a social security benefit. Finally, case 4 deals with the rather infrequent occurrence of entitlement to both a supplemental annuity and a social security benefit.

The table brings out the following facts:

1. The offset for the supplemental annuity would be almost exactly the same as under present law (items 3(c) and 2(c) of the table).

2. The social security offset under the bill (before adjustment for the minimum) exceeds the corresponding offset under present law by 13 percent of the amount payable immediately before the 1967 amendments. This can be seen from the figures shown in items 1(c), 2(d), and 3(d) of the table. For example, in case 4, the $11.82 of item 3(d) is 13 percent of $91, and in case 3, the $19.67 of item 3(d) exceeds the $6.59 of item 2(d) by $13.08 which is 13 percent of the $100.60 in item 1(c).

3. The $10 minimum specified in the third proviso of the new section 3(a)(2) of the act would apply mostly in cases where the amount computed under the new section 3(a)(1) of the Railroad Retirement Act is not large in relation to the social security benefit.

4. The 5.8 percent of the social security benefit under the 1967 act is practically the same as 6.55 percent of the corresponding amount under the 1965 act. Similarly, 11.5 percent of the former is the same as 13 percent of the latter. Finally, 17.3 percent of the amount under the 1967 Social Security Act accounts for both the 7-percent increase given by the 1965 Social Security Amendments and the 13-percent increase given in 1967. (A $100 social security benefit under the law before it was amended in 1965 became $121 under the 1967 Social Security Act; 17.3 percent of $121 is almost exactly equal to $21.)

A case not dealt with in the table, but which requires special mention, is the one where the average monthly compensation will be in excess of $450. Consider a future annuity award which will be based on, say, $650 of monthly compensation and 30 years of service. Assume that no offset for either a supplemental annuity or a social security benefit will be involved. The amount computed under the new section 3(a)(1) of the Railroad Retirement Act will be $402.90 and the schedule increase will be $31.46, producing a total annuity of $433.36. Under the law before the 1967 Social Security Amendments, this employee could have received only $345.60 because earnings in excess of $550 were not credited and the 7-percent increase in the annuity factor did not apply to the part of the monthly compensation between $450 and $550. The difference between the two amounts of annuity is $87.76. By comparison, the increase in the maximum social security benefits from the 1965 to the 1967 Social Security Act is $50 ($218 versus $168). Thus, the total railroad retirement increase is greatly in excess of 110 percent of the total social security increase—a point which was stressed in the main body of the report.

If, however, this employee will be entitled to a supplemental annuity of, say, $70 per month (but not to a social security benefit), his annuity under the bill would be reduced by $19.36 (6.55 percent of $295.50 which is the part of the annuity based on the first $450 of the average monthly compensation). This is almost exactly the same reduction as would have been applicable under present law since in both instances the reduction would be in an amount derived from the 7-percent increase in the annuity factors applicable to the first $450 of the average monthly compensation. Thus, the effective total increase in this man's annuity (from the railroad retirement law in effect immediately before the Social Security Amendments of 1967

to the law as it would be amended by S. 2839) would be approximately the same $87.76 as quoted above for the case where there would be no entitlement to a supplemental annuity.

ILLUSTRATIVE EXAMPLES OF HOW S. 2839 WOULD INCREASE EMPLOYEE ANNUITIES UNDER THE RAILROAD RETIREMENT ACT

Item	Case 1	Case 2	Case 3	Case 4
1. Basic facts:				
(a) Average monthly compensation	$290.00	$340.00	$355.00	$325.00
(b) Supplemental annuity	None	70.00	None	70.00
(c) Social security benefit before amendments of 1967	None	None	100.60	91.00
(d) Social security benefit after amendments of 1967	None	None	113.70	103.90
2. Computations under present law:				
(a) Benefit with 7-percent increase of 1966 amendments	209.58	236.43	162.99	228.38
(b) Benefit without 7-percent increase of 1966 amendments	195.69	220.74	152.17	213.23
(c) Offset for supplementary annuity (item 2(a) minus item 2(b))	None	15.69	None	15.15
(d) Offset for social security benefit (6.55 percent of item 1(c))	None	None	6.59	[1] None
(e) Annuity payable (item 2(a) minus sum of items 2(c) and 2(d) but not less than item 2(b))	209.58	220.74	156.40	213.23
3. Computations under S. 2839:				
(a) Amount under sec. 3(a)(1) of the act	209.58	236.43	162.99	228.38
(b) Schedule increase under sec. 3(a)(2) of the act	16.17	17.82	19.47	17.82
(c) Offset for supplemental annuity (6.55 percent of item 3(a))	None	15.49	None	14.96
(d) Offset for social security benefit (17.3 percent of item 1(d) if no supplemental annuity or 11.5 percent of item 1(d) if there is a supplemental annuity)	None	None	19.67	11.83
(e) Addition to benefit under sec. 3(a)(1) of the act before application of minimum (item 3(b) minus sum of items 3(c) and 3(d))	16.17	2.33	0	0
(f) Offset against minimum (3(c) if there is a supplemental annuity or 5.8 percent of item 1(d) if no supplemental annuity)	None	15.49	6.59	14.96
(g) Minimum addition to amount computed under sec. 3(a)(1) of the act ($10 minus item 3(f))	10.00	0	3.41	0
(h) Annuity payable (item 3(a) plus larger of items 3(e) or 3(g))	225.75	238.76	166.40	228.38
4. Increase due to S. 2839 (item 3(h) minus item 2(e))	16.17	18.02	10.00	15.15

[1] Because the offset for the supplemental annuity eliminates the entire 7-percent increase provided by the 1966 amendments.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

THE RAILROAD RETIREMENT ACT

PART I

* * * * * * *

"DEFINITIONS

"SECTION 1. For the purposes of this Act—

* * * * * * *

"(h)(1) The term 'compensation' means any form of money remuneration paid to an individual for services rendered as an employee to

one or more employers, or as an employee representative, including remuneration paid for time lost as an employee, but remuneration paid for time lost shall be deemed earned in the month in which such time is lost. Such term does not include tips (except as is provided under paragraph (2)), or the voluntary payment by an employer, without deduction from the remuneration of the employee, of any tax now or hereafter imposed with respect to the compensation of such employee. For the purposes of determining monthly compensation and years of service and for the purposes of sections 2 and 5 of this Act, compensation earned in the service of a local lodge or division of a railway-labor-organization employer shall be disregarded with respect to any calendar month if the amount thereof is less than $3 and (i) such compensation is earned between December 31, 1936, and April 1, 1940, and taxes thereon pursuant to sections 2(a) and 3(a) of the Carriers Taxing Act of 1937 or sections 1500 and 1520 of the Internal Revenue Code are not paid prior to July 1, 1940; or (ii) such compensation is earned after March 31, 1940. A payment made by an employer to an individual through the employer's pay roll shall be presumed, in the absence of evidence to the contrary, to be compensation for service rendered by such individual as an employee of the employer in the period with respect to which the payment is made. An employee shall be deemed to be paid, 'for time lost' the amount he is paid by an employer with respect to an identifiable period of absence from the active service of the employer, including absence on account of personal injury, and the amount he is paid by the employer for loss of earnings resulting from his displacement to a less remunerative position or occupation. If a payment is made by an employer with respect to a personal injury and includes pay for time lost, the total payment shall be deemed to be paid for time lost unless, at the time of payment, a part of such payment is specifically apportioned to factors other than time lost, in which event only such part of the payment as is not so apportioned shall be deemed to be paid for time lost. Compensation earned in any calendar month before 1947 shall be deemed paid in such month regardless of whether or when payment will have been in fact made, and compensation earned in any calendar year after 1946 but paid after the end of such calendar year shall be deemed to be compensation paid in the calendar year in which it will have been earned if it is so reported by the employer before February 1 of the next succeeding calendar year or, if the employee establishes, subject to the provisions of section 8, the period during which such compensation will have been earned. In determining the monthly compensation, the average monthly remuneration, and quarters of coverage of any employee, there shall be attributable as compensation paid to him in each calendar month *before 1968* in which he is in military service creditable under section 4 the amount of $160 in addition to the compensation, if any, paid to him with respect to such month. *In making such a determination there shall be attributable as compensation paid to him for each calendar month after 1967 in which he is in military service so creditable the amount of $260.* Compensation for service as a delegate to a national or international convention of a railway labor organization defined as an 'employer' in subsection (a) of this section shall be disregarded for purposes of determining eligibility for and the amount of benefits pursuant to this Act if the individual rendering such service has not

previously rendered service, other than as such a delegate, which may be included in his 'years of service.'

* * * * * * *

"ANNUITIES

"SEC. 2. (a) * * *

* * * * * * *

"(d) No annuity shall be paid with respect to any month in which an individual in receipt of an annuity hereunder shall render compensated service to an employer or to the last person by whom he was employed prior to the date on which the annuity began to accrue. Individuals receiving annuities shall report to the Board immediately all such compensated service.

"No annuity under paragraph 4 or 5 of subsection (a) of this section shall be paid to an individual with respect to any month in which the individual is under age sixty-five and is paid more than [$100] *$200* in earnings from employment or self-employment of any form: *Provided,* That for the purposes of this paragraph, if a payment in any one calendar month is for accruals in more than one calendar month, such payment shall be deemed to have been paid in each of the months in which accrued to the extent accrued in such month. Any such individual under the age of sixty-five shall report to the Board any such payment of earnings for such employment or self-employment before receipt and acceptance of an annuity for the second month following the month of such payment. A deduction shall be imposed, with respect to any such individual who fails to make such report in the annuity or annuities otherwise due the individual, in an amount equal to the amount of the annuity for each month in which he is paid such earnings in such employment or self-employment, except that the first deduction imposed pursuant to this sentence shall in no case exceed an amount equal to the amount of the annuity otherwise due for the first month with respect to which the deduction is imposed. If pursuant to the third sentence of this subsection an annuity was not paid to an individual with respect to one or more months in any calendar year, and it is subsequently established that the total amount of such individual's earnings during such year as determined in accordance with that sentence (but exclusive of earnings for services described in the first sentence of this subsection) did not exceed [$1,200] *$2,400,* the annuity with respect to such month or months, and any deduction imposed by reason of the failure to report earnings for such month or months under the fifth sentence of this subsection, shall then be payable. If the total amount of such individual's earnings during such year (exclusive of earnings for services described in the first sentence of this subsection) is in excess of [$1,200] *$2,400,* the number of months in such year with respect to which an annuity is not payable by reason of such third and fifth sentences shall not exceed one month for each [$100] *$200* of such excess, treating the last [$50] *$100* or more of such excess as [$100] *$200*; and if the amount of the annuity has changed during such year, any payments of annuity which become payable solely by reason of the limitation contained in this sentence shall be made first with respect to the month or months for which the annuity is larger.

"(e) Spouse's Annuity.—The spouse of an individual, if—

"(i) such individual has been awarded an annuity under subsection (a) or a pension under section 6 and has attained the age of 65, and

"(ii) such spouse has attained the age of 65 or in the case of a wife, has in her care (individually or jointly with her husband) a child who meets the qualifications prescribed in section 5(l)(1) (without regard to the provisions of clause (ii)(B) thereof) of this Act,

shall be entitled to a spouse's annuity equal to one-half of such individual's annuity or pension, but not more, with respect to any month, than 110 per centum of an amount equal to the maximum amount which could be paid to anyone, with respect to such month, as a wife's insurance benefit under section 202(b) of the Social Security Act as amended: *Provided, however,* That if the annuity of the individual is awarded under paragraph 3 of subsection (a), the spouse's annuity shall be computed or recomputed as though such individual had been awarded the annuity to which he would have been entitled under paragraph 1 of said subsection: *Provided further,* That, if the annuity of the individual is awarded pursuant to a joint and survivor election, the spouse's annuity shall be computed or recomputed as though such individual had not made a joint and survivor election: *And provided further,* That the spouse's annuity provided for herein and in subsection (h) of this section shall be computed without regard to the [reduction] *reductions* in the individual's annuity under the first two provisos in [section 3(a)(1) of this Act and without regard to the effect of section 3(a)(2) on the annuity of the individual from whom such spouse's annuity derives.] *section 3(a)(2).*

* * * * * * *

"(i) The spouse's annuity provided under subsections (e) and (h) of this section shall (before any reduction on account of age) be reduced in accordance with [the first two provisos in section 3(a)(1) of this Act except that the spouse's annuity shall not be less than it would be had this Act not been amended in 1966.] *the second proviso in section 3(a)(2), except that notwithstanding other provisions of this subsection, the spouse's annuity shall (before any reduction on account of age) not be less than one-half of the amount computed in section 3(a)(1) increased by $5 or, if the spouse is entitled to benefits under the Social Security Act, by the excess of $5 over 5.8 per centum of the lesser of (i) any benefit to which such spouse is entitled under title II of the Social Security Act, or (ii) the spouse's annuity to which such spouse would be entitled without regard to section 3(a)(2) and before any reduction on account of age, but in no case shall such an annuity (before any reduction on account of age) be more than the maximum amount of a spouse's annuity as provided in subsection (e).*

* * * * * * *

"COMPUTATION OF ANNUITIES

[SEC. 3. (a)(1). The annuity shall be computed by multiplying an individual's 'years of service' by the following percentages of his 'monthly compensation': 3.58 per centum of the first $50; 2.69 per

centum of the next $100; 1.79 per centum of the next $300; and 1.67 per centum of the remainder up to an amount equal to one-twelfth of the current maximum annual taxable 'wages' as defined in Section 3121 of the Internal Revenue Code of 1954: *Provided, however,* That in cases where an individual is entitled to a benefit under title II of the Social Security Act, the amount so computed shall be reduced by 6.55 per centum of the amount of such social security benefit (disregarding any increases in such benefit based on recomputations other than for the correction of errors after such reduction is first applied and any increases derived from changes in the primary insurance amount through legislation enacted after the Social Security Amendments of 1965): *Provided further,* That in determining social security benefit amounts for the purpose of this subsection, if such individual's average monthly wage is in excess of $400, only an average monthly wage of $400 shall be used: *And provided further,* That the amount of an annuity as computed under this subsection shall not be less than it would be had this Act not been amended in 1966.]

[*"(2)* Notwithstanding the provisions of paragraph (1) of this subsection, and of subsection (e) of this section, the annuity of an individual for a month with respect to which a supplemental annuity under subsection (j) of this section accrues to him shall be computed or recomputed under the provisions of this subsection, and of subsection (e) of this section, as in effect before their amendment in 1966: *Provided, however,* That if the application of the preceding sentence would result in the amount of the annuity, plus the amount of a supplemental annuity (after adjustment under subsection (j)(2) of this section) payable to an individual for a month being lower than the amount which would be payable as an annuity except for such preceeding sentence, the annuity shall be in an amount which together with the amount of the supplemental annuity would be no less than the amount that would be payable as an annuity but for the preceding sentence.]

"SEC. 3. (a)(1) The annuity of an individual shall be computed by multiplying his 'years of service' by the following percentages of his monthly compensation: 3.58 per centum of the first $50; 2.60 per centum of the next $100; and 1.79 per centum of the remainder up to a total of (i) $450, or (ii) an amount equal to one-twelfth of the current maximum annual taxable 'wages' as defined in Section 3121 of the Internal Revenue Code of 1954, whichever is greater.

"(2) The annuity of the individual (as computed under paragraph (1) of this subsection, or under that part of subsection (e) of this section preceding the first proviso) shall be increased in an amount determined from his monthly compensation by use of the following table:

Monthly Compensation:	*Increase*
Up to $100	*$9.13*
$101 to $150	*11.22*
$151 to $200	*12.87*
$201 to $250	*14.63*
$251 to $300	*16.17*
$301 to $350	*17.82*
$351 to $400	*19.47*
$401 to $450	*20.90*
$451 to $500	*22.55*
$501 to $550	*24.09*
$551 to $600	*27.83*
$601 and over	*31.46*

The amount of the increase shall be the amount on the same line as that in which the range of monthly compensation includes his monthly compensation: Provided, however, That, for months with respect to which the individual is entitled to a supplemental annuity under subsection (j), the increase provided in this paragraph shall be reduced by 6.55 per centum of the amount determined under paragraph (1), or under that part of subsection (e) of this section which precedes the first proviso, which is based on the first $450 of the monthly compensation or an amount equal to the amount of the supplemental annuity payable to him, whichever is less: Provided further, That, for months with respect to which the individual is entitled to a benefit under title II of the Social Security Act, the increase shall be reduced by (i) 17.3 per centum of such social security benefit if the increase has not been reduced pursuant to the preceding proviso or (ii) 11.5 per centum of such social security benefit if the increase has been reduced pursuant to the preceding proviso (disregarding for the purpose of this and the following proviso any increase in such benefit based on recomputations other than for the correction of errors after the first adjustment and any increases derived from legislation enacted after the Social Security Amendments of 1967): And provided further, That, the amount computed under this subsection for any month shall not be less than the amount computed in accordance with paragraph (1) or under that part of subsection (e) of this section which precedes the first proviso, plus (i) $10 minus any reduction made pursuant to the first proviso of this paragraph or (ii) if the individual is entitled to a benefit under title II of the Social Security Act and no reduction is made pursuant to the first proviso of this paragraph, $10 minus 5.8 per centum of the lesser of the amount of such social security benefit, or of the amount computed in accordance with paragraph (1) or under that part of subsection (e) of this section which precedes the first proviso.

* * * * * * *

"(e) In the case of an individual having a current connection with the railroad industry, the minimum annuity payable shall, before any reduction pursuant to section 2(a)(3), be whichever of the following is the least: (1) $5.35 multiplied by the number of his years of service; or (2) $89.35; or (3) 118 per centum of his monthly compensation [except that the minimum annuity so determined shall be reduced in accordance with the first two provisos in subsection (a)(1) of this section, but shall not be less than it would be had this Act had not been amended in 1966]: *Provided, however,* That if for any month in which an annuity accrues and is payable under this Act the annuity to which an employee is entitled under this Act (or would have been entitled except for a reduction pursuant to section 2(a)3 or a joint and survivor election), together with his or her spouse's annuity, if any, or the total of survivor annuities under this Act deriving from the same employee is less than the total amount, or the additional amount, plus 10 per centum of the total amount which would have been payable to all persons for such month under the Social Security Act [(deeming completely and partially insured individuals to be fully and currently insured, respectively, individuals entitled to insurance annuities under subsections (a) and (d) of section 5 to have attained age sixty-five, and women entitled to spouses' annuities pursuant to elections made under subsection (h) of section 2 to be entitled to wife's insurance benefits determined under section 202(q) of the Social

Security Act, and disregarding any possible deductions under subsections (g) and (h)(2) of section 203 of the Social Security Act, and disregarding any possible deductions under subsections (g) and (h)(2) of section 203 of the Social Security Act)] if such employee's service as an employee after December 31, 1936, were included in the term 'employment' as defined in that Act and quarters of coverage were determined in accordance with section 5(1)(4) of this Act, such annuity or annuities shall be increased proportionately to such total amount, or such additional amount, plus 10 per centum of such total amount: *Provided further,* That if an annuity accrues to an individual for a part of a month, the amount payable for such part of a month under the preceding proviso shall be one-thirtieth of the amount payable under the proviso for an entire month, multiplied by the number of days in such part of a month.

"For the purposes of the first proviso in the first paragraph of this subsection, (i) completely and partially insured individuals shall be deemed to be fully and currently insured, respectively; (ii) individuals entitled to insurance annuities under subsections (a)(1) and (d) of section 5 of this Act shall be deemed to have attained age 62 (the provisions of this clause shall not apply to individuals who, though entitled to insurance annuities under section 5(a)(1) of this Act, were entitled to an annuity under section 5(a)(2) of this Act for the month before the month in which they attained age 60); (iii) individuals entitled to insurance annuities under section 5(a)(2) of this Act shall be deemed to be entitled to insurance benefits under section 202 (e) or (f) of the Social Security Act on the basis of disability; (iv) individuals entitled to insurance annuities under section 5(c) of this Act on the basis of disability shall be deemed to be entitled to insurance benefits under section 202(d) of the Social Security Act on the basis of disability; and (v) women entitled to spouses' annuities pursuant to elections made under section 2(h) of this Act shall be deemed to be entitled to wives' insurance benefits determined under section 202(q) of the Social Security Act; and, for the purposes of this subsection, any possible deductions under subsections (g) and (h)(2) of section 203 of the Social Security Act shall be disregarded.

"Notwithstanding the provisions of section 202(q) of the Social Security Act, the amount determined under the proviso in the first paragraph of this subsection for a widow or widower who is or has been entitled to an annuity under section 5(a)(2) of this Act, shall be equal to 90.75 percent of the primary insurance amount (reduced in accordance with section 203(a) of the Social Security Act) of the employee as determined under this subsection, and the amount so determined shall be reduced by three-tenths of 1 percent for each month the annuity would be subject to a reduction under section 5(a)(2) of this Act (adjusted upon attainment of age 60 in the same manner as an annuity under section 5(a)(1) of this Act which, before attainment of age 60, had been payable under section 5(a)(2) of this Act); and the amount so determined shall be reduced by the amount of any benefit under title II of the Social Security Act to which she or he is, or on application, would be entitled.

"In cases where an annuity under this Act is not payable under the first proviso in the first paragraph of this subsection on the date of enactment of the Social Security Amendments of 1967, the primary insurance amount used in determining the applicability of such proviso shall, except in cases where the employee died before 1939, be derived after deeming the individual on whose service and compensation the annuity is based (i) to

have become entitled to social security benefits, or (ii) to have died without being entitled to such benefits, after the date of the enactment of the Social Security Amendments of 1967. For this purpose, the provision of section 215(b)(3) of the Social Security Act that the employee must have reached age 65 (62 in the case of a woman) after 1960 shall be disregarded and there shall be substituted for the nine-year period prescribed in section 215(d)(1)(B)(i) of the Social Security Act, the number of years elapsing after 1936 and up to the year of death if the employee died before 1946."

* * * * * * *

"ANNUITIES AND LUMP SUMS FOR SURVIVORS

"SEC. 5. (a) Widow's and Widower's Insurance Annuity.—(*1*) A widow or widower of a completely insured employee, who will have attained the age of sixty, shall be entitled during the remainder of her or his life or, if she or he remarried, then until remarriage to an annuity for each month equal to such employee's basic amount, *except that if the widow or widower will have been paid an annuity under paragraph (2) of this subsection the annuity for a month under this paragraph shall be in an amount equal to the amount calculated under such paragraph (2) except that, in such calculation, any month with respect to which an annuity under paragraph (2) is not paid shall be disregarded: Provided, however,* That if in the month preceding the employee's death the spouse of such employee was entitled to a spouse's annuity under section 2 in an amount greater than the widow's or widower's insurance annuity, the widow's or widower's insurance annuity shall be increased to such greater amount.

"(*2*) *A widow or widower of a completely insured employee who will have attained the age of fifty but will not have attained age sixty and is under a disability, as defined in this paragraph, and such disability began before the end of the period prescribed in the last sentence of this paragraph, shall be entitled to an annuity for each month, unless she or he has remarried in or before such month, equal to such employee's basic amount but subject to a reduction by three-tenths of 1 percent for each calendar month she or he is under age sixty when the annuity begins. A widow or widower shall be under a disability within the meaning of this paragraph if her or his permanent physical or mental condition is such that she or he is unable to engage in any regular employment. The provisions of section 2(a) of this Act as to the proof of disability shall apply with regard to determinations with respect to disability under this paragraph. The annuity of a widow or widower under this paragraph shall cease upon the last day of the second month following the month in which she or he ceases to be under a disability unless such annuity is otherwise terminated on an earlier date. The period referred to in the first sentence of this paragraph is the period beginning with the latest of (i) the month of the employee's death, (ii) the last month for which she was entitled to an annuity under subsection (b) as the widow of such employee, or (iii) the month in which her or his previous entitlement to an annuity as the widow or widower of such employee terminated because her or his disability had ceased and ending with the month before the month in which she or he attains age sixty, or, if earlier with the close of the eighty-fourth month following the month with which such period began.*

* * * * * * *

"(h) Maximum and Minimum Annuity Totals.—Whenever according to the provisions of this section as to annuities payable for a month with respect to the death of an employee, the total annuities is more than $38.84 and exceeds either (a) $207.15, or (b) an amount equal to two and two-thirds times such employee's basic amount, whichever of such amounts is the lesser, such total of annuities shall, after any deductions under subsection (i), be reduced to such lesser amount or to $38.84, whichever is greater. Whenever such total of annuities is less than $18.14, such total shall, prior to any deductions under subsection (i), be increased to $18.14. [: *Provided, however,* That the share of any individual in an amount so determined shall be reduced in accordance with the first two provisos in section 3(a)(1) of this Act except that the share of such individual shall not be less than it would be had this Act not been amended in 1966.]

"(i) Deductions from Annuities.—(1) Deductions shall be made from any payments under this section to which an individual is entitled, until the total of such deductions equals such individual's annuity or annuities under this section for any month in which such individual—

"(i) will have rendered compensated service within or without the United States to an employer;

"(ii) will have been under the age of seventy-two and for which month he is charged with any excess earnings under section 203(f) of the Social Security Act or, having engaged in any activity outside the United States, would be charged under such section 203(f) with any excess earnings derived from such activity if it has been an activity within the United States, *deeming such an individual who is entitled to an annuity under subsection (a)(1) of this section to have attained age sixty-two unless such individual will have been entitled to an annuity under subsection (a)(2) of this section for the month before the month in which he attained age sixty;* and for purposes of this subdivision * * *

"(j) When Annuities Begin and End.—No individual shall be entitled to receive an annuity under this section for any month before January 1, 1947. An application for any payment under this section shall be made and filed in such manner and form as the Board prescribes. An annuity under this section for an individual otherwise entitled thereto shall begin with the month in which eligibility therefor was otherwise acquired, but not earlier than the first day of the twelfth month before the month in which the application was filed. No application for an annuity under this section filed prior to three months before the first month for which the applicant becomes otherwise entitled to receive such annuity shall be accepted. No annuity shall be payable for the month in which the recipient thereof ceases to be qualified therefor: [*Provided, however,* That the annuity of a child qualified under subsection (l)(1)(ii)(C) of this section shall cease to be payable with the month preceding the third month following the month in which he ceases to be unable to engage in any regular employment by reason of a permanent physical or mental condition unless in the month herein first mentioned he qualifies for an annuity under one of the other provisions of this Act.] *Provided, however, That the annuity of a child, qualified under subsection (l)(1)(ii)(C) of this section, shall cease upon the last day of the second month following the month in which he ceases to be unable to engage in any regular employment by reason of a permanent physical or mental condition unless in*

such second month he qualifies for an annuity under one of the other provisions of this Act and unless his annuity is otherwise terminated on an earlier date.

* * * * * * *

"(l) Definitions.—For the purposes of this section the term 'employee' includes an individual who will have been an 'employee', and—

"(1) The qualifications for 'widow', 'widower', 'child', and 'parent' shall be, except for the purposes of subsection (f), those set forth in section 216 (c), (e), and (g), and section 202(h)(3) of the Social Security Act, respectively; and in addition—

"(i) a 'widow' or 'widower' shall have been living with the employee at the time of the employee's death; a widower shall have received at least one-half of his support from his wife employee at the time of her death or he shall have received at least one-half of his support from his wife employee at the time her retirement annuity or pension began[.];

"(ii) a 'child' shall have been dependent upon its parent employee at the time of his death; shall not be adopted after such death by other than a step parent, grand parent, aunt, uncle, brother or sister; shall be unmarried; and—

"(A) shall be less than eighteen years of age; or

"(B) shall be less than twenty-two years of age and a full-time student at an educational institution (determined as prescribed in this paragraph); or

"(C) shall, without regard to his age, be unable to engage in any regular employment by reason of a permanent physical or mental condition [which began] *which disability began* before he attained age eighteen, and

* * * * * * *

A "widow" or "widower" shall be deemed to have been living with the employee if the conditions set forth in section 216(h) (2) or (3), whichever is applicable, of the Social Security Act, as in effect prior to 1957, are fulfilled, or if such widow or widower would be paid benefits, as such, under title II of the Social Security Act but for the fact that the employee died insured under this Act. A "child" shall be deemed to have been dependent upon a parent if the conditions set forth in section 202(d) (3), (4), or (5) of the Social Security Act are fulfilled (a partially insured mother being deemed currently insured). In determining for purposes of this section and subsection (f) of section 2 and subsection (f) of section 3 whether an applicant is the wife, husband, widow, widower, child, or parent of an employee as claimed, the rules set forth in section [216(h)(1) of the Social Security Act, as in effect prior to 1957, shall be applied] *216(h) of the Social Security Act shall be applied deeming, for this purpose, individuals entitled to an annuity under section 2 (e) or (h) to be entitled to benefits under subsection (b) or (c) of section 202, of the Social Security Act and individuals entitled to an annuity under subsection (a) or (b) of this section to be entitled to a benefit under subsection (e), (f), or (g) of section 202 of the Social Security Act.* * * *.

* * * * * * *

"(9) An employee's 'average monthly remuneration' shall mean the quotient obtained by dividing (A) the sum of (i) the compensa-

tion paid to him after 1936 and before the employee's closing date *or January 1, 1951, whichever is later,* eliminating any excess over $300 for any calendar month before July 1, 1954, any excess over $350 for any calendar month after June 30, 1954, and before June 1, 1959, any excess over $400 for any month after May 31, 1959, and before November 1, 1963, any excess of $450 for any month after October 31, 1963, and before October 1, 1965, and any excess of (i) $450, or (ii) an amount equal to one-twelfth of the current maximum annual taxable 'wages' as defined in section 3121 of the Internal Revenue Code of 1954, whichever is greater, for any month after September 30, 1965, and (ii) if such compensation [for any calendar year before 1955 is less than $3,600] *in the period before 1951 is less than $50,400, or for any calendar year after 1950 and before 1955 is less than $3,600* or for any calendar year after 1954 and before 1959 is less than $4,200, or for any calendar year after 1958 and before 1966 is less than $4,800, or for any calendar year after 1965 is less than an amount equal to the current maximum annual taxable 'wages' as defined in section 3121 of the Internal Revenue Code of 1954, and the average monthly remuneration computed on compensation alone is less than (i) $450, or (ii) an amount equal to one-twelfth of the current maximum annual taxable 'wages' as defined in section 3121 of the Internal Revenue Code of 1954, whichever is greater, and the employee has earned in such *period or such* calendar year 'wages' as defined in paragraph (6) hereof, such wages, in an amount not to exceed the difference between the compensation [for such year and $3,600 for years before 1955] *for such period and $50,400, and between the compensation for such year and $3,600 for years after 1950 and before 1955,* $4,200 for years after 1954 and before 1959, $4,800 for years after 1958 and before 1966, and an amount equal to the current maximum annual taxable 'wages' as defined in section 3121 of the Internal Revenue Code of 1954 for years after 1965, by (B) three times the number of quarters elapsing after 1936 and before the employee's [closing date: *Provided,* That for the period prior to and including] *closing date or January 1, 1951, whichever is later; Provided, That for the period after 1950 but prior to and including* the calendar year in which he will have attained the age of twenty-two there shall be included in the divisor not more than three times the number of quarters of coverage in such period: *Provided, further,* That there shall be excluded from the divisor any calendar quarter *after 1950* which is not a quarter of coverage and during any part of which a retirement annuity will have been payable to him, *any calendar quarter before 1951 in which a retirement annuity will have been payable and any calandar quarter before 1951 and before the year in which he will have attained the age of 20.* An employee's 'closing date' shall mean (A) * * *.

"(10) The term 'basic amount' shall mean—

"(i) for an employee who will have been partially insured or, completely insured solely by virtue of paragraph (7)(i) or (7)(ii) or both: the sum of (A) 52.4 per centum of his average monthly remuneration, up to and including $75; plus (B) 12.8 per centum of such average monthly remuneration exceeding $75 and up to and including [$450, plus (C) 12 per centum of such average monthly remuneration exceeding $450 and up to and including an amount equal to one-twelfth of the current maximum annual taxable 'wages' as defined in Section 3121 of the Internal Revenue

Code of 1954, plus (D) 1 per centum of the sum of (A) plus (B) plus (C) multiplied by] *(i) $450, or (ii) an amount equal to one-twelfth of the current maximum annual taxable 'wages' as defined in Section 3121 of the Internal Revenue Code of 1954, whichever is greater, plus (C) 1 per centum of the sum of (A) plus (B) multiplied by* the number of years [after 1936 in each of which the compensation, wages, or both, paid to him will have been equal to $200 or more] *after 1950 in each of which the compensation, wages, or both, paid to him will have been equal to $200 or more plus, for the years after 1936 and before 1951, a number of years determined in accordance with regulations prescribed by the Board;* if the basic amount thus computed is less than $18.14, it shall be increased to $18.14;

* * * * * * *

[''(m) An annuity payable under this section to an individual, without regard to subsection (h) of this section or the proviso in the first paragraph of section 3(e) of this Act, shall be reduced in accordance with the first two provisos in section 3(a)(1) of this Act except that the amount of the annuity shall not be less than it would be had this Act not been amended in 1966.]

''*(m) The amount of an individual's annuity calculated under the other provisions of this section (except an annuity in the amount determined under the proviso in subsection (a) or (b)) shall (before any reduction on account of age) be increased in the amount of 82.5 per centum in the case of a widow, widower, or parent and 75 per centum in the case of a child of the increase shown in the table in section 3(a)(2) on the same line on which the range of monthly compensation includes an amount equal to the average monthly wage determined for the purposes of section 3(e) (except that for cases involving earnings before 1951 and for cases on the Board's rolls on the enactment date of the 1967 amendments to the Railroad Retirement Act, an amount equal to the highest average monthly wage that can be found on the same line of the table in section 215(a) of the Social Security Act as is the primary insurance amount recorded in the records of the Railroad Retirement Board shall be used, and if such an average monthly wage cannot be determined, the employee's monthly compensation on which his annuity was computed shall be used; and in the case of a pensioner, his monthly compensation shall be deemed to be the earnings which are used to compute his basic amount): Provided, however, That the increase shall (before any reduction on account of age) be reduced by 17.3 per centum of any benefit under title II of the Social Security Act to which the individual is entitled (disregarding for the purpose of this and the following proviso any increase in such benefit based on recomputations other than for the correction of errors after the first adjustment and any imcreases derived from legislation enacted after the Social Security Amendments of 1967): And, provided further, That the amount computed under this subsection shall (before any reduction on account of age) not be less than $5, or, in the case of an individual entitled to benefits under title II of the Social Security Act, such amount shall not be less than $5 minus 5.8 per centum of the lesser of the social security benefit to which such individual is entitled or the benefit computed under the other provisions of this section.*

* * * * * * *

"RETIREMENT BOARD

"Personnel

"SEC. 10. (a) There is hereby established as an independent agency in the executive branch of the Government a Railroad Retirement Board, to be composed of three members appointed by the President by and with the advice and consent of the Senate. Each member shall hold office for a term of five years, except that any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of the term and the terms of office of the members first taking office after the enactment date shall expire, as designated by the President, one at the end of two years, one at the end of three years, and one at the end of four years after the enactment date. One member shall be appointed from recommendations made by representatives of the employees and one member shall be appointed from recommendations made by representatives of carriers, in both cases as the President shall direct, so as to provide representation on the Board satisfactory to the largest number, respectively, of employees and carriers concerned. One member, who shall be the chairman of the Board, shall be appointed initially for a term of two years without recommendation by either carriers or employees and shall not be in the employment of or be pecuniarily or otherwise interested in any employer or organization of employees. Vacancies in the Board shall not impair the powers or affect the duties of the Board or of the remaining members of the Board, of whom a majority of those in office shall constitute a quorum for the transaction of business. [Each of said members shall receive a salary of $10,000 per year, together with necessary traveling expenses and subsistence expenses, or per diem allowance in lieu thereof, while away from the principal office of the Board on official duties.] *Upon the expiration of his term of office a member shall continue to serve until his successor is appointed and shall have qualified.*

RAILROAD UNEMPLOYMENT INSURANCE ACT

DEFINITIONS

SECTION 1. For the purposes of this Act, except when used in amending the provisions of other Acts—

(a) * * *

* * * * * * * *

(k) Subject to the provisions of section 4 of this Act, (1) a day of unemployment, with respect to any employee, means a calendar day on which he is able to work and is available for work and with respect to which (i) no remuneration is payable or accrues to him, and (ii) he has, in accordance with such regulations as the Board may prescribe, registered at an employment office; and (2) a "day of sickness", with respect to any employee, means a calendar day on which because of any physical, mental, psychological, or nervous injury, illness, sickness, or disease he is not able to work [or which is included in a maternity period], *or, with respect to a female employee,*

a calendar day on which, because of pregnancy, miscarriage, or the birth of a child, (i) she is unable to work or (ii) working would be injurious to her health, and with respect to which (i) no remuneration is payable or accrues to him, and (ii) in accordance with such regulations as the Board may prescribe, a statement of sickness is filed within such reasonable period, not in excess of ten days, as the Board may prescribe: *Provided, however,* That "subsidiary remuneration", as hereinafter defined in this subsection, shall not be considered remuneration for the purpose of this subsection except with respect to an employee whose base-year compensation, exclusive of earnings from the position or occupation in which he earned such subsidiary remuneration, is less than [$750] *$1,000: Provided further,* That remuneration for a working day which includes a part of each of two consecutive calendar days shall be deemed to have been earned on the first of such two days, and any individual who takes work for such working day shall not by reason thereof be deemed not available for work on the second of such calendar days: *Provided further,* That any calendar day on which no remuneration is payable to or accrues to an employee solely because of the application to him of mileage or work restrictions agreed upon in schedule agreements between employers and employees or solely because he is standing by for or laying over between regularly assigned trips or tours of duty shall not be considered either a day of unemployment or a day of sickness.

For the purpose of this subsection, the term "subsidiary remuneration" means, with respect to any employee, remuneration not in excess of an average of three dollars a day for the period with respect to which such remuneration is payable or accrues, if the work from which the remuneration is derived (i) requires substantially less than full time as determined by generally prevailing standards, and (ii) is susceptible of performance at such times and under such circumstances as not to be inconsistent with the holding of normal full-time employment in another occupation.

(l)(*1*) The term "benefits" (except in phrases clearly designating other payments) means the money payments payable to an employee as provided in this Act, with respect to his unemployment or sickness.

(l) [(1)] (*2*) The term "statement of sickness" means a statement with respect to days of sickness of an employee, [and the term "statement of maternity sickness" means a statement with respect to a maternity period of a female employee, in each case] executed such manner and form by an individual duly authorized pursuant to section 12(i) to execute such statements, and filed as the Board may prescribe by regulations.

[(l)(2) The term "maternity period" means the period beginning fifty-seven days prior to the date stated by the doctor of a female employee to be the expected date of the birth of the employee's child and ending with the one hundred and fifteenth day after it begins or with the thirty-first day after the day of the birth of the child, whichever is later.]

* * * * * * *

BENEFITS

SEC. 2. (a) Benefits shall be payable to any qualified employee (i) for each day of unemployment in excess of four during any registra-

tion period, and (ii) for each day of sickness [other than a day of sickness in a maternity period] *in* excess of seven during the first registration period, within a benefit year, in which he will have had seven or more such days of sickness, and for each such day of sickness in excess of four during any subsequent registration period in the same benefit year [, and (iii) for each day of sickness in a maternity period].

The benefits payable to any such employee for each such day of unemployment or sickness shall be the amount appearing in the following table in column II on the line on which, in column I, appears the compensation range containing his total compensation with respect to employment in his base year:

Column I Total Compensation	Column II Daily Benefit Rate
[$750 to $999.99	$5.00]
1,000 to 1,299.99	[5.50] *$8.00*
1,300 to 1,599.99	[6.00] *8.50*
1,600 to 1,899.99	[6.50] *9.00*
1,900 to 2,199.99	[7.00] *9.50*
2,200 to 2,499.99	[7.50] *10.00*
2,500 to 2,799.99	[8.00] *10.50*
2,800 to 3,099.99	[8.50] *11.00*
3,100 to 3,499.99	[9.00] *11.50*
3,500 to 3,999.99	[9.50] *12.00*
4,000 and over	[10.20] *12.70*

Provided, however, That if the daily benefit rate in column II with respect to any employee is less than an amount equal to 60 per centum of the daily rate of compensation for the employee's last employment in which he engaged for an employer in the base year, such rate shall be increased to such amount but not to exceed [$10.20] *$12.70*. The daily rate of compensation referred to in the last sentence shall be as determined by the Board on the basis of information furnished to the Board by the employee, his employer, or both.

[The amount of benefits payable for the first fourteen days in each maternity period, and for the first fourteen days in a maternity period after the birth of the child, shall be one and one-half times the amount otherwise payable under this subsection. Benefits shall not be paid for more then eighty-four days of sickness in a maternity period prior to the birth of the child. Qualification for and rate of benefits for days of sickness in a maternity period shall not be affected by the expiration of the benefit year in which the maternity period will have begun unless in such benefit year the employee will not have been a qualified employee.]

In computing benefits to be paid, days of unemployment shall not be combined with days of sickness in the same registration period.

(b) The benefits provided for in this section shall be paid to an employee at such reasonable intervals as the Board may prescribe.

(c) The maximum number of days of unemployment within a benefit year for which benefits may be paid to an employee shall be one hundred and thirty, and the maximum number of days of sickness [, other than days of sickness in a maternity period,] within a benefit year for which benefits may be paid to an employee shall be one hundred and thirty: *Provided, however*, That the total amount of benefits which may be paid to an employee for days of unemployment

within a benefit year shall in no case exceed the employee's compensation in the base year; *and* the total amount of benefits which may be paid to an employee for days of sickness[, other than days of sickness in a maternity period,] within a benefit year shall in no case exceed the employee's compensation in the base year[; and the total amount of benefits which may be paid to an employee for days of sickness in a maternity period shall in no case exceed the employee's compensation in the base year on the basis of which the employee was determined to be qualified for benefits in such maternity period]: *And provided further,* That, with respect to an employee who has ten or more years of service as defined in section 1(f) of the Railroad Retirement Act of 1937, who did not voluntarily [leave work without good cause or voluntarily retire] *retire and (in a case involving exhaustion of rights to benefits for days of unemployment) did not voluntarily leave work without good cause,* and who had current rights to normal benefits for days of unemployment *or days of sickness* in a benefit year but has exhausted such rights, the benefit year in which such rights are exhausted shall be deemed not to be ended until the last day of the extended benefit period determined under the following schedule, and the maximum number of days of, and amount of payment for, unemployment *or sickness (depending on the type of benefit rights exhausted)* within such benefit year for which benefits may be paid to the employee shall be enlarged to include all compensable days of unemployment *or days of sickness, as the case may be,* within such extended benefit period:

> The extended benefit period shall begin on the first day of unemployment *or sickness, as the case may be,* following the day on which the employee exhausted his then current rights to normal benefits for days of unemployment *or days of sickness* and shall continue for successive fourteen-day periods (each of which periods shall constitute a registration period) until the number of such fourteen-day periods totals—

If the employee's "years of service" total—

10 and less than 15	7 (but not more than 65 days)
15 and over	13

but no such extended benefit period shall extend beyond the beginning of the first registration period in a benefit year in which the employee is again qualified for benefits in accordance with section 3 of this Act on the basis of compensation earned after the first of such successive fourteen-day periods has begun. For an employee who has ten or more years of service, who did not voluntarily [leave work without good cause or voluntarily retire] *retire and (in a case involving unemployment) did not voluntarily leave work without good cause,* who has fourteen or more consecutive days of unemployment, *or fourteen or more consecutive days of sickness,* and who is not a "qualified employee" for the general benefit year current when such unemployment *or sickness* commences but is or becomes a "qualified employee" for the next succeeding general benefit year, such succeeding benefit year shall, in his case, begin on the first day of the month in which such unemployment *or sickness* commences. *Notwithstanding the other provisions of this subsection, an extended benefit period for sickness benefits shall terminate on the day next preceding the date on which the employee attains age 65, except that it may continue for the purpose of the payment of un-*

employment benefits; and, in the case of a succeeding benefit year beginning in accordance with the next preceding sentence by reason of sickness, such sentence shall not operate to permit the payment of benefits in the period provided for in such sentence for any day of sickness beginning with the day on which age 65 is attained and continuing through the day preceding the first day of the next succeeding general benefit year. For purposes of this subsection and section 10(h), the Board may rely on evidence of age available in its records and files at the time determinations of age are made.

* * * * * * *

QUALIFYING CONDITION

SEC. 3. An employee shall be a "qualified employee" if the Board finds that his compensation will have been not less than [$750] *$1,000* with respect to the base year, and, if such employee has had no compensation prior to such year, that he will have had compensation with respect to each of not less than seven months in such year.

DISQUALIFYING CONDITIONS

SEC. 4. (a–1) There shall not be considered as a day of unemployment or as a day of sickness, with respect to any employee—

(i) any of the seventy five days beginning with the first day of any registration period with respect to which the Board finds that he knowingly made or aided in making or caused to be made any false or fraudulent statement or claim for the purpose of causing benefits to be paid;

(ii) any day in any period with respect to which the Board finds that he is receiving or will have received annuity payments or pensions under the Railroad Retirement Act of 1935 or the Railroad Retirement Act of 1937, or insurance benefits under title II of the Social Security Act, or unemployment, maternity, or sickness benefits under an unemployment, maternity, or sickness compensation law other than this Act, or any other social insurance payments under any law: *Provided*, That if an employee receives or is held entitled to receive any such payments, other than unemployment, maternity, or sickness payments, with respect to any period which include days of unemployment or sickness in a registration period, after benefits under this Act for such registration period will have been paid, the amount by which such benefits under this Act will have been increased by including such days as days of unemployment or as days of sickness shall be recoverable by the Board: *Provided further*, That, if that part of any such payment or payments, other than unemployment, maternity, or sickness payments, which is apportionable to such days of unemployment or days of sickness is less in amount than the benefits under this Act which, but for this paragraph, would be payable and not recoverable with respect to such days of unemployment or days of sickness, the preceding provisions of this paragraph shall not apply but such benefits under this Act for such days of unemployment or days of sickness shall be diminished or recoverable in the amount of such part of such other payment or payments:

(iii) if he is paid a separation allowance, any of the days in the period beginning with the day following his separation from service

and continuing for that number of consecutive fourteen-day periods which is equal, or most nearly equal, to the amount of the separation allowance divided (i) by ten times his last daily rate of compensation prior to his separation if he normally works five days a week, (ii) by twelve times such rate if he normally works six days a week, and (iii) by fourteen times such rate if he normally works seven days a week;

(a–2) There shall not be considered as a day of unemployment, with respect to any employee—

(i) (A) subject to the provisions of subdivision (B) hereof, any of the days in the period beginning with the day with respect to which the Board finds that he left work voluntarily, and continuing until he has been paid compensation of not less than [*$750*] *$1,000* with respect to time after the beginning of such period;

* * * * * * *

RAILROAD UNEMPLOYMENT INSURANCE ACCOUNT

SEC. 10. (a) The Secretary of the Treasury shall maintain in the unemployment trust fund established pursuant to section 904 of the Social Security Act an account to be known as the railroad unemployment insurance account. This account shall consist of (i) such part of all contributions collected pursuant to section 8 of this Act as is in excess of 0.25 per centum of the total compensation on which such contributions are based, together with all interest collected pursuant to section 8(g) of this Act; (ii) all amounts transferred or paid into the account pursuant to section 13 or section 14 of this Act *and pursuant to subsection (h) of this section;* (iii) all additional amounts appropriated to the account in accordance with any provision of this Act or with any provision of law now or hereafter adopted; (iv) a proportionate part of the earnings of the unemployment trust fund, computed in accordance with the provisions of section 904(e) of the Social Security Act; (v) all amounts realized in recoveries for overpayments or erroneous payments of benefits; (vi) all amounts transferred thereto pursuant to section 11 of this Act; (vii) all fines or penalties collected pursuant to the provisions of this Act; and (viii) all amounts credited thereto pursuant to section 2(f) or section 12(g) of this Act. Notwithstanding any other provision of law, all moneys credited to the account shall be mingled and undivided, and are hereby permanently appropriated to the Board to be continuously available to the Board without further appropriation, for the payment of benefits and refunds under this Act, and no part thereof shall lapse at any time, or be carried to the surplus fund or any other fund.

* * * * * * *

(g) Section 904(f) of the Social Security Act is hereby amended by adding thereto the following sentence: "The Secretary of the Treasury is authorized and directed to make such payments out of the railroad unemployment insurance account for the payment of benefits, and out of the railroad unemployment insurance administration fund for the payment of administrative expenses, as the Railroad Retirement Board may duly certify, not exceeding the amount standing to the credit of such account or such fund, as the case may be, at the time of such payment."

(h) At the close of the fiscal year ending June 30, 1968, and each fiscal year thereafter, the Board shall determine the amount, if any, which, if added to the railroad unemployment insurance account, would place such account in the same position it would have been in at the close of such fiscal year if every employee who had been paid benefits in the fiscal year for days of sickness in an extended benefit period under the first sentence of section 2(c), or in a "succeeding benefit year" begun in accordance with the second sentence of section 2(c), and who upon application therefor would have been entitled to a disability annuity under section 2(a) of the Railroad Retirement Act of 1937 with respect to some or all of the days for which such benefits were paid, had been paid such annuity with respect to all days of sickness for which he was paid benefits which were also days with respect to which such annuity could have accured. In determining such amount, the Board shall presume that every such employee was, in respect to this permanent physical or mental condition, qualified for such an annuity from the date of onset of the last spell of illness for which he was paid such benefits, if (a) he died without applying for such an annuity and before fully exhausting all rights to such benefits; or (b) he died without applying for such an annuity but within a year after the last day of sickness for which he had been paid such benefits, and had not meanwhile engaged in substantial gainful employment; or (c) he applied for such an annuity within one year after the last day of sickness for which he was paid such benefits and had not engaged in substantial gainful employment after that day and before the day on which he filed an application for such an annuity. The Board shall also have authority to make reasonable approximations deemed necessary in computing annuities for this purpose. The Board shall determine such amount no later than June 15 following the close of the fiscal year, and within ten days after such determination shall certify such amount to the Secretary of the Treasury for transfer from the Railroad Retirement Account to the railroad unemployment insurance account, and the Secretary of the Treasury shall make such transfer. The amount so certified shall include interest (at a rate determined, as of the close of the fiscal year, in accordance with subsection (d) of this section) payable from the close of such fiscal year to the date of certification.

SEC. 12. (a) * * *

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(f) The Board may cooperate with or enter into agreement with the appropriate agencies charged with the administration of State, Territorial, Federal, or foreign unemployment-compensation[,] *or* sickness [, or maternity] laws or employment officers, with respect to investigations, the exchange of information and services, the establishment, maintenance, and use of free employment service facilities, and such other matters as the Board deems expedient in connection with the administration of this Act, and may compensate any such agency for services or facilities supplied to the Board in connection with the administration of this Act. The Board may enter also into agreements with any such agency, pursuant to which any unemployment[,] *or* sickness[, or maternity] benefits provided for by this Act or any other unemployment-compensation[,] *or* sickness[, or maternity] law, may be paid through a single agency to persons who have, during the period on the basis of which eligibility for and duration of benefits is determined under the law administered by such agency or under

this Act, or both, performed services covered by one or more of such laws, or performed services which constitute employment as defined in this Act: *Provided*, That the Board finds that any such agreement is fair and reasonable as to all affected interests.

(g) In determining whether an employee has qualified for benefits in accordance with section 3 of this Act, and in determining the amounts of benefits to be paid to such employee in accordance with sections 2(a) and 2(c) of this Act, the Board is authorized to consider as employment (and compensation therefor) services for hire other than employment (and remuneration therefor) if such services for hire are subject to an unemployment[,] *or* sickness[, or maternity] compensation law of any State, provided that such State has agreed to reimburse the United States such portion of the benefits to be paid upon such basis to such employee as the Board deems equitable. Any amounts collected pursuant to this paragraph shall be credited to the account.

If a State, in determining whether an employee is eligible for unemployment [,] *or* sickness[, *or* maternity] benefits under an unemployment[,] *or* sickness[, or maternity] compensation law of such State, and in determining the amount of unemployment[,] *or* sickness[, or maternity] benefits to be paid to such employee pursuant to such unemployment[,] *or* sickness[,] [or maternity] compensation law, considers as services for hire (and remuneration therefor) included within the provisions of such unemployment[,] *or* sickness[, or maternity] compensation law, employment) and compensation therefor), the Board is authorized to reimburse such State such portion of such unemployment[,] *or* sickness[, or maternity] benefits as the Board deems equitable; such reimbursements shall be paid from the account, and are included within the meaning of the word "benefits" as used in this Act.

(h) The Board may enter into agreements or arrangements with employers, organizations of employers, and railway-labor organizations which are duly organized in accordance with the provisions of the Railway Labor Act, for securing the performance of services or the use of facilities in connection with the administration of this Act, and may compensate any such employer or organization therefor upon such reasonable basis as the Board shall prescribe, but not to exceed the additional expense incurred by such employer or organization by reason of the performance of such services or making available the use of such facilities pursuant to such agreements or arrangements. Such employers and organizations, and persons employed by either of them, shall not be subject to the Act of Congress approved March 3, 1917 (39 Stat. 1106, ch. 163, sec. 1).

(i) The Board may establish, maintain, and operate free employment offices, and may designate as free employment offices facilities maintained by (i) a railway labor organization which is duly authorized and designated to represent employees in accordance with the Railway Labor Act, or (ii) any other labor organization which has been or may be organized in accordance with the provisions of the Railway Labor Act, or (iii) one or more employers, or (iv) an organization of employers, or (v) a group of such employers and labor organizations, or (vi) a State, Territorial, foreign, or the Federal Government. The Board may also enter into agreements or arrangements with one or more employers or railway labor organizations

organized in accordance with the provisions of the Railway Labor Act, pursuant to which notice of the availability of work and the rights of employees with respect to such work under agreements between such employers and railway labor organizations may be filed with employment offices and pursuant to which employees registered with employment offices may be referred to such work.

The Board shall prescribe a procedure for registration of unemployed employees at employment offices. Such procedure for registration shall be prescribed with a view to such registration affording substantial evidence of the days of unemployment of the employees who register. The Board may, when such registration is made personally by an employee, accept such registration as intial proof of unemployment sufficient to certify for payment a claim for benefits.

The Board shall provide a form or forms for statements of sickness and a procedure for the execution and filing thereof. Such forms and procedure shall be designed with a view to having such statements provide substantial evidence of the days of sickness of the employee [and, in case of maternity sickness, the expected date of birth and the actual date of birth of the child]. Such statements may be executed by any doctor (authorized to practice in the State or foreign jurisdiction in which he practices his profession) or any officer or supervisory employee of a hospital, clinic, group health association, or other similar organization, who is qualified under such regulations as the Board may prescribe to execute such statements. The Board shall issue regulations for the qualification of such persons to execute such statements. When so executed by any such person, or, in the discretion of the Board, by others designated by the Board individually or by groups, they may be accepted as initial proof of days of sickness sufficient to certify for payment a claim for benefits.

The regulations of the Board concerning registration at employment offices by unemployed persons may provide for group registration and reporting, through employers, and need not be uniform with respect to different classes of employees.

The operation of any employment facility operated by the Board shall be directed primarily toward the reemployment of employees who have theretofore been substantially employed by employers.

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(n) Any employee claiming, entitled to, or receiving sickness benefits under this Act may be required to take such examination, physical, medical, mental, or otherwise, in such manner and at such times and by such qualified individuals, including medical officers or employees of the United States or a State, as the Board may prescribe. The place or places of examination shall be reasonably convenient for the employee. No sickness [or maternity] benefits shall be payable under this Act with respect to any period during which the employee unreasonably refuses to take or willfully obstructs an examination as prescribed by the Board.

Any doctor who renders any attendance, treatment, attention, or care, or performs any examination with respect to a sickness of an employee [or as to the expected date of birth of a female employee's child, or the birth of such a child] upon which a claim or right to benefits under this Act is based, shall furnish the Board, in such manner and form and at such times as the Board by regulations may

prescribe, information and reports relative thereto and to the condition of the employee. An application for sickness [or maternity] benefits under this Act shall contain a waiver of any doctor-patient privilege that the employee may have with respect to any sickness [or maternity] period upon which such application is based: *Provided*, That such information shall not be disclosed by the Board except in a court proceeding relating to any claims for benefits by the employee under this Act.

The Board may enter into agreements or arrangements with doctors, hospitals, clinics, or other persons for securing the examination, physical, medical, mental, or otherwise, of employees claiming, entitled to, or receiving sickness [or maternity] benefits under this Act and the performance of services or the use of facilities in connection with the execution of statements of sickness. The Board may compensate any such doctors, hospitals, clinics, or other persons upon such reasonable basis as the Board shall prescribe. Such doctors, hospitals, clinics, or other persons and persons employed by any of them shall not be subject to the Act of Congress approved March 3, 1917 (39 Stat. 1106, ch. 163, sec. 1). In the event that the Board pays for the physical or mental examination of an employee or for the execution of a statement of sickness and such employee's claim for benefits is based upon such examination or statement, the Board shall deduct from any sickness [or maternity] benefits payable to the employee pursuant to such claim such amount as, in the judgment of the Board, is a fair and reasonable charge for such examination or execution of such statement.

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EXCLUSIVENESS OF PROVISIONS; TRANSFERS FROM STATE UNEMPLOYMENT COMPENSATION ACCOUNTS TO RAILROAD UNEMPLOYMENT INSURANCE ACCOUNT

SEC. 13. (a) Effective July 1, 1939, section 907(c) of the Social Security Act is hereby amended by substituting a semicolon for the period at the end thereof, and by adding: "(8) service performed in the employ of an employer as defined in the Railroad Unemployment Insurance Act and service performed as an employee representative as defined in said Act."

(b) By enactment of this Act the Congress makes exclusive provision for the payment of unemployment benefits for unemployment occurring after June 30, 1939, and for the payment of sickness [and maternity] benefits for sickness [or for maternity] periods after June 30, 1947, based upon employment (as defined in this Act). No employee shall have or assert any right to unemployment benefits under an unemployment compensation law of any State with respect to unemployment occurring after June 30, 1939, or to sickness [or maternity] benefits under a sickness [or maternity] law of any State with respect to sickness [or to maternity] periods occurring after June 30, 1947, based upon employment (as defined in this Act). The Congress finds and declares that by virtue of the enactment of this Act, the application of State unemployment compensation laws after June 30, 1939, or of State sickness [or maternity] laws after June 30, 1947, to such employment, except pursuant to section 12(g) of this Act, would constitute an undue burden upon, and an undue interfer-

ence with the effective regulation of, interstate commerce. In furtherance of such determination, after June 30, 1939, the term "person" as used in section 906 of the Social Security Act shall not be construed to include any employer (as defined in this Act) or any person in its employ: *Provided,* That no provision of this Act shall be construed to affect the payment of unemployment benefits with respect to any period prior to July 1, 1939, under an unemployment compensation law of any State based upon employment performed prior to July 1, 1939, and prior to such date employment as defined in this Act shall not constitute "Service with respect to which unemployment compensation is payable under an [or "service under any"] unemployment compensation system [or "plan"] established by an Act of Congress" [or "a law of the United States"] or "employment in interstate commerce, of an individual who is covered by an unemployment compensation system established directly by an Act of Congress," or any term of similar import, used in any unemployment compensation law of any State.

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Calendar No. 935

90TH CONGRESS
2D SESSION

S. 2839

[Report No. 954]

IN THE SENATE OF THE UNITED STATES

JANUARY 18, 1968

Mr. MORSE (for himself and Mr. PELL) introduced the following bill; which was read twice and referred to the Committee on Labor and Public Welfare

JANUARY 26, 1968

Reported by Mr. PELL, without amendment

A BILL

To amend the Railroad Retirement Act of 1937 and the Railroad Unemployment Insurance Act to provide for increase in benefits, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That—

TITLE I—AMENDMENTS TO THE RAILROAD RETIREMENT ACT

SEC. 101. The eighth sentence of section 1 (h) of the Railroad Retirement Act of 1937 is amended by inserting "before 1968" after "calendar month" and by adding after such eighth sentence the following new sentence: "In making such a determination there shall be attributable as compen-

NOTE: Companion bill to H. R. 14563, as amended by the Committee on Interstate and Foreign Commerce, and as passed by the House of Representatives.

Calendar No. 935

90TH CONGRESS
2D SESSION

S. 2839

[Report No. 954]

A BILL

To amend the Railroad Retirement Act of 1937 and the Railroad Unemployment Insurance Act to provide for increase in benefits, and for other purposes.

By Mr. MORSE and Mr. PELL

JANUARY 18, 1968
Read twice and referred to the Committee on Labor and Public Welfare

JANUARY 26, 1968
Reported without amendment

United States of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 90th CONGRESS, SECOND SESSION

Vol. 114 WASHINGTON, TUESDAY, JANUARY 30, 1968 No. 12

Senate

AMENDMENT OF THE RAILROAD RETIREMENT ACT AND THE RAILROAD UNEMPLOYMENT INSURANCE ACT

Mr. PELL. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 936, H.R. 14563.

The PRESIDENT pro tempore. The bill will be stated by title.

The LEGISLATIVE CLERK. A bill (H.R. 14563) to amend the Railroad Retirement Act of 1937 and the Railroad Unemployment Insurance Act to provide for increases in benefits and for other purposes.

The PRESIDENT pro tempore. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

Mr. PELL. Mr. President, I move approval of H.R. 14563.

Mr. BYRD of West Virginia. Mr. President, I wish to express my support of this measure, and I join in the request of the distinguished Senator from Rhode Island in moving its approval.

Mr. MANSFIELD. Mr. President, I ask unanimous consent to have printed in the RECORD an excerpt from the report (No. 954), explaining the purposes of the bill.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

PRINCIPAL PURPOSE OF THE BILL

Title I of the bill provides an increase in railroad retirement benefits for persons who will not receive an increase in either their railroad retirement or social security benefits as a result of the recent amendments to the Social Security Act. This increase, subject to certain offsets explained hereafter, will equal 110 percent of the increases the affected individuals would have received under the Social Security Act had that act been applicable to the railroad service involved rather than the Railroad Retirement Act. Many persons automatically receive increases in railroad retirement benefits when social security benefits increase, because their benefits are computed under the social security formula, which was increased by last years amendments. These individuals are not affected by the bill. All other beneficiaries will receive increases of $10 or more, in the case of retired employees, or $5 or more in the case of wives, widows, parents, and children (before any reductions for early payment of benefits).

Title I also makes certain disabled widows and widowers eligible for benefits, makes certain additional family members eligible for benefits, provides an increase in the credit for future military service, and liberalizes the earnings test for persons eligible for disability annuities, under the Railroad Retirement Act. The cost of these benefits will be financed out of increases in the income of the railroad retirement fund arising out of the recent Social Security Act amendments and will not require a further increase in railroad retirement taxes.

Title II of the bill would increase by $2.50 per day benefits for unemployment and sickness, and would provide some restrictions on eligibility for those benefits.

The bill reflects the terms of an agreement entered into by representatives of railway labor and management and is supported by the administration.

BRIEF EXPLANATION OF THE BILL

Title I

There are two formulas for computing annuities under the Railroad Retirement Act, the social security minimum guarantee formula in section 3(e) of the act, and the regular formula. The vast majority of survivor annuities and some retirement and spouses' annuities are computed under the formula in section 3(e) which, in effect, provides for

payment of 110 percent of the amount which would be payable under the Social Security Act if the railroad service had been social security employment; and many spouses' annuities would be larger except for a limit to 110 percent of the highest amount that could be paid to anyone as a wife's benefit under the Social Security Act. On the other hand, the vast majority of employee annuities and a significant proportion of aged widows' annuities are computed under the regular railroad retirement formula. The enactment of the 1967 Social Security Amendments will result in increases in the annuities of individuals described in the first sentence above, without the aid of this bill. With respect to the individuals described in the second sentence above, title I of the bill would increase their annuities by an amount approximately equivalent to 110 percent of the dollar amount resulting from the percentage increase in benefits provided by the Social Security Amendments of 1967 under the Social Security Act, subject to certain, adjustments which are described below.

The increase in annuity amounts, described in the last sentence above, would relate only to the percentage increase in the amount of social security benefits over the amount payable under the 1965 amendments to the Social Security Act. The reason for this restriction is that higher social security benefits attributable solely to the higher limit on creditable earnings would come about from the increase in the social security earnings base by the Social Security Amendments of 1967 and from the maximum creditable monthly compensation under the Railroad Retirement Act which is automatically increased from $550 to $650 per month by the operation of existing provisions of the Railroad Retirement Act. This increase in the maximum creditable compensation of itself will produce higher annuity amounts for those employees who earn in excess of $550 a month. Further, the 7-percent increase in annuity amounts provided by the 1966 amendments to the Railroad Retirement Act (Public Law 89–699) which do not now apply to monthly compensation over $450 would be made to apply to such monthly compensation.

Where a railroad retirement annuitant is also being paid social security benefits, there would be an offset against the schedule increase in his annuity by the amount of the percentage increase in his social security benefits provided by the Social Security Amendments of 1967; however, before any reduction required for age, there would be an increase of at least $10 a month in employee annuities (and this increase would be in addition to the higher amount payable due to the raise in the compensation limit and to the application of the 7-percent increase in 1966 to compensation above $450), and of at least $5 a month in each spouse and survivor annuity; and these minimum increases would be without regard to the offset for entitlement to social security benefits.

The increases in annuities provided by the bill will be effective beginning with annuities accruing on February 1, 1968.

In the opinion of the Board's Chief Actuary the bulk of the costs of the amendments to the Railroad Retirement Act (75 percent) would be offset by the actuarial gains from the 1967 Social Security Amendments. Therefore, the enactment of this title of the bill would not cause a material change in the actuarial condition of the railroad retirement system; it would be nearly the same as it was before the enactment of the Social Security Amendments of 1967.

Title II

This title of the bill would eliminate maternity benefits, as such, but with respect to a female employee, a day of sickness would include a day on which, because of pregnancy, miscarriage, or the birth of a child (i) she is unable to work or (ii) working would be injurious to her health.

The amount of compensation to be earned in a base year as a basic qualification for benefits would be increased from $750 to $1,000.

The benefit rate schedule would be revised and the maximum daily benefit rate would be increased from $10.20 to $12.70 for days of unemployment and days of sickness.

Provision would be made for extended sickness benefits, similar to the extended unemployment benefits now available, and for accelerated sickness benefits through possible early beginning of a benefit year with a day of sickness, similar to the possible early beginning of an accelerated benefit year with a day of unemployment as now provided for.

Extended and accelerated sickness benefits would not be paid for days after attainment of age 65. In an accelerated benefit year begun by reason of sickness, attainment of age 65 prior to the beginning of the general benefit year which was accelerated would end all rights to further sickness benefits until the beginning of the general benefit year. This limitation would not deprive any employee of rights he now has to sickness benefits under the present law. It would also have no effect upon his rights to normal, extended, or accelerated unemployment benefits after attainment of age 65.

With respect to every employee who, upon application therefor, would have been entitled to a disability annuity under section 2 of the Railroad Retirement Act for a period which includes days for which extended or accelerated sickness benefits had been paid, there would be transferred from the railroad retirement account to the railroad unemployment insurance account at the close of each fiscal year the amount which would have been paid as such annuity if the employee had applied for it, up to that total amount of all sickness benefits paid him during that fiscal year for days for which the disability annuity could have accrued. Provision is made for interest on the amount transferred from the close of the fiscal year to the date of certification on the amount for transfer.

An additional disqualifying condition would be added, with the effect that an employee who has been paid a separation allowance would not receive any unemployment or sickness benefits for a period following his separation from service; the length of the period is determined by a formula taking into account the amount of his separation allowance, his last daily rate of pay, and his normal workweek.

The amendments proposed by this title of the bill to the Railroad Unemployment Insurance Act would not require an increase in the contribution base or the contribution rate.

Mr. JAVITS. Mr. President, the amendments to the Railroad Retirement Act now before the Senate are the product of a combined effort by railroad labor, railway management, and the Railroad Retirement Board, a Federal agency. This measure was approved by the House last Thursday by a record vote of 321 to 0 and was reported favorably in this body unanimously by the Committee on Labor and Public Welfare.

In addition to giving increases to some 653,000 individuals presently receiving railroad retirement benefits, the measure adds an additional 3,000 beneficiaries—disabled widows between the ages 50 and 60 not presently included in the law. This is indeed a constructive improvement in the statute.

The benefits extended by this measure will go into effect on February 1. This legislation rectifies a situation created when Congress recently enacted the amendments to the Social Security Act. While those amendments automatically increase compensation for some railroad retirement beneficiaries, others were not covered. This bill takes care of that situation.

I wish to pay particular tribute to the leaders of railway labor and to the representatives of railroad management as well as the members and staff of the Railroad Retirement Board who, working together, developed this legislation which meets a vital need in providing equitable treatment for retired railroaders and their families and which brings up to date our railroad retirement statutes. I should also like to commend the members of the Railroad Retirement Subcommittee—the Senator from Rhode Island [Mr. PELL], chairman; the Senator from Oregon [Mr. MORSE], and the Senator from Pennsylvania [Mr. CLARK], on the majority side; and the Senator from Colorado [Mr. DOMINICK] and the Senator from Michigan [Mr. GRIFFIN], on the minority side—for their efforts in bringing to the floor of the Senate this highly complex and well-balanced measure. Retired railroaders and the Nation owe these men their gratitude.

The PRESIDENT pro tempore. The question is on the third reading and passage of the bill.

The bill was ordered to a third reading, read the third time, and passed.

Mr. MANSFIELD. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. PELL. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. PELL. Mr. President, I move that S. 2839, Calendar No. 935, reported by the Committee on Labor and Public Welfare, which is an exact companion of H.R. 14563, be postponed indefinitely.

The PRESIDENT pro tempore. The question is on agreeing to the motion of the Senator from Rhode Island.

The motion was agreed to.

RAILROAD RETIREMENT ACT EXTENSION BENEFITS TEXAS

Mr. YARBOROUGH. Mr. President, I regret that I was absent on official Senate business yesterday, holding a Labor Subcommittee hearing in Portland, Oreg., when the Senate unanimously passed the extension of the Railroad Retirement Act of 1937 and the Railroad Unemployment Insurance Act.

This action is of tremendous importance to my home State, since we have about 30,600 Texans on railroad retirement annuities, 13,700 receiving railroad survivor annuities, 4,400 receiving sickness benefits and 2,900 receiving unemployment insurance. This means that about 51,600 Texans are directly affected by this action.

The railroad retirement system was the first industrywide retirement system between employees and employers instituted in the Nation. It is administered by the Railroad Retirement Board which is an independent agency of the U.S. Government.

This system has been a model retirement system for the Nation and around the world. No other industry has a system like it and no other group of employees has over the years enjoyed such extensive benefits under any other retirement system as have the railroad employees.

S. 2839, introduced by my distinguished colleagues, the Senator from Rhode Island [Mr. PELL], and the Senator from Oregon [Mr. MORSE], increases the benefits in both the retirement system and the unemployment system of the Railroad Retirement Act.

Last year, we passed some amendments to the Social Security Act. These amendments have had several effects upon the railroad retirement system. First, the monthly limit on creditable and taxable railroad earnings was raised and this raise took effect on January 1 of this year. Second, a new schedule of railroad retirement taxes is established.

Along with these increases in the contributions to be made to the system, the persons being paid under a special guaranty and most wives will receive increases in their railroad retirement benefits. More specifically, families being paid under the special guaranty are guaranteed that their benefits under the railroad retirement system will be 10 percent larger than their benefits would have been if they had been paid benefits under the social security system. Second, wives can receive higher benefits because the social security amendments had the effect of raising the maximum annuity that can be paid to a wife under the railroad retirement law.

The amendments passed yesterday to the present Railroad Retirement Act accomplish two basic purposes. First, they fill the gaps in the system of benefits that were not accomplished by the social security amendments. Second, they make some changes in the railroad unemployment insurance program. Let me first consider the effects this bill would have upon the annuity benefits.

The monthly increases will, as a rule, range from $10 to $21 for retired employees and from $5 to $17 for wives and survivors. The amount of a beneficiary's increase will generally be a bit smaller if he is also receiving a social security benefit. But the minimum increase will be $10 for most retired employees and $5 for most wives and survivors. The amount of the increase in an annuity will be related to the average monthly earnings on which it was based.

There are two other sources of benefits under the proposed amendments. One concerns the earnings limitation for disability annuitants. These will be substantially liberalized. Presently only $1,250 per year can be earned and the benefits can only be paid in those months when the annuitant earns less than $100. S. 2839 changes the annual limitation to $2,500 and allows benefits to be paid in any month where the annuitant earns less than $200. The second area of increased benefits is for totally disabled widows who are aged 50 or older.

The bill acted on yesterday also covers the railroad unemployment insurance program and provides for a higher benefit rate schedule, with a maximum daily benefit of $12.70 compared with $10.20 under present law. Sickness benefits will be payable for longer periods to employees with 10 or more years of railroad service who are under the age of 65. The earnings needed in a calendar year to qaulify for the next benefit year would be raised from $750 to $1,000. Also maternity benefits, as such, will no longer be payable, but illness related to a pregnancy will be covered on the same basis, as other sickness.

Let me reiterate that the major effect of this bill is to adjust the railroad retirement system so as to reflect the changes made in the social security system by the bill last year. There are other changes which are of a housekeeping nature based upon the experience of those who have been working with the system over the many years of its existence.

Lastly, this is an agreed-upon bill. It is the result of negotiations between the rail brotherhoods and rail management, and it has the full support of the Railroad Retirement Board.

I support the Senate's action yesterday.

Public Law 90-257
90th Congress, H. R. 14563
February 15, 1968

An Act

To amend the Railroad Retirement Act of 1937 and the Railroad Unemployment Insurance Act to provide for increase in benefits, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That—

Railroad Retirement Act of 1937 and Railroad Unemployment Insurance Act, amendment.

TITLE I—AMENDMENTS TO THE RAILROAD RETIREMENT ACT

SEC. 101. The eighth sentence of section 1(h) of the Railroad Retirement Act of 1937 is amended by inserting "before 1968" after "calendar month" and by adding after such eighth sentence the following new sentence: "In making such a determination there shall be attributable as compensation paid to him for each calendar month after 1967 in which he is in military service so creditable the amount of $260."

50 Stat. 309.
45 USC 228a.

SEC. 102. The second paragraph of section 2(d) of the Railroad Retirement Act of 1937 is amended by striking out "$1,200" wherever this figure appears and inserting in lieu thereof "$2,400"; by striking out "$100" wherever such figure appears and inserting in lieu thereof "$200"; and by striking out "$50" and inserting in lieu thereof "$100".

68 Stat. 1038; 73 Stat. 26.
45 USC 228b.

SEC. 103. (a) Section 2(e) of the Railroad Retirement Act of 1937 is amended by striking out "reduction" and inserting in lieu thereof "reductions", and by striking out "section 3(a)(1) of this Act" and all that follows and inserting in lieu thereof "section 3(a)(2).".

65 Stat. 683; 80 Stat. 1075.
82 STAT. 16
82 STAT. 17

(b) Section 2(i) of such Act is amended by striking out "the first two provisos in section 3(a)(1)" and all that follows and inserting in lieu thereof "the second proviso in section 3(a)(2), except that, notwithstanding other provisions of this subsection, the spouse's annuity shall (before any reduction on account of age) not be less than one-half of the amount computed in section 3(a)(1) increased by $5 or, if the spouse is entitled to benefits under title II of the Social Security Act, by the excess of $5 over 5.8 per centum of the lesser of (i) any benefit to which such spouse is entitled under title II of the Social Security Act, or (ii) the spouse's annuity to which such spouse would be entitled without regard to section 3(a)(2) and before any reduction on account of age, but in no case shall such an annuity (before any reduction on account of age) be more than the maximum amount of a spouse's annuity as provided in subsection (e)."

80 Stat. 1075.
42 USC 401.

SEC. 104. (a) Section 3(a) of the Railroad Retirement Act of 1937 is amended by striking out all that appears therein and inserting in lieu thereof the following:

Computation of annuities.
80 Stat. 1075.
45 USC 228c.

"SEC. 3. (a)(1) The annuity of an individual shall be computed by multiplying his 'years of service' by the following percentages of his 'monthly compensation': 3.58 per centum of the first $50; 2.69 per centum of the next $100; and 1.79 per centum of the remainder up to a total of (i) $450, or (ii) an amount equal to one-twelfth of the current maximum and taxable 'wages' as defined in section 3121 of the Internal Revenue Code of 1954, whichever is greater.

68A Stat. 417.
26 USC 3121.

"(2) The annuity of the individual (as computed under paragraph (1) of this subsection, or under that part of subsection (e) of this sec-

tion preceding the first proviso) shall be increased in an amount determined from his monthly compensation by use of the following table:

"Monthly compensation:	Increase
Up to $100	$9.13
$101 to $150	11.22
$151 to $200	12.87
$201 to $250	14.63
$251 to $300	16.17
$301 to $350	17.82
$351 to $400	19.47
$401 to $450	20.90
$451 to $500	22.55
$501 to $550	24.09
$551 to $600	27.83
$601 and over	31.46

The amount of the increase shall be the amount on the same line as that in which the range of monthly compensation includes his monthly compensation: *Provided, however*, That, for months with respect to which the individual is entitled to a supplemental annuity under subsection (j), the increase provided in this paragraph shall be reduced by 6.55 per centum of the amount determined under paragraph (1), or under that part of subsection (e) of this section which precedes the first proviso, which is based on the first $450 of the monthly compensation or an amount equal to the amount of the supplemental annuity payable to him, whichever is less: *Provided further*, That for months with respect to which the individual is entitled to a benefit under title II of the Social Security Act, the increase shall be reduced by (i) 17.3 per centum of such social security benefit if the increase has not been reduced pursuant to the preceding proviso or (ii) 11.5 per centum of such social security benefit if the increase has been reduced pursuant to the preceding proviso (disregarding for the purpose of this and the following proviso any increase in such benefit based on recomputations other than for the correction of errors after the first adjustment and any increases derived from legislation enacted after the Social Security Amendments of 1967): *And provided further*, That the amount computed under this subsection for any month shall not be less than the amount computed in accordance with paragraph (1), or under that part of subsection (e) of this section which precedes the first proviso, plus (i) $10 minus any reduction made pursuant to the first proviso of this paragraph or (ii) if the individual is entitled to a benefit under title II of the Social Security Act and no reduction is made pursuant to the first proviso of this paragraph, $10 minus 5.8 per centum of the lesser of the amount of such social security benefit, or of the amount computed in accordance with paragraph (1), or under that part of subsection (e) of this section which precedes the first proviso."

80 Stat. 1073.
82 STAT. 17
82 STAT. 18
42 USC 401.
81 Stat. 821.

Minimum annuity.
80 Stat. 1076.
45 USC 228c.

(b) The first paragraph of section 3(e) of such Act is amended by striking out the language before the first proviso beginning with "except that" and continuing through "amended in 1966"; by striking out the language beginning with "(deeming" and continuing through "the Social Security Act)"; and by adding at the end thereof the following three new paragraphs:

"For the purposes of the first proviso in the first paragraph of this subsection, (i) completely and partially insured individuals shall be deemed to be fully and currently insured, respectively; (ii) individuals entitled to insurance annuities under subsections (a)(1) and (d) of section 5 of this Act shall be deemed to have attained age 62 (the provisions of this clause shall not apply to individuals who, though entitled to insurance annuities under section 5(a)(1) of this Act, were entitled to an annuity under section 5(a)(2) of this Act for the month before the month in which they attained age 60); (iii) individuals entitled to insurance annuities under section 5(a)(2) of this Act shall

be deemed to be entitled to insurance benefits under section 202(e) or (f) of the Social Security Act on the basis of disability; (iv) individuals entitled to insurance annuities under section 5(c) of this Act on the basis of disability shall be deemed to be entitled to insurance benefits under section 202(d) of the Social Security Act on the basis of disability; and (v) women entitled to spouses' annuities pursuant to elections made under section 2(h) of this Act shall be deemed to be entitled to wives' insurance benefits determined under section 202(q) of the Social Security Act; and, for the purposes of this subsection, any possible deductions under subsections (g) and (h)(2) of section 203 of the Social Security Act shall be disregarded.

42 USC 402.
45 USC 228b.
82 STAT. 18
82 STAT. 19
42 USC 403.

"Notwithstanding the provisions of section 202(q) of the Social Security Act, the amount determined under the proviso in the first paragraph of this subsection for a widow or widower who is or has been entitled to an annuity under section 5(a)(2) of this Act, shall be equal to 90.75 per centum of the primary insurance amount (reduced in accordance with section 203(a) of the Social Security Act) of the employee as determined under this subsection, and the amount so determined shall be reduced by three-tenths of 1 per centum for each month the annuity would be subject to a reduction under section 5(a)(2) of this Act (adjusted upon attainment of age 60 in the same manner as an annuity under section 5(a)(1) of this Act which, before attainment of age 60, had been payable under section 5(a)(2) of this Act); and the amount so determined shall be reduced by the amount of any benefit under title II of the Social Security Act to which she or he is, or on application would be, entitled.

42 USC 402.
42 USC 403.
42 USC 401.

"In cases where an annuity under this Act is not payable under the first proviso in the first paragraph of this subsection on the date of enactment of the Social Security Amendments of 1967, the primary insurance amount used in determining the applicability of such proviso shall, except in cases where the employee died before 1939, be derived after deeming the individual on whose service and compensation the annuity is based (i) to have become entitled to social security benefits, or (ii) to have died without being entitled to such benefits, after the date of the enactment of the Social Security Amendments of 1967. For this purpose, the provision of section 215(b)(3) of the Social Security Act that the employee must have reached age 65 (62 in the case of a woman) after 1960 shall be disregarded and there shall be substituted for the nine-year period prescribed in section 215(d)(1)(B)(i) of the Social Security Act, the number of years elapsing after 1936 and up to the year of death if the employee died before 1946."

81 Stat. 821.
42 USC 415.
81 Stat. 864.

Annuities for survivors.
60 Stat. 729; 65 Stat. 685.
45 USC 228e.

SEC. 105. (a) Section 5(a) of the Railroad Retirement Act of 1937 is amended by inserting "(1)" before "A widow"; by inserting before the colon the following: ", except that if the widow or widower will have been paid an annuity under paragraph (2) of this subsection the annuity for a month under this paragraph shall be in an amount equal to the amount calculated under such paragraph (2) except that, in such calculation, any month with respect to which an annuity under paragraph (2) is not paid shall be disregarded"; and by inserting at the end thereof the following new paragraph:

"(2) A widow or widower of a completely insured employee who will have attained the age of fifty but will not have attained age sixty and is under a disability, as defined in this paragraph, and such disability began before the end of the period prescribed in the last sentence of this paragraph, shall be entitled to an annuity for each month, unless she or he has remarried in or before such month, equal to such employee's basic amount but subject to a reduction by three-tenths of 1 per centum for each calendar month she or he is under age sixty when the annuity begins. A widow or widower shall be under a dis-

ability within the meaning of this paragraph if her or his permanent physical or mental condition is such that she or he is unable to engage in any regular employment. The provisions of section 2(a) of this Act as to the proof of disability shall apply with regard to determinations with respect to disability under this paragraph. The annuity of a widow or widower under this paragraph shall cease upon the last day of the second month following the month in which she or he ceases to be under a disability unless such annuity is otherwise terminated on an earlier date. The period referred to in the first sentence of this paragraph is the period beginning with the latest of (i) the month of the employee's death, (ii) the last month for which she was entitled to an annuity under subsection (b) as the widow of such employee, or (iii) the month in which her or his previous entitlement to an annuity as the widow or widower of such employee terminated because her or his disability had ceased and ending with the month before the month in which she or he attains age sixty, or, if earlier with the close of the eighty-fourth month following the month with which such period began."

60 Stat. 727.
45 USC 228b.

(b) Section 5(h) of such Act is amended by striking out all that follows "be increased to $18.14" and inserting in lieu thereof a period.

80 Stat. 1076.
45 USC 228e.

(c) Section 5(i)(1)(ii) of such Act is amended by inserting ", deeming such an individual who is entitled to an annuity under subsection (a)(1) of this section to have attained age sixty-two unless such individual will have been entitled to an annuity under subsection (a)(2) of this section for the month before the month in which he attained age sixty", after "an activity within the United States".

68 Stat. 1098; 73 Stat. 27.

(d) Section 5(j) of such Act is amended by striking out all after the colon and inserting in lieu thereof the following: "*Provided, however*, That the annuity of a child, qualified under subsection (l)(1)(ii)(C) of this section, shall cease upon the last day of the second month following the month in which he ceases to be unable to engage in any regular employment by reason of a permanent physical or mental condition unless in such second month he qualifies for an annuity under one of the other provisions of this Act and unless his annuity is otherwise terminated on an earlier date."

80 Stat. 1083.

(e) Section 5(l)(1) of such Act is amended by changing the period at the end of subdivision (i) thereof to a semicolon; by striking out "which began" from subdivision (ii)(C) and inserting in lieu thereof "which disability began"; and by striking out "216(h)(1) of the Social Security Act, as in effect prior to 1957, shall be applied" where such language first appears and inserting in lieu thereof "216(h) of the Social Security Act shall be applied deeming, for this purpose, individuals entitled to an annuity under section 2 (e) or (h) to be entitled to benefits under subsection (b) or (c) of section 202 of the Social Security Act and individuals entitled to an annuity under subsection (a) or (b) of this section to be entitled to a benefit under subsection (e), (f), or (g) of section 202 of the Social Security Act".

60 Stat. 733; 80 Stat. 1083, 1084.
42 USC 416.
45 USC 228b.
42 USC 402.

(f) Section 5(l)(9) of such Act is amended by inserting "or January 1, 1951, whichever is later" before ", eliminating any excess over $300"; by striking out "for any calendar year before 1955 is less than $3,600" and inserting in lieu thereof "in the period before 1951 is less than $50,400, or for any calendar year after 1950 and before 1955 is less than $3,600"; by inserting "period or such" before "calendar year 'wages' as defined in paragraph (6) hereof"; by striking out "for such year and $3,600 for years before 1955" and inserting in lieu thereof "for such period and $50,400, and between the compensation for such year and $3,600 for years after 1950 and before 1955"; by striking out "closing date: *Provided*, That for the period prior to and including" and inserting in lieu thereof "closing date or January 1, 1951, which-

ever is later: *Provided*, That for the period after 1950 but prior to and including"; by inserting "after 1950" after "That there shall be excluded from the divisor any calendar quarter"; and by inserting ", any calendar quarter before 1951 in which a retirement annuity will have been payable to him and any calendar quarter before 1951 and before the year in which he will have attained the age of 20" before ". An employee's 'closing date' shall mean (A)".

"Basic amount."
80 Stat. 1076.
45 USC 228e.

(g) Subdivision (i) of section 5(1)(10) of such Act is amended by striking out beginning with "$450; plus (C)" down to and including "multiplied by" and inserting in lieu thereof "(i) $450, or (ii) an amount equal to one-twelfth of the current maximum annual taxable 'wages' as defined in section 3121 of the Internal Revenue Code of 1954, whichever is greater, plus (C) 1 per centum of the sum of (A) plus (B) multiplied by"; and by striking out "after 1936 in each of which the compensation, wages, or both, paid to him will have been equal to $200 or more" and inserting in lieu thereof "after 1950 in each of which the compensation, wages, or both, paid to him will have been equal to $200 or more plus, for the years after 1936 and before 1951, a number of years determined in accordance with regulations prescribed by the Board".

68A Stat. 417.
26 USC 3121.

Reduction of annuities.

(h) Section 5(m) of such Act is amended by striking out all that appears therein and inserting in lieu thereof the following:

80 Stat. 1077.

"(m) The amount of an individual's annuity calculated under the other provisions of this section (except an annuity in the amount determined under the proviso in subsection (a) or (b)) shall (before any reduction on account of age) be increased in the amount of 82.5 per centum in the case of a widow, widower, or parent and 75 per centum in the case of a child of the increase shown in the table in section 3(a)(2) on the same line on which the range of monthly compensation includes an amount equal to the average monthly wage determined for the purposes of section 3(e) (except that for cases involving earnings before 1951 and for cases on the Board's rolls on the enactment date of the 1967 amendments to the Railroad Retirement Act, an amount equal to the highest average monthly wage that can be found on the same line of the table in section 215(a) of the Social Security Act as is the primary insurance amount recorded in the records of the Railroad Retirement Board shall be used, and if such an average monthly wage cannot be determined, the employee's monthly compensation on which his annuity was computed shall be used; and in the case of a pensioner, his monthly compensation shall be deemed to be the earnings which are used to compute his basic amount): *Provided, however*, That the increase shall (before any reduction on account of age) be reduced by 17.3 per centum of any benefit under title II of the Social Security Act to which the individual is entitled (disregarding for the purpose of this and the following proviso any increase in such benefit based on recomputations other than for the correction of errors after the first adjustment and any increases derived from legislation enacted after the Social Security Amendments of 1967): *And provided further*, That the amount computed under this subsection shall (before any reduction on account of age) not be less than $5, or, in the case of an individual entitled to benefits under title II of the Social Security Act, such amount shall not be less than $5 minus 5.8 per centum of the lesser of the social security benefit to which such individual is entitled or the benefit computed under the other provisions of this section."

81 Stat. 824.
42 USC 415.
42 USC 401.
81 Stat. 821.

SEC. 106. Section 10(a) of the Railroad Retirement Act of 1937 is amended by striking therefrom the last sentence and inserting in lieu thereof the following new sentence: "Upon the expiration of his term of office a member shall continue to serve until his successor is appointed and shall have qualified."

50 Stat. 314.
45 USC 228j.

SEC. 107. All pensions under section 6 of the Railroad Retirement Act of 1937, and all annuities under the Railroad Retirement Act of 1935, are increased as provided in that part of section 3(a)(2) of the Railroad Retirement Act of 1937 which precedes the provisos (deeming for this purpose (in the case of a pension) the monthly compensation to be the earnings which would be used to compute the basic amount if the pensioner were to die); joint and survivor annuities shall be computed under section 3(a) of the Railroad Retirement Act and reduced by the percentage determined in accordance with the election of such annuity; all survivor annuities deriving from joint and survivor annuities under the Railroad Retirement Act of 1937 in cases where the employee died before the month following the month in which the increases in annuities provided by section 104(a) of this Act are effective are increased by the same amount they would have been increased by this Act if the employee from whose joint and survivor annuity the survivor annuity is derived had been alive during all of the month in which the increases in annuities provided by section 104(a) of this Act are effective; and all widows' and widowers' insurance annuities which began to accrue before the month following the month in which the increases in annuities provided by section 104(a) of this Act are effective and which, in accordance with the proviso in section 5(a) or section 5(b) of the Railroad Retirement Act of 1937, are payable in the amount of the spouse's annuity to which the widow or widower was entitled are increased by the amount by which the spouse's annuity would have been increased by this Act had the individual from whom the annuity is derived been alive during all of the month in which the increases in annuities provided by section 104(a) of this Act are effective: *Provided, however*, That in cases where the individual entitled to such a pension or annuity (other than an individual who has made a joint and survivor election) is entitled to a benefit under title II of the Social Security Act, the additional amount payable by reason of this subsection shall be reduced by 11.5 per centum of such benefit (disregarding any increases in such benefit based on recomputations other than for the correction of errors after such reduction is first applied and any increases derived from legislation enacted after the Social Security Amendments of 1967): *And provided further*, That (i) such an annuity under the Railroad Retirement Act of 1935 or a pension shall be increased by not less than $10, (ii) such a survivor annuity derived from a joint and survivor annuity shall be increased by not less than $5, and (iii) such a widow's or widower's annuity in an amount formerly received as a spouse's annuity shall be increased by not less than $5, but not to an amount above the maximum of the spouse's annuity payable in the month in which the increases in annuities provided by section 104(a) of this Act are effective.

50 Stat. 312.
45 USC 228f.
49 Stat. 967.
45 USC 215-228 notes.
65 Stat. 685.
45 USC 228e.
42 USC 401.
81 Stat. 821.

Effective date.

SEC. 108. (a) Except as otherwise provided, the amendments made by this title, other than section 102, subsections (f) and (g) of section 105, and section 106, shall be effective with respect to annuities accruing for months beginning with the month with respect to which the increase in benefits under title II of the Social Security Act provided for by the Social Security Amendments of 1967 is effective, and with respect to pensions due in calendar months next following the month with respect to which the increase in benefits under title II of the Social Security Act provided for by the Social Security Amendments of 1967 is effective. The amendments made by section 102 shall be effective with respect to annuities accruing for months in calendar years after 1967. The amendments made by section 105 (f) and (g) shall be effective with respect to benefits payable on deaths occurring on or after the date of enactment of this Act. The amendments made by section 106 shall be effective on the enactment date of this Act.

81 Stat. 821.

(b) In cases where an annuity is payable in the month before the month with respect to which increases in benefits under title II of the Social Security Act provided for by the Social Security Amendments of 1967 become effective in an amount determined under the Railroad Retirement Act, other than under the first proviso of section 3(e) of such Act, the provisions of this Act shall be presumed, in the absence of a claim to the contrary, to provide a higher amount of increase in the annuity than the provisions of the Social Security Amendments of 1967 would provide as an increase in the amount determined under the first proviso of section 3(e) of the Railroad Retirement Act. 81 Stat. 821. 45 USC 228c.

(c) All recertifications required by reason of the amendments made by this title shall be made by the Railroad Retirement Board without application therefor.

TITLE II—AMENDMENTS TO THE RAILROAD UNEMPLOYMENT INSURANCE ACT

SEC. 201. (a)(1) Section 1(k) of the Railroad Unemployment Insurance Act is amended by striking out "or which is included in a maternity period" and inserting in lieu thereof ", or, with respect to a female employee, a calendar day on which, because of pregnancy, miscarriage, or the birth of a child, (i) she is unable to work or (ii) working would be injurious to her health". 54 Stat. 1094; 60 Stat. 736. 45 USC 351.

(2) The said section 1(k) is further amended by striking out from the first proviso "$750" and inserting in lieu thereof "$1,000". 80 Stat. 1087.

(b) Section 1(l) of such Act is amended by redesignating subsections "(l)" and "(l)(1)" as "(l)(1)" and "(l)(2)", respectively; by striking out from subsection (l)(2), as redesignated, "and the term 'statement of maternity sickness' means a statement with respect to a maternity period of a female employee, in each case"; and by striking out the present subsection (l)(2). 60 Stat. 736.

SEC. 202. (a)(1) The first paragraph of section 2(a) of the Railroad Unemployment Insurance Act is amended by striking out (i) "(other than a day of sickness in a maternity period)"; and (ii) ", and (iii) for each day of sickness in a maternity period". 45 USC 352.

(2) The said section 2(a) is further amended by striking out the third paragraph thereof.

(3) The said section 2(a) is further amended by striking out the first line from the table thereof; by striking out "5.50", "6.00", "6.50", "7.00", "7.50", "8.00", "8.50", "9.00", "9.50" and "10.20" and inserting in lieu thereof "$8.00", "8.50", "9.00", "9.50", "10.00", "10.50", "11.00", "11.50", "12.00" and "12.70", respectively; and by striking from the proviso "$10.20" and inserting in lieu thereof "$12.70".

(b)(1) Section 2(c) of such Act is amended by striking out ", other than days of sickness in a maternity period," wherever it appears; by inserting "and" after "base year;" where it first appears, and by striking out "; and the total amount of benefits which may be paid to an employee for days of sickness in a maternity period shall in no case exceed the employee's compensation in the base year on the basis of which the employee was determined to be qualified for benefits in such maternity period".

(2) The said section 2(c) is further amended (i) by striking out "leave work without good cause or voluntarily retire" from the second proviso and inserting in lieu thereof the following: "retire and (in a case involving exhaustion of rights to benefits for days of unemployment) did not voluntarily leave work without good cause"; (ii) by inserting after the words "normal benefits for days of unemployment", the first time they appear in the second proviso, the following: "or days

of sickness"; (iii) by inserting after "for, unemployment" in the second proviso the following: "or sickness (depending on the type of benefit rights exhausted)"; (iv) by inserting after "compensable days of unemployment" in the second proviso the following: "or days of sickness, as the case may be,"; (v) by inserting after "first day of unemployment" in the schedule in the second proviso the following: "or sickness, as the case may be,"; (vi) by inserting after the words "days of unemployment" in the schedule in the second proviso the following: "or days of sickness"; (vii) by striking out "leave work without good cause or voluntarily retire" from the second sentence and inserting in lieu thereof the following: "retire and (in a case involving unemployment) did not voluntarily leave work without good cause"; (viii) by inserting after "unemployment," in the second sentence, the following: "or fourteen or more consecutive days of sickness,"; (ix) by inserting after the words "such unemployment", wherever they appear in the last sentence, the following: "or sickness"; and (x) by adding the following two sentences at the end of such section: "Notwithstanding the other provisions of this subsection, an extended benefit period for sickness benefits shall terminate on the day next preceding the date on which the employee attains age 65, except that it may continue for the purpose of the payment of unemployment benefits; and, in the case of a succeeding benefit year beginning in accordance with the next preceding sentence by reason of sickness, such sentence shall not operate to permit the payment of benefits in the period provided for in such sentence for any day of sickness beginning with the day on which age 65 is attained and continuing through the day preceding the first day of the next succeeding general benefit year. For purposes of this subsection and section 10(h), the Board may rely on evidence of age available in its records and files at the time determinations of age are made."

77 Stat. 222.
45 USC 353.

SEC. 203. Section 3 of the Railroad Unemployment Insurance Act is amended by striking out "$750" and inserting in lieu thereof "$1,000".

45 USC 354.

SEC. 204. (a) Section 4(a-1) of the Railroad Unemployment Insurance Act is amended by inserting at the end thereof the following new paragraph:

"(iii) if he is paid a separation allowance, any of the days in the period beginning with the day following his separation from service and continuing for that number of consecutive fourteen-day periods which is equal, or most nearly equal, to the amount of the separation allowance divided (i) by ten times his last daily rate of compensation prior to his separation if he normally works five days a week, (ii) by twelve times such rate if he normally works six days a week, and (iii) by fourteen times such rate if he normally works seven days a week;".

(b) Section 4(a-2)(i) of such Act is amended by striking out from paragraph (A) thereof "$750" and inserting in lieu thereof "$1,000".

45 USC 360.

SEC. 205. Section 10 of the Railroad Unemployment Insurance Act is amended by inserting in subsection (a) thereof before "; (iii)" the following: "and pursuant to subsection (h) of this section", and by inserting at the end thereof the following new subsection:

Transfer of funds.

"(h) At the close of the fiscal year ending June 30, 1968, and each fiscal year thereafter, the Board shall determine the amount, if any, which, if added to the railroad unemployment insurance account, would place such account in the same position it would have been in at the close of such fiscal year if every employee who had been paid benefits in the fiscal year for days of sickness in an extended benefit period under the first sentence of section 2(c), or in a 'succeeding benefit year' begun in accordance with the second sentence of section 2(c), and who upon application therefor would have been entitled to a disability annuity under section 2(a) of the Railroad Retire-

ment Act of 1937 with respect to some or all of the days for which such benefits were paid, had been paid such annuity with respect to all days of sickness for which he was paid benefits which were also days with respect to which such annuity could have accrued. In determining such amount, the Board shall presume that every such employee was, in respect to his permanent physical or mental condition, qualified for such an annuity from the date of onset of the last spell of illness for which he was paid such benefits, if (a) he died without applying for such an annuity and before fully exhausting all rights to such benefits; or (b) he died without applying for such an annuity but within a year after the last day of sickness for which he had been paid such benefits, and had not meanwhile engaged in substantial gainful employment; or (c) he applied for such an annuity within one year after the last day of sickness for which he was paid such benefits and had not engaged in substantial gainful employment after that day and before the day on which he filed an application for such an annuity. The Board shall also have authority to make reasonable approximations deemed necessary in computing annuities for this purpose. The Board shall determine such amount no later than June 15 following the close of the fiscal year, and within ten days after such determination shall certify such amount to the Secretary of the Treasury for transfer from the Railroad Retirement Account to the railroad unemployment insurance account, and the Secretary of the Treasury shall make such transfer. The amount so certified shall include interest (at a rate determined, as of the close of the fiscal year, in accordance with subsection (d) of this section) payable from the close of such fiscal year to the date of certification." 45 USC 228b.

SEC. 206. (a) Section 12(f) of the Railroad Unemployment Insurance Act is amended by striking out ", or maternity" wherever it appears; and by substituting "or" 45 USC 362.

(i) for the comma between "unemployment-compensation" and "sickness" in the first sentence,

(ii) for the comma between "unemployment" and "sickness" in the second sentence, and

(iii) for the comma between "unemployment-compensation" and "sickness" in the second sentence.

(b) The first paragraph of section 12(g) of such Act is amended by substituting "or" for the comma between "unemployment" and "sickness", and by striking out ", or maternity". The second paragraph of such section is amended by striking out ", or maternity" wherever it appears, and by substituting "or" for the comma wherever it appears between "unemployment" and "sickness".

(c) The third paragraph of section 12(i) of such Act is amended by striking out "and, in case of maternity sickness, the expected date of birth and the actual date of birth of the child".

(d) Section 12(n) of such Act is amended by striking out

(i) "or maternity" wherever it appears, and

(ii) "or as to the expected date of birth of a female employee's child, or the birth of such a child".

SEC. 207. Section 13 of the Railroad Unemployment Insurance Act is amended by striking out the following phrases: "and maternity"; "or for maternity"; "or maternity" wherever it appears; and "or to maternity". 45 USC 363.

EFFECTIVE DATES

SEC. 208. The amendments made by sections 201(a)(1), 201(b), 202(a)(1), 202(a)(2), 202(b)(1), 206 and 207 shall be effective as of July 1, 1968. The amendments made by sections 201(a)(2) and 203 shall be effective with respect to base years beginning in calendar years after December 31, 1966, except that with respect to the base year in

calendar year 1967 the amendments made by section 203 shall not be applicable to an employee whose compensation with respect to that base year was not less than $750 but less than $1,000; further, as to such an employee, the amendments made by section 202(a)(3) shall not be applicable with respect to days of unemployment and days of sickness in registration periods in the benefit year beginning July 1, 1968. The amendments made by section 202(a)(3) shall otherwise be effective with respect to days of unemployment and days of sickness in registration periods beginning on or after July 1, 1968. The amendments made by sections 202(b)(2) (i) through (vi) shall be effective to provide the beginning of extended benefit periods on or after July 1, 1968. The amendments made by section 202(b)(2) (vii) through (ix) shall be effective to provide for the early beginning of a benefit year on or after July 1, 1967. The amendment made by section 204 (a) shall be effective with respect to calendar days in benefit years beginning after June 30, 1968, and the amendment made by section 204(b) shall be effective with respect to voluntary leaving of work (within the meaning of section 4(a-2)(i) of the Railroad Unemployment Insurance Act) after the enactment date of this Act.

Approved February 15, 1968.

LEGISLATIVE HISTORY:

HOUSE REPORT No. 1054 (Comm. on Interstate & Foreign Commerce).
SENATE REPORT No. 954 accompanying S. 2839 (Comm. on Labor & Public Welfare).
CONGRESSIONAL RECORD, Vol. 114 (1968):
Jan. 25: Considered and passed House.
Jan. 30: Considered and passed Senate, in lieu of S. 2839.

Commissioner's Bulletin

SOCIAL SECURITY ADMINISTRATION

Number 69 February 19, 1968

ENACTMENT OF RAILROAD RETIREMENT LEGISLATION

To Administrative, Supervisory,
and Technical Employees

On February 15, 1968, the President signed H. R. 14563 (Public Law 90-257), a measure amending the Railroad Retirement and Railroad Unemployment Insurance Acts.

Public Law 90-257 provides increases in annuity amounts under the railroad retirement program comparable to the increases in social security benefits made by the 1967 social security amendments, and improves and keeps up to date the coordination of the two programs by making changes in the railroad retirement program modeled after changes made in the social security program by the 1967 amendments. The legislation was supported by railway labor and management, and by all three members of the Railroad Retirement Board.

Following is a summary of the principal changes made by the legislation:

Amendments to the Railroad Retirement Act

1. Effective with benefits for February 1968, a benefit increase is provided for certain annuitants under the railroad retirement program which is roughly one-tenth greater than the 13-percent benefit increase provided under the 1967 social security amendments. In general, the increase applies to those annuitants (about two-thirds of all annuitants under the railroad program) who did not receive an increase as a result of the 1967 social security legislation, through the operation of the "social security minimum" provision of the Railroad Retirement Act. (This provision of the railroad law has the effect of guaranteeing the payment of 110 percent of the amount which would be payable under the Social Security Act if the railroad employment had been social

security employment.) In cases where an annuitant is also entitled to social security benefits there will be at least a partial offset against the social security benefit increase resulting from the 1967 social security legislation. The increases in annuity amounts provided by Public Law 90-257 will not be reduced because of the payment of an employer-financed supplemental annuity. (The increases in annuities provided by the 1966 railroad legislation were not made applicable to retired workers receiving the supplemental annuities established for retired long-service railroad employees by the 1966 legislation.)

2. Beginning with benefits for February 1968, reduced annuities are provided for disabled widows and disabled dependent widowers between age 50 and 60. The reduced benefits will be payable under roughly the same conditions as those applying to disabled widows and widowers under the social security program, except that (as in the case of annuities payable under the railroad retirement program to disabled railroad workers) there is no 6-month waiting period.

3. The provisions in the Railroad Retirement Act with regard to the determination of family relationships--e.g., the determination as to who is a "widow" or a "child"--are made to accord with current provisions of the Social Security Act. This change has the desirable effect of eliminating many of the inequalities which had arisen because the railroad program did not pay benefits to certain survivors who would have qualified if social security had jurisdiction of the case. Also, the change carries out more fully basic coordination provisions designed to assure railroad annuitants of at least the protection which would have been provided under social security.

4. The amount of noncontributory wage credits provided under the Railroad Retirement Act for military service after 1967 is increased from $160 to $260 a month, thus taking into account the provision in the 1967 social security amendments which provided additional military service credits at the rate of $100 per month.

5. To facilitate administration, changes have been made (paralleling changes made in the 1967 social security legislation) which permit computer determination of wage and compensation credits for periods before 1951, for purposes of applying the social security minimum guarantee, and for purposes of computing survivor annuity amounts.

6. The amount that an employee entitled to a disability annuity can earn in a year without losing an annuity payment for any month in the year is increased from $1,200 to $2,400, and the amount he can earn

in a month without losing his annuity for the month, regardless of his total earnings in the year, is increased from $100 to $200.

7. The new legislation makes no change in the contribution rates of the railroad retirement program. However, through the operation of preexisting coordination provisions of law, the 1967 social security amendments resulted in increases in the monthly compensation base, and in the contribution rates, of the railroad retirement program comparable to the social security wage base and contribution rate increases provided by the 1967 social security amendments. (As a result of the 1967 social security amendments, the railroad retirement monthly wage base was increased to one-twelfth of the new social security annual wage base--i.e., from $550 to $650--and the railroad retirement contribution rates were increased to the same degree as social security contribution rates, so that the ultimate maximum rates will be 10.65 percent each on employer and employee, rather than 10.40 percent.)

The 1967 social security legislation had changed the actuarial status of the railroad retirement program from a deficit of 0.94 percent of taxable payroll, on a level premium basis, to a slight surplus. Public Law 90-257 results in a deficit of 1.16 percent--an increase of 0.22 percent as compared with the deficit existing prior to the 1967 social security legislation. The Bureau of the Budget has asked the Railroad Retirement Board to develop at an early date recommendations for provisions to cover the increased cost of the measure.

Amendments to the Railroad Unemployment Insurance Act

1. The maximum daily benefit rate for days of unemployment and sickness, and the amount of compensation which must be earned in a base year to qualify for such benefits, is increased.

2. Provision is made for extended sickness benefits, and for the early beginning of a sickness benefit year, similar to the provisions previously made applicable to unemployment benefits except that sickness benefits under these new provisions will not be paid after age 65.

3. Maternity benefits are eliminated as such, but a female employee could receive sickness benefits for a day on which, because of her pregnancy, miscarriage, or the birth of her child, she is unable to work, or working would be injurious to her health.

Robert M. Ball
Commissioner

LISTING OF REFERENCE MATERIALS

U.S. Congress. House. Committee on Interstate and Foreign Commerce. *Amending the Railroad Retirement Act of 1937 and the Railroad Unemployment Insurance Act. Hearing on H.R. 14563... 90th Congress, 2d session.*

U.S. Congress. Senate. Committee on Labor and Public Welfare. Subcommittee on Railroad Retirement. *Railroad Retirement Act and Railroad Unemployment Insurance Act Amendments of 1968. Hearing on S. 2839...90th Congress, 2d session.*

90TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } { No. 1844

TREATMENT OF CERTAIN NONRESIDENT ALIENS UNDER THE RAILROAD RETIREMENT TAX ACT, ETC.

AUGUST 2, 1968.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. MILLS, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H.R. 7567]

The Committee on Ways and Means, to whom was referred the bill (H.R. 7567), to amend the Internal Revenue Code of 1954 with respect to the definition of compensation for purposes of tax under the Railroad Retirement Tax Act, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Page 2, strike out lines 14 to 24, inclusive, and insert:

SEC. 3. Section 1(i) of the Railroad Unemployment Insurance Act is amended by inserting after the first sentence the following new sentence: "Such term does not include remuneration for service which is performed by a nonresident alien individual for the period he is temporarily present in the United States as a nonimmigrant under subparagraph (F) or (J) of section 101(a)(15) of the Immigration and Nationality Act, as amended, and which is performed to carry out the purpose specified in subparagraph (F) or (J), as the case may be."

SEC. 4. (a)(1) The amendments made by the first two sections of this Act shall apply with respect to service performed after December 31, 1961.

(2) Notwithstanding the expiration before the date of the enactment of this Act or within 6 months after such date of the period for filing claim for credit or refund, claim for credit or refund of any overpayment of any tax imposed by chapter 22 of the Internal Revenue Code of 1954 attributable

to the amendment made by the first section of this Act may be filed at any time within one year after such date of enactment.

(3) Any credit or refund of an overpayment of the tax imposed by section 3201 or 3211 of the Internal Revenue Code of 1954 which is attributable to the amendment made by the first section of this Act shall be appropriately adjusted for any lump sum payment which has been made under section 5(f)(2) of the Railroad Retirement Act of 1937 before the date of the allowance of such credit or the making of such refund.

(b) The amendments made by section 3 shall apply with respect to service performed after December 31, 1967.

I. SUMMARY

H.R. 7567 amends the railroad employment provisions of present law (the Railroad Retirement Tax Act, the Railroad Retirement Act of 1937 and the Railroad Unemployment Insurance Act), in general, to exclude from the scope of those acts services performed by a nonresident alien individual who is temporarily in the United States as a participant in a cultural exchange or training program. The exclusion is applicable only to nonresident alien individuals who are in the United States in a nonimmigrant status under subparagraph (F) or (J) of section 101(a)(15) of the Immigration and Nationality Act. Moreover, it is applicable only with regard to services which are necessary to carry out the purpose of the alien's visit to the United States.

The general employment provisions of present law (the Federal Insurance Contributions Act, the Federal Unemployment Tax Act and the Social Security Act) already exclude the services performed by these nonresident alien individuals from their scope.

This bill has been agreed to unanimously by your committee and the Treasury Department has indicated that it does not object to the enactment of this bill.

II. GENERAL STATEMENT

Reasons for bill.—Under present law, compensation for services performed by nonresident alien individuals who are temporarily present in the United States in a nonimmigrant status as participants in certain cultural exchange or training programs generally is excluded from tax under the Federal Insurance Contributions Act (imposed by secs. 3101 and 3111 of the code) and under the Federal Unemployment Tax Act (imposed by sec. 3301 of the code). This exclusion applies only to services performed for the period the individual is a nonimmigrant under subparagraph (F) or (J) of section 101(a)(15) of the Immigration and Nationality Act. Moreover, the exemption applies only to remuneration for services which are necessary to carry out the purpose for which the alien is in the United States; namely, as a participant in the cultural exchange or training program. A similar exclusion in the Social Security Act provides that these services are not counted for purposes of determining benefits allowable under that act.

Subparagraph (F) of section 101(a)(15) of the Immigration and Nationality Act concerns bona fide students who are qualified to pursue a full course of study and who come to the United States temporarily and solely for the purpose of pursuing a course of study. The study must be at an established educational institution which has been particularly designated by the student and approved by the Attorney General after consultation with the Office of Education of the United States. Subparagraph (J) of that section concerns bona fide students, scholars, trainees, teachers, specialists, and similar persons who temporarily come to the United States as participants in programs designated by the Secretary of State, for the purpose of teaching, studying, consulting, receiving training, etc.

The provisions of present law excluding services performed by nonresidents alien individuals, who are temporarily present in the United States in a nonimmigrant status as participants in certain cultural exchange or training programs, from the taxes imposed by the Federal Insurance Contributions Act and the Federal Unemployment Tax Act and the benefits provided under the Social Security Act were adopted in the Mutual Educational and Cultural Exchange Act of 1961. This was done because these alien individuals are in the United States for such a short period of time that they have little expectation of realizing any social security or unemployment benefits. In addition, the exclusion of these individuals was considered to contribute to the objectives of the exchange program.

The Mutual Educational and Cultural Act of 1961 did not include, however, a similar exclusion for services covered by the provisions of law relating to railroad employment (the Railroad Retirement Tax Act, the Railroad Retirement Act of 1937, and the Railroad Unemployment Insurance Act). Presumably, this was done on the basis that it was not felt these alien individuals would be rendering services which were subject to the railroad employment provisions.

It has been brought to the attention of your committee, however, that there are situations where services performed by these alien individuals are subject to the railroad employment provisions. For example, the services of a doctor who participates in an exchange or training program and who pursuant to that program is employed in a hospital owned by a railroad would be subject to those provisions. Your committee believes that the reasons underlying the exclusion of services performed by these alien individuals from the scope of the Federal Insurance Contributions Act, the Federal Unemployment Tax Act, and the Social Security Act are equally applicable in the case of the railroad employment provisions. The very nature of the purpose for which the alien is present in the United States indicates that the alien's stay in the United States will be of short duration. Thus, the alien will have little expectation of realizing any benefits under the railroad employment provisions. Accordingly, your committee's bill excludes services performed by these individuals from those provisions.

Explanation of bill.—The bill provides that the term "compensation" for purposes of the railroad retirement tax (which is defined in sec. 3231(e)(1) of the code) is not to include remuneration for services performed by a nonresident alien individual for the period he is temporarily present in the United States as a nonimmigrant under

subparagraph (F) or (J) of section 101(a)(15) of the Immigration and Nationality Act. This exclusion is to apply, however, only to remuneration for services performed to carry out the purpose of the alien's visit to the United States; namely, as a participant in the cultural exchange or training program. The exclusion, moreover, is only to apply for the period the alien is present in the United States as a nonimmigrant under subparagraph (F) or (J). Thus, if the alien terminates or loses the specified nonimmigrant status, the exclusion is not to be applicable for the period commencing at the termination or loss of that status.

The bill also amends the Railroad Retirement Act of 1937 (sec. 1(h)(1)) and the Railroad Unemployment Insurance Act (sec. 1(i)) in an identical manner. Thus, the specified services of these nonresident alien individuals are to be excluded from the scope of those acts.

The amendments of the Internal Revenue Code and the Railroad Retirement Act of 1937 made by your committee's bill are to apply with respect to service performed after December 31, 1961, which is the effective date of the similar provisions in the Federal Insurance Contributions Act, the Federal Unemployment Tax Act, and the Social Security Act. The amendment made by your committee's bill to the Railroad Unemployment Insurance Act is to apply with respect to service performed after December 31, 1967.

Your committee's bill also contains a special provision which allows a claim for credit or refund of the railroad retirement tax, which may have been paid by an employee, an employee representative, or an employer, with respect to service which is to be excluded from the scope of that tax under your committee's bill, to be filed within 1 year after the bill is enacted, notwithstanding the fact that the period for filing the claim for credit or refund has expired before, or expires on or within 6 months after the date of enactment of the bill.

Any credit or refund of the railroad retirement tax which has been paid by an employee or an employee representative (under section 3201 and 3211 of the Code) and which is attributable to the amendment made by your committee's bill to the Railroad Retirement Tax Act is to be appropriately adjusted for any lump-sum payment which has been made under the Railroad Retirement Act of 1937 (section 5(f)(2)). Under the Railroad Retirement Act of 1937 (sec. 5(f)(2)) the beneficiaries of an employee, who was not entitled to benefits under that Act, receive a lump-sum payment upon his death which in effect is a return of the railroad retirement taxes paid by the employee. Where such a lump-sum payment has been made and the deceased employee's representative then files a claim for a credit or refund of the railroad retirement tax, which is attributable to the exclusion of the employee's service from the scope of the tax pursuant to the amendment made by your committee's bill, an adjustment is necessary to prevent a double recovery. No adjustment is to be made, however, with respect to a credit or refund of an overpayment of the railroad retirement tax by an employer.

III. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as

reported, are shown as follows (new matter is printed in italic, existing law in which no change is proposed is shown in roman):

Section 3231(e) of the Internal Revenue Code of 1954

SEC. 3231. DEFINITIONS

* * * * * * *

(e) COMPENSATION.—For purposes of this chapter—

(1) The term "compensation" means any form of money remuneration earned by an individual for services rendered as an employee to one or more employers, or as an employee representative, including remuneration paid for time lost as an employee, but remuneration paid for time lost shall be deemed earned in the month in which such time is lost. Such term does not include tips (except as is provided under paragraph (3)), or the voluntary payment by an employer, without deduction from the remuneration of the employee, of the tax imposed on such employee by section 3201. *Such term does not include remuneration for service which is performed by a nonresident alien individual for the period he is temporarily present in the United States as a nonimmigrant under subparagraph (F) or (J) of section 101(a)(15) of the Immigration and Nationality Act, as amended, and which is performed to carry out the purpose specified in subparagraph (F) or (J), as the case may be.* Compensation which is earned during the period for which the Secretary or his delegate shall require a return of taxes under this chapter to be made and which is payable during the calendar month following such period shall be deemed to have been paid during such period only. For the purpose of determining the amount of taxes under sections 3201 and 3221, compensation earned in the service of a local lodge or division of a railway-labor-organization employer shall be disregarded with respect to any calendar month if the amount thereof is less than $3 Compensation for service as a delegate to a national or international convention of the railway labor organization defined as an "employer" in subsection (a) of this section shall be disregarded for purposes of determining the amount of taxes due pursuant to this chapter if the individual rendering such service has not previously rendered service, other than as such a delegate, which may be included in his "years of service" for purposes of the Railroad Retirement Act.

(2) A payment made by an employer to an individual through the employer's payroll shall be presumed, in the absence of evidence to the contrary, to be compensation for service rendered by such individual as an employee of the employer in the period with respect to which the payment is made. An employee shall be deemed to be paid "for time lost" the amount he is paid by an employer with respect to an identifiable period of absence from the active service of the employer, including absence on account of personal injury, and the amount he is paid by the employer for loss of earnings resulting from his displacement to a less remunerative position or occupation. If a payment is made by an employer with respect to a personal injury and includes pay for time lost, the total payment shall be deemed to be paid

for time lost unless, at the time of payment, a part of such payment is specifically apportioned to factors other than time lost, in which event only such part of the payment as is not so apportioned shall be deemed to be paid for time lost.

(3) Solely for purposes of the tax imposed by section 3201 and other provisions of this chapter insofar as they relate to such tax, the term "compensation" also includes cash tips received by an employee in any calendar month in the course of his employment by an employer unless the amount of such cash tips is less than $20.

Section 1(h)(1) of the Railroad Retirement Act of 1937

DEFINITIONS

SECTION 1. For the purposes of this Act—

* * * * * * *

(h)(1) The term "compensation" means any form of money remuneration paid to an individual for services rendered as an employee to one or more employers, or as an employee representative, including remuneration paid for time lost as an employee, but remuneration paid for time lost shall be deemed earned in the month in which such time is lost. Such term does not include tips (except as is provided under paragraph (2)), or the voluntary payment by an employer, without deduction from the remuneration of the employee, of any tax now or hereafter imposed with respect to the compensation of such employee. *Such term does not include remuneration for service which is performed by a nonresident alien individual for the period he is temporarily present in the United States as a nonimmigrant under subparagraph (F) or (J) of section 101(a)(15) of the Immigration and Nationality Act, as amended, and which is performed to carry out the purpose specified in subparagraph (F) or (J), as the case may be.* For the purposes of determining monthly compensation and years of service and for the purposes of section 2 and 5 of this Act, compensation earned in the service of a local lodge or division of a railway-labor-organization employer shall be disregarded with respect to any calendar month if the amount thereof is less than $3 and (i) such compensation is earned between December 31, 1936, and April 1, 1940, and taxes thereon pursuant to sections 2(a) and 3(a) of the Carriers Taxing Act of 1937 or sections 1500 and 1520 of the Internal Revenue Code are not paid prior to July 1, 1940; or (ii) such compensation is earned after March 31, 1940. A payment made by an employer to an individual through the employer's pay roll shall be presumed, in the absence of evidence to the contrary, to be compensation for service rendered by such individual as an employee of the employer in the period with respect to which the payment is made. An employee shall be deemed to be paid, "for time lost" the amount he is paid by an employer with respect to an identifiable period of absence from the active service of the employer, including absence on account of personal injury, and the amount he is paid by the employer for loss of earnings resulting from his displacement to a less remunerative posi-

tion or occupation. If a payment is made by an employer with respect to a personal injury and includes pay for time lost, the total payment shall be deemed to be paid for time lost unless, at the time of payment, a part of such payment is specifically apportioned to factors other than time lost, in which event only such part of the payment as is not so apportioned shall be deemed to be paid for time lost. Compensation earned in any calendar month before 1947 shall be deemed paid in such month regardless of whether or when payment will have been in fact made, and compensation earned in any calendar year after 1946 but paid after the end of such calendar year shall be deemed to be compensation paid in the calendar year in which it will have been earned if it is so reported by the employer before February 1 of the next succeeding calendar year or, if the employee establishes, subject to the provisions of section 8, the period during which such compensation will have been earned. In determining the monthly compensation, the average monthly remuneration, and quarters of coverage of any employee, there shall be attributable as compensation paid to him in each calendar month before 1968 in which he is in military service creditable under section 4 the amount of $160 in addition to the compensation, if any, paid to him with respect to such month. In making such a determination there shall be attributable as compensation paid to him for each calendar month after 1967 in which he is in military service so creditable the amount of $260. Compensation for service as a delegate to a national or international convention of a railway labor organization defined as an "employer" in subsection (a) of this section shall be disregarded for purposes of determining eligibility for and the amount of benefits pursuant to this Act if the individual rendering such service has not previously rendered service, other than as such a delegate, which may be included in his "years of service."

(2) Solely for purposes of determining amounts to be included in the compensation of an individual who is an employee (as defined in subsection (b)) the term "compensation" shall (subject to section 3(c)) also include cash tips received by an employee in any calendar month in the course of his employment by an employer unless the amount of such cash tips is less than $20.

(3) Tips included as compensation by reason of the provisions of paragraph (2) shall be deemed to be paid at the time a written statement including such tips is furnished to the employer pursuant to section 6053(a) of the Internal Revenue Code of 1954 or (if no statement including such tips is so furnished) at the time received; and tips so deemed to be paid in any month shall be deemed paid for services rendered in such month.

Section 1(i) of the Railroad Unemployment Insurance Act

DEFINITIONS

SECTION 1. For the purposes of this Act, except when used in amending the provisions of other Acts—

* * * * * * *

(i) The term "compensation" means any form of money remuneration, including pay for time lost but excluding tips, paid for services rendered as an employee to one or more employers, or as an employee representative: *Provided, however,* That in computing the compensation paid to any employee, no part of any month's compensation in excess of $300 for any month before July 1, 1954, or in excess of $350 for any month after June 30, 1954, and before the calendar month next following the month in which this Act was amended in 1959, or in excess of $400 for any month after the month in which this Act was so amended, shall be recognized. *Such term does not include remuneration for service which is performed by a nonresident alien individual for the period he is temporarily present in the United States as a nonimmigrant under subparagraph (F) or (J) of section 101(a)(15) of the Immigration and Nationality Act, as amended, and which is performed to carry out the purpose specified in subparagraph (F) or (J), as the case may be.* A payment made by an employer to an individual through the employer's payroll shall be presumed, in the absence of evidence to the contrary, to be compensation for service rendered by such individual as an employee of the employer in the period with respect to which the payment is made. An employee shall be deemed to be paid, "for time lost" the amount he is paid by an employer with respect to an identifiable period of absence from the active service of the employer, including absence on account of personal injury, and the amount he is paid by the employer for loss of earnings resulting from his displacement to a less remunerative position or occupation. If a payment is made by an employer with respect to a personal injury and includes pay for time lost, the total payment shall be deemed to be paid for time lost unless, at the time of payment, a part of such payment is specifically apportioned to factors other than time lost, in which event only such part of the payment as is not so apportioned shall be deemed to be paid for time lost. Compensation earned in any calendar month before 1947 shall be deemed paid in such month regardless of whether or when payment will have been in fact made, and compensation earned in any calendar year after 1946 but paid after the end of such calendar year shall be deemed to be compensation paid in the calendar year in which it will have been earned if it is so reported by the employer before February 1 of the next succeeding calendar year or, if the employee establishes, subject to the provisions of section 6 of this Act, the period during which such compensation will have been earned.

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Union Calendar No. 748

90TH CONGRESS
2D SESSION

H. R. 7567

[Report No. 1844]

IN THE HOUSE OF REPRESENTATIVES

MARCH 21, 1967

Mr. POFF introduced the following bill; which was referred to the Committee on Ways and Means

AUGUST 2, 1968

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Omit the part struck through and insert the part printed in italic]

A BILL

To amend the Internal Revenue Code of 1954 with respect to the definition of compensation for purposes of tax under the Railroad Retirement Tax Act, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 3231(e)(1) of the Internal Revenue Code of 1954 (relating to definition of compensation) is amended by inserting after the second sentence the following new sentence: "Such term does not include remuneration for service which is performed by a nonresident alien individual for the period he is temporarily present in the United States as a nonimmigrant under subparagraph (F) or (J) of

section 101 (a) (15) of the Immigration and Nationality Act, as amended, and which is performed to carry out the purpose specified in subparagraph (F) or (J), as the case may be."

SEC. 2. Section 1 (h) (1) of the Railroad Retirement Act of 1937 is amended by inserting after the second sentence the following new sentence: "Such term does not include remuneration for service which is performed by a nonresident alien individual for the period he is temporarily present in the United States as a nonimmigrant under subparagraph (F) or (J) of section 101 (a) (15) of the Immigration and Nationality Act, as amended, and which is performed to carry out the purpose specified in subparagraph (F) or (J), as the case may be."

~~SEC. 3. (a) The amendments made by this Act shall apply with respect to service performed after December 31, 1961.~~

~~(b) Notwithstanding the expiration of the applicable statutory period of limitations, in any case where such period has expired on the date of the enactment of this Act or expires within six months after such date, claim for credit or refund of any overpayment of tax under chapter 22 of the Internal Revenue Code of 1954 which results from the amendments made by this Act may be filed at any time within one year after the date of the enactment of this Act.~~

SEC. 3. Section 1(i) of the Railroad Unemployment Insurance Act is amended by inserting after the first sentence the following new sentence: "Such term does not include remuneration for service which is performed by a nonresident alien individual for the period he is temporarily present in the United States as a nonimmigrant under subparagraph (F) or (J) of section 101(a)(15) of the Immigration and Nationality Act, as amended, and which is performed to carry out the purpose specified in subparagraph (F) or (J), as the case may be."

SEC. 4. (a)(1) The amendments made by the first two sections of this Act shall apply with respect to service performed after December 31, 1961.

(2) Notwithstanding the expiration before the date of the enactment of this Act or within 6 months after such date of the period for filing claim for credit or refund, claim for credit or refund of any overpayment of any tax imposed by chapter 22 of the Internal Revenue Code of 1954 attributable to the amendment made by the first section of this Act may be filed at any time within one year after such date of enactment.

(3) Any credit or refund of an overpayment of the tax imposed by section 3201 or 3211 of the Internal Revenue Code of 1954 which is attributable to the amendment made by the first section of this Act shall be appropriately adjusted for any

lump-sum payment which has been made under section 5(f)(2) of the Railroad Retirement Act of 1937 before the date of the allowance of such credit or the making of such refund.

(b) The amendments made by section 3 shall apply with respect to service performed after December 31, 1967.

Union Calendar No. 748

90TH CONGRESS
2D SESSION

H. R. 7567

[Report No. 1844]

A BILL

To amend the Internal Revenue Code of 1954 with respect to the definition of compensation for purposes of tax under the Railroad Retirement Tax Act, and for other purposes.

By Mr. POFF

MARCH 21, 1967

Referred to the Committee on Ways and Means

AUGUST 2, 1968

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

TREATMENT OF CERTAIN NONRESIDENT ALIENS UNDER THE RAILROAD RETIREMENT ACT

Mr. MILLS. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H.R. 7567) to amend the Internal Revenue Code of 1954 with respect to the definition of compensation for the purposes of tax under the Railroad Retirement Tax Act, and for other purposes, which was unanimously reported to the House by the Committee on Ways and Means.

The Clerk read the title of the bill.

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

Mr. BETTS. Mr. Speaker, reserving the right to object—and I shall not object—I do so for the purpose of yielding to the chairman.

Mr. Speaker, I yield to the chairman of the committee.

Mr. MILLS. Mr. Speaker, I thank the gentleman for yielding.

Mr. Speaker, the purpose of H.R. 7567 is to exclude from the scope of the Railroad Retirement Tax Act, the Railroad Retirement Act of 1937 and the Railroad Unemployment Insurance Act services performed by nonresident aliens who are temporarily in the United States as participants in cultural exchange or training programs. The Treasury Department has no objection to this measure, and the committee has unanimously reported this bill.

The exclusions provided by the bill would be applicable only to nonresident alien individuals who are temporarily in the United States in a nonimmigrant status under subparagraph (F) or (J) of section 101(a)(15) of the Immigration and Nationality Act. It will be recalled by Members of the House that subparagraph (F) concerns bona fide students who are qualified to pursue a full course of study and who come to the United States temporarily and solely for the purpose of pursuing a course of study at a designated educational institution. Subparagraph (J) concerns bona fide students, scholars, trainees, teachers, specialists, and similar persons who temporarily come to the United States as participants in programs designated by the Secretary of State for the purpose of teaching, studying, consulting and receiving training.

Mr. Speaker, the services of nonresident alien individuals in these categories are already excluded from the taxes imposed by the Federal Insurance Contributions Act and the Federal Unemployment Tax Act and from the benefits provided under the Social Security Act. These exclusions were enacted in the Mutual Educational and Cultural Exchange Act of 1961 and were provided because these alien individuals are in the United States for such a short period of time that they have little expectation of realizing any social security or unemployment benefits. In addition, the exclusion of these individuals was considered to contribute to the objectives of the exchange program.

The Mutual Educational and Cultural Exchange Act of 1961 did not, however, contain a similar exclusion for the services of these aliens under the Railroad Retirement and Unemployment Insurance Acts. The failure to enact such exclusions at that time presumably was based on the thought that such alien individuals would not be rendering services which would be subject to the railroad employment provisions.

It has developed, however, Mr. Speaker, and has been brought to the attention of the Committee on Ways and Means that there are such instances. For example, there are doctors who participate in exchange or training programs at hospitals owned by railroads. The Committee on Ways and Means that there are such instances. For example, there are doctors who participate in exchange or training programs at hospitals owned by railroads. The Committee on Ways and Means believes that the reasons underlying the exclusion of the services performed by such aliens from the Federal Insurance Contributions Act, the Federal Unemployment Tax Act and the Social Security Act are equally applicable to the railroad employment provisions. Accordingly, H.R. 7567 would exclude services performed by these alien individuals from the railroad employment provisions with appropriate provision for credit or refund for railroad retirement taxes paid with respect to the service excluded under the bill. As is true under present law, the exclusion applies only for the period the nonresident alien individual is present in the United States in the specified status and only for services performed to carry out the purpose of the alien's visit to the United States; namely, as a participant in the cultural exchange or training program.

Mr. Speaker, I urge the adoption of this bill.

Mr. BYRNES of Wisconsin. Mr. Speaker, I strongly urge support for this bill (H.R. 7567) which was introduced by my distinguished colleague, the gentleman from Virginia [Mr. POFF]. The purpose of the bill is to provide an exemption from taxes levied on railroad employees for railroad retirement and unemployment insurance for nonresident aliens temporarily in the United States as participants in a cultural exchange or training program. In the Mutual Educational and Cultural Exchange Act of 1961, such employment was exempted from the Federal Insurance Contributions Act, the Federal Unemployment Tax Act, and the Social Security Act. At that time, however, it was not brought to our attention that there might be facilities—such as hospitals—maintained by a railroad, employment in which would be subject to the employment taxes applicable to other railroad employees. If the Congress had known this, I am confident that the exemption would have been provided at the same time as an exemption was provided from social security and unemployment taxes.

The exemption is limited to nonresident aliens temporarily employed in the United States under various exchange programs. It was felt that it would be inequitable to subject their wages to the social security and unemployment taxes in view of the fact that they would not be able to qualify for benefits. The same is true with respect to the benefits pro-

vided for railroad employees. It is equally inequitable to tax the wages of these aliens under the provisions of law governing railroad employees when they will not be employed for a sufficient length of time to qualify for any of the benefits.

The bill also provides procedures whereby those taxes which have been paid on account of exempt employment will be refunded if a timely claim is filed. Since the failure to exempt this form of employment initially was due wholly to oversight, in correcting that oversight it was felt that the correction should be made retroactive. While the amounts involved are not of any great significance, the principle is sound. I do not think that we can justify taxing the wages of aliens under retirement and unemployment compensation programs if the qualifications for benefits are such that we know these aliens will never be in a position to receive any benefits.

I urge favorable consideration of this legislation.

Mr. POFF. Mr. Speaker, under the Mutual Educational and Culture Exchange Act of 1961, Public Law 87–256, foreign exchange visitors studying in this country are not required to pay social security taxes on their earnings. This is because they are required after their studies are completed to return to their native countries and apply the skills they have acquired in behalf of their fellow countrymen. Thereafter, they remain ineligible for immigration to the United States for a period of 2 years. The rationale behind this exemption was that an individual should not be required to pay taxes into a program from which they probably would never draw benefits. However, Public Law 87–256 did not extend this same privilege to individuals subject to the Railroad Retirement Act. Exchange visitors who are employed by the railroads are required to pay the taxes even though they have little hope of acquiring benefit entitlement. A minimum of 10 years service is necessary to qualify for benefits under the Railroad Retirement Act.

This tax treatment is inequitable and has worked unexpected hardships in specific employment situations. Some railroads own and operate hospitals for the benefit of their employees. Workers in such hospitals are subject to the Railroad Retirement Act. When a foreign exchange doctor accepts an assignment to one of these hospitals, he is required to pay railroad retirement taxes.

The fact that these doctors are subject to railroad taxes makes it increasingly difficult for railroad hospitals to attract such doctors. Naturally, they prefer to work for employers who are not compelled to collect this tax from their modest salaries.

The Treasury Department has stated:

Failure of Public Law 87–256 to exempt such individuals from the Railroad Retirement Act and Railroad Retirement Tax Act appears to have been an oversight.

The bill which I introduced and which is before us at the present time eliminates this discriminatory tax treatment and would correct an obvious inequity. I urge its adoption.

Mr. BETTS. Mr. Speaker, I withdraw my reservation of objection.

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

There was no objection.

The Clerk read the bill, as follows:

H.R. 7567

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 3231(e)(1) of the Internal Revenue Code of 1954 (relating to definition of compensation) is amended by inserting after the second sentence the following new sentence: "Such term does not include remuneration for service which is performed by a nonresident alien individual for the period he is temporarily present in the United States as a nonimmigrant under subparagraph (F) or (J) of section 101(a)(15) of the Immigration and Nationality Act, as amended, and which is performed to carry out the purpose specified in subparagraph (F) or (J), as the case may be."

SEC. 2. Section 1(h)(1) of the Railroad Retirement Act of 1937 is amended by inserting after the second sentence the following new sentence: "Such term does not include remuneration for service which is performed by a nonresident alien individual for the period he is temporarily present in the United States as a nonimmigrant under subparagraph (F) or (J) of section 101(a)(15) of the Immigration and Nationality Act, as amended, and which is performed to carry out the purpose specified in subparagraph (F) or (J), as the case may be."

SEC. 3. (a) The amendments made by this Act shall apply with respect to service performed after December 31, 1961.

(b) Notwithstanding the expiration of the applicable statutory period of limitations, in any case where such period has expired on the date of the enactment of this Act or expires within six months after such date, claim for credit or refund of any overpayment of tax under chapter 22 of the Internal Revenue Code of 1954 which results from the amendments made by this Act may be filed at any time within one year after the date of the enactment of this Act.

With the following committee amendment:

On page 2, strike out lines 14 to 24, inclusive, and insert:

"SEC. 3. Section 1(i) of the Railroad Unemployment Insurance Act is amended by inserting after the first sentence the following new sentence: 'Such term does not include remuneration for service which is performed by a nonresident alien individual for the period he is temporarily present in the United States as a nonimmigrant under subparagraph (F) or (J) of section 101(a)(15) of the Immigration and Nationality Act, as amended, and which is performed to carry out the purpose specified in subparagraph (F) or (J), as the case may be.'

"SEC. 4. (a)(1) The amendments made by the first two sections of this Act shall apply with respect to service performed after December 31, 1961.

"(2) Notwithstanding the expiration before the date of the enactment of this Act or within 6 months after such date of the period for filing claim for credit or refund, claim for credit or refund of any overpayment of any tax imposed by chapter 22 of the Internal Revenue Code of 1954 attributable to the amendment made by the first section of this Act may be filed at any time within one year after such date of enactment.

"(3) Any credit or refund of an overpayment of the tax imposed by section 3201 or 3211 of the Internal Revenue Code of 1954 which is attributable to the amendment made by the first section of this Act shall be appropriately adjusted for any lump sum payment which has been made under section 5(f)(2) of the Railroad Retirement Act of 1937 before the date of the allowance of such credit or the making of such refund.

"(b) The amendments made by section 3 shall apply with respect to service performed after December 31, 1967."

Mr. MILLS (during the reading). Mr. Speaker, I ask unanimous consent to dispense with further reading of the amendment and that it be printed in the RECORD.

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

There was no objection.

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

Calendar No. 1652

90TH CONGRESS
2d Session

SENATE

REPORT
No. 1650

TREATMENT OF CERTAIN NONRESIDENT ALIENS UNDER THE RAILROAD RETIREMENT TAX ACT, ETC.

OCTOBER 9, 1968.—Ordered to be printed

Mr. LONG of Louisiana, from the Committee on Finance, submitted the following

REPORT

[To accompany H.R. 7567]

The Committee on Finance, to which was referred the bill (H.R. 7567) to amend the Internal Revenue Code of 1954 with respect to the definition of compensation for purposes of tax under the Railroad Retirement Tax Act, and for other purposes, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

I. SUMMARY

H.R. 7567 amends the railroad employment provisions of present law (the Railroad Retirement Tax Act, the Railroad Retirement Act of 1937, and the Railroad Unemployment Insurance Act), in general, to exclude from the scope of those acts services performed by a nonresident alien individual who is temporarily in the United States as a participant in a cultural exchange or training program. The exclusion is applicable only to nonresident alien individuals who are in the United States in a nonimmigrant status under subparagraph (F) or (J) of section 101(a)(15) of the Immigration and Nationality Act. Moreover, it is applicable only with regard to services which are necessary to carry out the purpose of the alien's visit to the United States.

The general employment provisions of present law (the Federal Insurance Contributions Act, the Federal Unemployment Tax Act, and the Social Security Act) already exclude the services performed by these nonresident alien individuals from their scope.

The Treasury Department has indicated that it does not object to the enactment of this bill.

II. GENERAL STATEMENT

Reasons for bill.—Under present law, compensation for services performed by nonresident alien individuals who are temporarily present in the United States in a nonimmigrant status as participants in certain cultural exchange or training programs generally is excluded from tax under the Federal Insurance Contributions Act (imposed by secs. 3101 and 3111 of the code) and under the Federal Unemployment Tax Act (imposed by sec. 3301 of the code). This exclusion applies only to services performed for the period the individual is a nonimmigrant under subparagraph (F) or (J) of section 101(a)(15) of the Immigration and Nationality Act. Moreover, the exemption applies only to remuneration for services which are necessary to carry out the purpose for which the alien is in the United States; namely, as a participant in the cultural exchange or training program. A similar exclusion in the Social Security Act provides that these services are not counted for purposes of determining benefits allowable under that act.

Subparagraph (F) of section 101(a)(15) of the Immigration and Nationality Act concerns bona fide students who are qualified to pursue a full course of study and who come to the United States temporarily and solely for the purpose of pursuing a course of study. The study must be at an established educational institution which has been particularly designated by the student and approved by the Attorney General after consultation with the Office of Education of the United States. Subparagraph (J) of that section concerns bona fide students, scholars, trainees, teachers, specialists, and similar persons who temporarily come to the United States as participants in programs designated by the Secretary of State, for the purpose of teaching, studying, consulting, receiving training, et cetra.

The provisions of present law excluding services performed by nonresident alien individuals, who are temporarily present in the United States in a nonimmigrant status as participants in certain cultural exchange or training programs, from the taxes imposed by the Federal Insurance Contributions Act and the Federal Unemployment Tax Act and the benefits provided under the Social Security Act were adopted in the Mutual Educational and Cultural Exchange Act of 1961. This was done because these alien individuals are in the United States for such a short period of time that they have little expectation of realizing any social security or unemployment benefits. In addition, the exclusion of these individuals was considered to contribute to the objectives of the exchange program.

The Mutual Educational and Cultural Act of 1961 did not include, however, a similar exclusion for services covered by the provisions of law relating to railroad employment (the Railroad Retirement Tax Act, the Railroad Retirement Act of 1937, and the Railroad Unemployment Insurance Act). Presumably, this was done on the basis that it was not felt these alien individuals would be rendering services which were subject to the railroad employment provisions.

The committee understands however, that there are situations where services performed by these alien individuals are subject to the railroad employment provisions. For example, the services of a doctor who participates in an exchange or training program and who pursuant to that program is employed in a hospital owned by a railroad would be

subject to those provisions. The committee agrees with the House that the reasons underlying the exclusion of services performed by these alien individuals from the scope of the Federal Insurance Contributions Act, the Federal Unemployment Tax Act, and the Social Security Act are equally applicable in the case of the railroad employment provisions. The very nature of the purpose for which the alien is present in the United States indicates that the alien's stay in the United States will be of short duration. Thus, the alien will have little expectation of realizing any benefits under the railroad employment provisions. Accordingly, the bill excludes services performed by these individuals from those provisions.

Explanation of bill.—The bill provides that the term "compensation" for purposes of the railroad retirement tax (which is defined in sec. 3231(e)(1) of the code) is not to include remuneration for services performed by a nonresident alien individual for the period he is temporarily present in the United States as a nonimmigrant under subparagraph (F) or (J) of section 101(a)(15) of the Immigration and Nationality Act. This exclusion is to apply, however, only to remuneration for services performed to carry out the purpose of the alien's visit to the United States; namely, as a participant in the cultural exchange or training program. The exclusion, moreover, is only to apply for the period the alien is present in the United States as a nonimmigrant under subparagraph (F) or (J). Thus, if the alien terminates or loses the specified nonimmigrant status, the exclusion is not to be applicable for the period commencing at the termination or loss of that status.

The bill also amends the Railroad Retirement Act of 1937 (sec. 1(h)(1)) and the Railroad Unemployment Insurance Act (sec. 1(i)) in an identical manner. Thus, the specified services of these nonresident alien individuals are to be excluded from the scope of those acts.

The amendments of the Internal Revenue Code and the Railroad Retirement Act of 1937 made by the bill are to apply with respect to service performed after December 31, 1961, which is the effective date of the similar provisions in the Federal Insurance Contributions Act, the Federal Unemployment Tax Act, and the Social Security Act. The amendment made by the bill to the Railroad Unemployment Insurance Act is to apply with respect to service performed after December 31, 1967.

The bill also contains a special provision which allows a claim for credit or refund of the railroad retirement tax, which may have been paid by an employee, an employee representative, or an employer, with respect to service which is to be excluded from the scope of that tax under the bill, to be filed within 1 year after the bill is enacted, notwithstanding the fact that the period for filing the claim for credit or refund has expired before, or expires on or within 6 months after the date of enactment of the bill.

Any credit or refund of the railroad retirement tax which has been paid by an employee or an employee representative (under secs. 3201 and 3211 of the code) and which is attributable to the amendment made by the bill to the Railroad Retirement Tax Act is to be appropriately adjusted for any lump-sum payment which has been made under the Railroad Retirement Act of 1937 (sec. 5(f)(2)). Under the Railroad Retirement Act of 1937 (sec. 5(f)(2)) the beneficiaries of an

employee, who was not entitled to benefits under that act, receive a lump-sum payment upon his death which in effect is a return of the railroad retirement taxes paid by the employee. Where such a lump-sum payment has been made and the deceased employee's representative then files a claim for a credit or refund of the railroad retirement tax, which is attributable to the exclusion of the employee's service from the scope of the tax pursuant to the amendment made by the bill, an adjustment is necessary to prevent a double recovery. No adjustment is to be made, however, with respect to a credit or refund of an overpayment of the railroad retirement tax by an employer.

III. CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (new matter is printed in italic, existing law in which no change is proposed is shown in roman):

Section 3231(e) of the Internal Revenue Code of 1954

Sec. 3231. Definitions

* * * * * * *

(e) COMPENSATION.—For purposes of this chapter—

(1) The term "compensation" means any form of money remuneration earned by an individual for services rendered as an employee to one or more employers, or as an employee representative, including remuneration paid for time lost as an employee, but remuneration paid for time lost shall be deemed earned in the month in which such time is lost. Such term does not include tips (except as is provided under paragraph (3)), or the voluntary payment by an employer, without deduction from the remuneration of the employee, of the tax imposed on such employee by section 3201. *Such term does not include remuneration for service which is performed by a nonresident alien individual for the period he is temporarily present in the United States as a nonimmigrant under subparagraph (F) of (J) of section 101(a)(15) of the Immigration and Nationality Act, as amended, and which is performed to carry out the purpose specified in subparagraph (F) or (J), as the case may be.* Compensation which is earned during the period for which the Secretary or his delegate shall require a return of taxes under this chapter to be made and which is payable during the calendar month following such period shall be deemed to have been paid during such period only. For the purpose of determining the amount of taxes under sections 3201 and 3221, compensation earned in the service of a local lodge or division of a railway-labor-organization employer shall be disregarded with respect to any calendar month if the amount thereof is less than $3 Compensation for service as a delegate to a national or international convention of the railway labor organization defined as an "employer" in subsection (a) of this section shall be disregarded for purposes of determining the amount of taxes due pursuant to this chapter if the individual rendering such service has not previously rendered service, other than as such a

delegate, which may be included in his "years of service" for purposes of the Railroad Retirement Act.

(2) A payment made by an employer to an individual through the employer's payroll shall be presumed, in the absence of evidence to the contrary, to be compensation for service rendered by such individual as an employee of the employer in the period with respect to which the payment is made. An employee shall be deemed to be paid "for time lost" the amount he is paid by an employer with respect to an identifiable period of absence from the active service of the employer, including absence on account of personal injury, and the amount he is paid by the employer for loss of earnings resulting from his displacement to a less remunerative position or occupation. If a payment is made by an employer with respect to a personal injury and includes pay for time lost, the total payment shall be deemed to be paid for time lost unless, at the time of payment, a part of such payment is specifically apportioned to factors other than time lost, in which event only such part of the payment as is not so apportioned shall be deemed to be paid for time lost.

(3) Solely for purposes of the tax imposed by section 3201 and other provisions of this chapter insofar as they relate to such tax, the term "compensation" also includes cash tips received by an employee in any calendar month in the course of his employment by an employer unless the amount of such cash tips is less than $20.

Section 1(h)(1) of the Railroad Retirement Act of 1937

DEFINITIONS

SECTION 1. For the purpose of this Act—

* * * * * * *

(h)(1) The term "compensation" means any form of money remuneration paid to an individual for services rendered as an employee to one or more employers, or as an employee representative, including remuneration paid for time lost as an employee, but remuneration paid for time lost shall be deemed earned in the month in which such time is lost. Such term does not include tips (except as is provided under paragraph (2)), or the voluntary payment by an employer, without deduction from the remuneration of the employee, of any tax now or hereafter imposed with respect to the compensation of such employee. *Such term does not include remuneration for service which is performed by a nonresident alien individual for the period he is temporarily present in the United States as a nonimmigrant under subparagraph (F) or (J) of section 101(a)(15) of the Immigration and Nationality Act, as amended, and which is performed to carry out the purpose specified in subparagraph (F) or (J), as the case may be.* For the purposes of determining monthly compensation and years of service and for the purposes of section 2 and 5 of this Act, compensation earned in the service of a local lodge or division of a railway-labor-organization employer shall be disregarded with respect to any calendar month if the amount thereof is less than $3 and (i) such compensation is earned between December 31, 1936, and April 1, 1940, and taxes

thereon pursuant to sections 2(a) and 3(a) of the Carriers Taxing Act of 1937 or sections 1500 and 1520 of the Internal Revenue Code are not paid prior to July 1, 1940; or (ii) such compensation is earned after March 31, 1940. A payment made by an employer to an individual through the employer's pay roll shall be presumed, in the absence of evidence to the contrary, to be compensation for service rendered by such individual as an employee of the employer in the period with respect to which the payment is made. An employee shall be deemed to be paid, "for time lost" the amount he is paid by an employer with respect to an identifiable period of absence from the active service of the employer, including absence on account of personal injury, and the amount he is paid by the employer for loss of earnings resulting from his displacement to a less remunerative position or occupation. If a payment is made by an employer with respect to a personal injury and includes pay for time lost, the total payment shall be deemed to be paid for time lost unless, at the time of payment, a part of such payment is specifically apportioned to factors other than time lost, in which event only such part of the payment as is not so apportioned shall be deemed to be paid for time lost. Compensation earned in any calendar month before 1947 shall be deemed paid in such month regardless of whether or when payment will have been in fact made, and compensation earned in any calendar year after 1946 but paid after the end of such calendar year shall be deemed to be compensation paid in the calendar year in which it will have been earned if it is so reported by the employer before February 1 of the next succeeding calendar year or, if the employee establishes, subject to the provisions of section 8, the period during which such compensation will have been earned. In determining the monthly compensation, the average monthly remuneration, and quarters of coverage of any employee, there shall be attributable as compensation paid to him in each calendar month before 1968 in which he is in military service creditable under section 4 the amount of $160 in addition to the compensation, if any, paid to him with respect to such month. In making such a determination there shall be attributable as compensation paid to him for each calendar month after 1967 in which he is in military service so creditable the amount of $260. Compensation for service as a delegate to a national or international convention of a railway labor organization defined as an "employer" in subsection (a) of this section shall be disregarded for purposes of determining eligibility for and the amount of benefits pursuant to this Act if the individual rendering such service has not previously rendered service, other than as such a delegate, which may be included in his "years of service."

(2) Solely for purposes of determining amounts to be included in the compensation of an individual who is an employee (as defined in subsection (b)) the term "compensation" shall (subject to section 3(c)) also include cash tips received by an employee in any calendar month in the course of his employment by an employer unless the amount of such cash tips is less than $20.

(3) Tips included as compensation by reason of the provisions of paragraph (2) shall be deemed to be paid at the time a written statement including such tips is furnished to the employer pursuant to section 6053(a) of the Internal Revenue Code of 1954 or (if no state-

ment including such tips is so furnished) at the time received; and tips so deemed to be paid in any month shall be deemed paid for services rendered in such month.

Section 1(i) of the Railroad Unemployment Insurance Act

DEFINITIONS

SECTION 1. For the purposes of this Act, except when used in amending the provisions of other Acts—

* * * * * * *

(i) The term "compensation" means any form of money remuneration, including pay for time lost but excluding tips, paid for services rendered as an employee to one or more employers, or as an employee representative: *Provided, however,* That in computing the compensation paid to any employee, no part of any month's compensation in excess of $300 for any month before July 1, 1954, or in excess of $350 for any month after June 30, 1954, and before the calendar month next following the month in which this Act was amended in 1959, or in excess of $400 for any month after the month in which this Act was so amended, shall be recognized. *Such term does not include remuneration for service which is performed by a nonresident alien individual for the period he is temporarily present in the United States as a nonimmigrant under subparagraph (F) or (J) of section 101(a)(15) of the Immigration and Nationality Act, as amended, and which is performed to carry out the purpose specified in subparagraph (F) or (J), as the case may be.* A payment made by an employer to an individual through the employer's payroll shall be presumed, in the absence of evidence to the contrary, to be compensation for service rendered by such individual as an employee of the employer in the period with respect to which the payment is made. An employee shall be deemed to be paid, "for time lost" the amount he is paid by an employer with respect to an identifiable period of absence from the active service of the employer, including absence on account of personal injury, and the amount he is paid by the employer for loss of earnings resulting from his displacement to a less remunerative position or occupation. If a payment is made by an employer with respect to a personal injury and includes pay for time lost, the total payment shall be deemed to be paid for time lost unless, at the time of payment, a part of such payment is specifically apportioned to factors other than time lost, in which event only such part of the payment as is not so apportioned shall be deemed to be paid for time lost. Compensation earned in any calendar month before 1947 shall be deemed paid in such month regardless of whether or when payment will have been in fact made, and compensation earned in any calendar year after 1946 but paid after the end of such calendar year shall be deemed to be compensation paid in the calendar year in which it will have been earned if it is so reported by the employer before February 1 of the next succeeding calendar year or, if the employee establishes, subject to the provisions of section 6 of this Act, the period during which such compensation will have been earned.

○

AMENDMENT OF THE INTERNAL REVENUE CODE OF 1954—DEFINITION OF COMPENSATION

The bill (H.R. 7567) to amend the Internal Revenue Code of 1954 with respect to the definition of compensation for purposes of tax under the Railroad Retirement Tax Act, and for other purposes, was considered, ordered to a third reading, read the third time, and passed.

Mr. MANSFIELD. Mr. President, I ask unanimous consent to have printed in the RECORD an excerpt from the report (No. 1650), explaining the purposes of the bill.

There being on objection, the excerpt was ordered to be printed in the RECORD, as follows:

I. SUMMARY

H.R. 7567 amends the railroad employment provisions of present law (the Railroad Retirement Tax Act, the Railroad Retirement Act of 1937, and the Railroad Unemployment Insurance Act), in general, to exclude from the scope of those acts services performed by a nonresident alien individual who is temporarily in the United States as a participant in a cultural exchange or training program. The exclusion is applicable only to nonresident alien individuals who are in the United States in a nonimmigrant status under subparagraph (F) or (J) of section 101(a)(15) of the Immigration and Nationality Act. Moreover, it is applicable only with regard to services which are necessary to carry out the purpose of the alien's visit to the United States.

The general employment provisions of present law (the Federal Insurance Contributions Act, the Federal Unemployment Tax Act, and the Social Securty Act) already exclude the services performed by these nonresident alien individuals from their scope.

The Treasury Department has indicated that it does not object to the enactment of this bill.

II. GENERAL STATEMENT

Reasons for bill.—Under present law, compensation for services performed by nonresident alien individuals who are temporarily present in the United States in a nonimmigrant status as participants in certain cultural exchange or training programs generally is excluded from tax under the Federal Insurance Contributions Act (imposed by secs. 3101 and 3111 of the code) and under the Federal Unemployment Tax Act (imposed by sec. 3301 of the code). This exclusion applies only to services performed for the period the individual is a nonimmigrant under subparagraph (F) or (J) of section 101(a)(15) of the Immigration and Nationality Act. Moreover, the exemption applies only to remuneration for services which are necessary to carry out the purpose for which the alien is in the United States; namely, as a participant in the cultural exchange or training program. A similar exclusion in the Social Security Act provides that these services are not counted for purposes of determining benefits allowable under that act.

Subparagraph (F) of section 101(a)(15) of the Immigration and Nationality Act concerns bona fide students who are qualified to pursue a full course of study and who come to the United States temporarily and solely for the purpose of pursuing a course of study. The study must be at an established educational institution which has been particularly designated by the student and approved by the Attorney General after consultation with the Office of Education of the United States. Subparagraph (J) of that section concerns bona fide students, scholars, trainees, teachers, specialists, and similar persons who temporarily come to the United States as participants in programs designated by the Secretary of State, for the purpose of teaching, studying consulting, receiving training, et cetera.

The provisions of present law excluding services performed by non-resident alien individuals, who are temporarily present in the United States in a nonimmigrant status as participants in certain cultural exchange or training programs, from the taxes imposed by the Federal Insurance Contributions Act and the Federal Unemployment Tax Act and the benefits provided under the Social Security Act were adopted in the Mutual Educational and Cultural Exchange Act of 1961. This was done because these alien individuals are in the United States for such a short period of time that they have little expectation of realizing any social security or unemployment benefits. In addition, the exclusion of these individuals was considered to contribute to the objectives of the exchange program.

The Mutual Educational and Cultural Act of 1961 did ont include, however, a similar exclusion for services covered by the provisions of law relating to railroad employment (the Railroad Retirement Tax Act, the Railroad Retirement Act of 1937, and the Railroad Unemployment Insurance Act). Presumably, this was done on the basis that it was not felt these alien individuals would be rendering services which were subject to the railroad employment provisions.

The committee understands however, that there are situations where services performed by these alien individuals are subject to the railroad employment provisions. For example, the services of a doctor who participates in an exchange or training program and who pursuant to that program is employed in a hospital owned by a railroad would be subject to those provisions. The committee agres with the House that the reasons underlying the exclusion of services performed by these alien individuals from the scope of the Federal Insurance Contributions Act, the Federal Unemployment Tax Act, and the Social Security Act are equally applicable in the case of the railroad employment provisions. The very nature of the purpose for which the alien is present in the United States indicates that the alien's' stay in the United States will be of short duration. Thus, the alien will have little expectation of realizing any benefits under the railroad employment provisions. Accordingly, the bill excludes services performed by thse individuals from those provisions.

Explanation of bill.—The bill provides that the term "compensation" for purposes of the railroad retirement tax (which is defined in sec. 3231(e)(1) of the code) is not to include remuneration for services performed by a nonresident alien individual for the period he is temporarily present in the United States as a nonimmigrant under subparagraph (F) or (J) of section 101(a)(15) of the Immigration and Nationality Act. This exclusion is to apply, however, only to remuneration for services performed to carry out the purpose of the alien's visit to the United States; namely, as a participant in the cultural exchange or training program. The exclusion, moreover, is only to apply for the period the alien is present in the United States as a nonimmigrant under subparagraph (F) or (J). Thus, if the alien terminates or loses the specified nonimmigrant status, the exclusion is not to be applicable for the period commencing at the termination or loss of that status.

The bill also amends the Railroad Retirement Act of 1937 (sec. 1(h)(1)) and the Railroad Unemployment Insurance Act (sec. 1(i)) in an identical manner. Thus, the specified services of these nonresident alien individuals are to be excluded from the scope of those acts.

The amendments of the Internal Revenue Code and the Railroad Retirement Act of 1937 made by the bill are to apply with respect to service performed after December 31, 1961, which is the effective date of the similar provisions in the Federal Insurance Contributions Act, the Federal Unemployment Tax Act, and the Social Security Act. The amendment made by the bill to the Railroad Unemployment Insurance Act is to apply with respect to service performed after December 31, 1967.

The bill also contains a special provision which allows a claim for credit or refund of the railroad retirement tax, which may have been paid by an employee, an employee representative, or an employer, with respect to service which is to be excluded from the scope of that tax under the bill, to be filed within 1 year after the bill is enacted, notwithstanding the fact that the period for filing the claim for credit or refund has expired before, or expires on or within 6 months after the date of enactment of the bill.

Any credit or refund of the railroad retirement tax which has been paid by an employee or an employee representative (under secs. 3201 and 3211 of the code) and which is attributable to the amendment made by the bill to the Railroad Retirement Tax Act is to be appropriately adjusted for any lump-sum payment which has been made under the Railroad Retirement Act of 1937 (sec. 5(f)(2)). Under the Railroad Retirement Act of 1937 (sec. 5(f)(2) the beneficiaries of an employee, who was not entitled to benefits under that act, receive a lump-sum payment upon his death which in effect is a return of the railroad retirement taxes paid by the employee. Where such a lump-sum payment has been made and the deceased employee's representative then files a claim for a credit or refund of the railroad retirement tax, which is attributable to the exclusion of the employee's service from the scope of the tax pursuant to the amendment made by the bill, an adjustment is necessary to prevent a double recovery. No adjustment is to be made, however, with respect to a credit or refund of an overpayment of the railroad retirement tax by an employer.

Public Law 90-624
90th Congress, H. R. 7567
October 22, 1968

An Act

To amend the Internal Revenue Code of 1954 with respect to the definition of compensation for purposes of tax under the Railroad Retirement Tax Act, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 3231 (e)(1) of the Internal Revenue Code of 1954 (relating to definition of compensation) is amended by inserting after the second sentence the following new sentence: "Such term does not include remuneration for service which is performed by a nonresident alien individual for the period he is temporarily present in the United States as a nonimmigrant under subparagraph (F) or (J) of section 101(a)(15) of the Immigration and Nationality Act, as amended, and which is performed to carry out the purpose specified in subparagraph (F) or (J), as the case may be."

Taxes.
Definition of compensation.
68A Stat. 434.
26 USC 3231.
66 Stat. 168; 75 Stat. 534.
8 USC 1101.

SEC. 2. Section 1(h)(1) of the Railroad Retirement Act of 1937 is amended by inserting after the second sentence the following new sentence: "Such term does not include remuneration for service which is performed by a nonresident alien individual for the period he is temporarily present in the United States as a nonimmigrant under subparagraph (F) or (J) of section 101(a)(15) of the Immigration and Nationality Act, as amended, and which is performed to carry out the purpose specified in subparagraph (F) or (J), as the case may be."

50 Stat. 309; 79 Stat. 860.
45 USC 228a.

SEC. 3. Section 1 (i) of the Railroad Unemployment Insurance Act is amended by inserting after the first sentence the following new sentence: "Such term does not include remuneration for service which is performed by a nonresident alien individual for the period he is temporarily present in the United States as a nonimmigrant under subparagraph (F) or (J) of section 101(a)(15) of the Immigration and Nationality Act, as amended, and which is performed to carry out the purpose specified in subparagraph (F) or (J), as the case may be."

52 Stat. 1095.
45 USC 351.

SEC. 4. (a)(1) The amendments made by the first two sections of this Act shall apply with respect to service performed after December 31, 1961.

Applicability.

(2) Notwithstanding the expiration before the date of the enactment of this Act or within 6 months after such date of the period for filing claim for credit or refund, claim for credit or refund of any overpayment of any tax imposed by chapter 22 of the Internal Revenue Code of 1954 attributable to the amendment made by the first section of this Act may be filed at any time within one year after such date of enactment.

26 USC 3201-3233.

(3) Any credit or refund of an overpayment of the tax imposed by section 3201 or 3211 of the Internal Revenue Code of 1954 which is attributable to the amendment made by the first section of this Act shall be appropriately adjusted for any lump-sum payment which has been made under section 5(f)(2) of the Railroad Retirement Act

73 Stat. 28; 79 Stat. 861.

62 Stat. 577.
45 USC 228e.

of 1937 before the date of the allowance of such credit or the making of such refund.

Applicability.

(b) The amendments made by section 3 shall apply with respect to service performed after December 31, 1967.

Approved October 22, 1968.

LEGISLATIVE HISTORY:

HOUSE REPORT No. 1844 (Comm. on Ways and Means).
SENATE REPORT No. 1650 (Comm. on Finance).
CONGRESSIONAL RECORD, Vol. 114 (1968):
Sept. 30: Considered and passed House.
Oct. 11: Considered and passed Senate.

90TH CONGRESS
1ST SESSION

H. R. 7567

IN THE HOUSE OF REPRESENTATIVES

MARCH 21, 1967

MR. POFF introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1954 with respect to the definition of compensation for purposes of tax under the Railroad Retirement Tax Act, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 3231 (e) (1) of the Internal Revenue Code of 1954 (relating to definition of compensation) is amended by inserting after the second sentence the following new sentence: "Such term does not include remuneration for service which is performed by a nonresident alien individual for the period he is temporarily present in the United States as a nonimmigrant under subparagraph (F) or (J) of section 101 (a) (15) of the Immigration and Nationality

Act, as amended, and which is performed to carry out the purpose specified in subparagraph (F) or (J), as the case may be."

SEC. 2. Section 1 (h) (1) of the Railroad Retirement Act of 1937 is amended by inserting after the second sentence the following new sentence: "Such term does not include remuneration for service which is performed by a nonresident alien individual for the period he is temporarily present in the United States as a nonimmigrant under subparagraph (F) or (J) of section 101 (a) (15) of the Immigration and Nationality Act, as amended, and which is performed to carry out the purpose specified in subparagraph (F) or (J), as the case may be."

SEC. 3. (a) The amendments made by this Act shall apply with respect to service performed after December 31, 1961.

(b) Notwithstanding the expiration of the applicable statutory period of limitations, in any case where such period has expired on the date of the enactment of this Act or expires within six months after such date, claim for credit or refund of any overpayment of tax under chapter 22 of the Internal Revenue Code of 1954 which results from the amendments made by this Act may be filed at any time within one year after the date of the enactment of this Act.

90TH CONGRESS
1ST SESSION

H. R. 7567

A BILL

To amend the Internal Revenue Code of 1954 with respect to the definition of compensation for purposes of tax under the Railroad Retirement Tax Act, and for other purposes.

By Mr. POFF

MARCH 21, 1967
Referred to the Committee on Ways and Means

United States of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 90th CONGRESS, FIRST SESSION

Vol. 113 WASHINGTON, TUESDAY, MARCH 21, 1967 No. 45

House of Representatives

RAILROAD RETIREMENT

(Mr. POFF asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. POFF. Mr. Speaker, under the Cultural Exchange Act, foreign exchange students studying in this country are not required to pay social security taxes on their earnings. This is because they are required after their study course is completed to return to their native countries and apply the skills they have acquired in behalf of their fellow countrymen. Thereafter, they remain ineligible for immigration to the United States for a period of 2 years. The rationale was that they should not be required to pay taxes into a program from which they would likely never be able to draw benefits.

The same privilege was not extended to railroad retirement taxes. Exchange students whose earnings are derived from railroad employment are required to pay the taxes even though they have little hope of acquiring benefit entitlement. Entitlement under the Railroad Retirement Act requires a minimum of 10 years' service.

This difference in tax treatment has worked an unexpected hardship in a unique situation. Some railroads own and operate hospitals for the benefit of their employees. Workers in such hospitals are subject to the Railroad Retirement Act. When a foreign exchange doctor accepts assignment to one of these hospitals, he is required to pay railroad retirement taxes.

Under such circumstances, it is becoming increasingly difficult for railroad hospitals to attract exchange doctors. Understandably, they prefer hospitals covered by the social security program, where they are spared the burden of retirement tax deductions from their modest salaries.

I have introduced a bill to eliminate this discriminatory tax treatment, and I respectfully request the Committee on Ways and Means to consider the measure as soon as its heavy workload will conveniently permit.

90TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 1039

INCOME LIMITATIONS ON NON-SERVICE-CONNECTED PENSIONS

DECEMBER 12, 1967.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. TEAGUE of Texas, from the Committee on Veterans' Affairs, submitted the following

REPORT

[To accompany H.R. 12555]

The Committee on Veterans' Affairs, to whom was referred the bill (H.R. 12555) to amend title 38, United States Code, to liberalize the provisions relating to payment of pension, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill, as amended, do pass.

The amendment is as follows:

Strike out all after the enacting clause and insert the following:

That (a) the table in subsection (b) of section 521 of title 38, United States Code, is amended to appear as follows:

"Column I		Column II
Annual income		
More than—	but Equal to or less than—	
	$300	$110
$300	400	108
400	500	106
500	600	104
600	700	100
700	800	96
800	900	92
900	1,000	88
1,000	1,100	84
1,100	1,200	79
1,200	1,300	75
1,300	1,400	69
1,400	1,500	63
1,500	1,600	57
1,600	1,700	51
1,700	1,800	45
1,800	1,900	37
1,900	2,000	29".

(b) The table in subsection (c) of such section 521 is amended to appear as follows:

"Column I		Column II	Column III	Column IV
Annual income		One dependent	Two dependents	Three or more dependents
More than—	but Equal to or less than—			
	$500	$120	$125	$130
$500	600	118	123	128
600	700	116	121	126
700	800	114	119	124
800	900	112	117	122
900	1,000	109	114	119
1,000	1,100	107	107	107
1,100	1,200	105	105	105
1,200	1,300	103	103	103
1,300	1,400	101	101	101
1,400	1,500	99	99	99
1,500	1,600	96	96	96
1,600	1,700	93	93	93
1,700	1,800	90	90	90
1,800	1,900	87	87	87
1,900	2,000	84	84	84
2,000	2,100	81	81	81
2,100	2,200	78	78	78
2,200	2,300	75	75	75
2,300	2,400	72	72	72
2,400	2,500	69	69	69
2,500	2,600	66	66	66
2,600	2,700	62	62	62
2,700	2,800	58	58	58
2,800	2,900	54	54	54
2,900	3,000	50	50	50
3,000	3,100	42	42	42
3,100	3,200	34	34	34".

(c) The table in subsection (b) of section 541 of title 38, United States Code, is amended to appear as follows:

"Column I		Column II
Annual income		
More than—	but Equal to or less than—	
	$300	$74
$300	400	73
400	500	72
500	600	70
600	700	67
700	800	64
800	900	61
900	1,000	58
1,000	1,100	55
1,100	1,200	51
1,200	1,300	48
1,300	1,400	45
1,400	1,500	41
1,500	1,600	37
1,600	1,700	33
1,700	1,800	29
1,800	1,900	23
1,900	2,000	17".

(d) The table in subsection (c) of such section 541 is amended to appear as follows:

"Column I			Column II
Annual income			
More than—	but	Equal to or less than—	
		$600	$90
$600		700	89
700		800	88
800		900	87
900		1,000	86
1,000		1,100	85
1,100		1,200	83
1,200		1,300	81
1,300		1,400	79
1,400		1,500	77
1,500		1,600	75
1,600		1,700	73
1,700		1,800	71
1,800		1,900	69
1,900		2,000	67
2,000		2,100	65
2,100		2,200	63
2,200		2,300	61
2,300		2,400	59
2,400		2,500	57
2,500		2,600	55
2,600		2,700	53
2,700		2,800	51
2,800		2,900	48
2,900		3,000	45
3,000		3,100	43
3,100		3,200	41".

SEC. 2. (a) The table in subsection (b)(1) of section 415 of title 38, United States Code, is amended to appear as follows:

"Column I			Column II
Total annual income			
More than—	but	Equal to or less than—	
		$800	$87
$800		900	81
900		1,000	75
1,000		1,100	69
1,100		1,200	62
1,200		1,300	54
1,300		1,400	46
1,400		1,500	38
1,500		1,600	31
1,600		1,700	25
1,700		1,800	18
1,800		1,900	12
1,900		2,000	10".

(b) The table in subsection (c) of such section 415 is amended to appear as follows:

"Column I			Column II
Total annual income			
More than—	but	Equal to or less than—	
		$800	$58
$800		900	54
900		1,000	50
1,000		1,100	46
1,100		1,200	41
1,200		1,300	35
1,300		1,400	29
1,400		1,500	23
1,500		1,600	20
1,600		1,700	16
1,700		1,800	12
1,800		1,900	11
1,900		2,000	10".

(c) The table in subsection (d) of such section 415 is amended to appear as follows:

"Column I			Column II
Total combined annual income			
More than—	but	Equal to or less than—	
		$1,000	$58
$1,000		1,100	56
1,100		1,200	54
1,200		1,300	52
1,300		1,400	49
1,400		1,500	46
1,500		1,600	44
1,600		1,700	42
1,700		1,800	40
1,800		1,900	38
1,900		2,000	35
2,000		2,100	33
2,100		2,200	31
2,200		2,300	29
2,300		2,400	26
2,400		2,500	23
2,500		2,600	21
2,600		2,700	19
2,700		2,800	17
2,800		2,900	15
2,900		3,000	12
3,000		3,100	11
3,100		3,200	10".

SEC. 3. (a) If the monthly rate of pension or dependency and indemnity compensation payable to a person under title 38, United States Code, would be less, solely as a result of an increase in monthly insurance benefits provided by the Social Security Amendments of 1967, than the monthly rate payable for the month immediately preceding the effective date of this Act, the Administrator of Veterans' Affairs shall pay the person as follows:

(1) for the balance of calendar year 1968 and during calendar year 1969, at the prior monthly rate;

(2) during the calendar year 1970, at the rate for the next $100 annual income limitation higher than the maximum annual income limitation corresponding to the prior monthly rate; and

(3) during each successive calendar year, at the rate for the next $100 annual income limitation higher than the one applied for the preceding year, until the rate corresponding to actual countable income is reached.

(b) Subsection (a) shall not apply for any period during which annual income of such person, exclusive of an increase in monthly insurance benefits provided by the Social Security Amendments of 1967, exceeds the amount of annual

income upon which was based the pension or dependency and indemnity compensation payable to the person immediately prior to receipt of the increase.

SEC. 4. The annual income limitations governing payment of pension under the first sentence of section 9(b) of the Veterans' Pension Act of 1959 hereafter shall be $1,600 and $2,900, instead of $1,400 and $2,700, respectively.

SEC. 5. Paragraph (4) of section 3012(b) of title 38, United States Code, is amended to read as follows:

"(4) by reason of change in income or corpus of estate shall be the last day of the calendar year in which the change occurred;"

SEC. 6. (a) The first section and sections 2 and 4 of this Act shall take effect on January 1, 1969.

(b) Sections 3 and 5 of this Act shall take effect on the first day of the first calendar month following the month of initial payment of increases in monthly insurance benefits provided by the Social Security Amendments of 1967.

EXPLANATION OF THE BILL

Public Law 86–211, effective July 1, 1960, created a new pension program which has been amended by Public Laws 88–664 and 90–77 and which as presently constituted provides the following rates of pension and income limitations:

INCREASES UNDER PUBLIC LAW 86–211 SINCE JUNE 30, 1960

VETERAN, NO DEPENDENTS [1] [2]

Annual income other than pension		Monthly pension		
More than—	But equal to or less than—	Public Law 86–211	Public Law 88–664	Public Law 90–77
	$600	$85	$100	$104
$600	1,200	70	75	75
1,200	1,800	40	43	45

[1] Pension reduced to $30 after 2d full month of hospitalization or domiciliary care by the VA.

[2] Applicable rate under current law increased by $100 per month for veterans who are patients in nursing homes or so helpless or blind as to require the regular aid and attendance of another person, or by $40 when veteran is permanently housebound because of severe disability.

VETERAN, WITH DEPENDENTS [1]

Annual income other than pension		Monthly pension								
		Veteran and 1 dependent			Veteran and 2 dependents			Veteran and 3 or more dependents		
More than—	But equal to or less than—	Public Law 86–211	Public Law 88–664	Public Law 90–77	Public Law 86–211	Public Law 88–664	Public Law 90–77	Public Law 86–211	Public Law 88–664	Public Law 90–77
	$1,000	$90	$105	$109	$95	$110	$114	$100	$115	$119
$1,000	2,000	75	80	84	75	80	84	75	80	84
2,000	3,000	45	48	50	45	48	50	45	48	50

[1] Applicable rate under current law increased by $100 per month for veterans who are patients in nursing homes or so helpless or blindas to require the regular aid and attendance of another person, or by $40 when veteran is permanently housebound be cause of severe disability.

WIDOW, NO CHILD

Annual income other than pension		Monthly pension		
More than—	But equal to or less than—	Public Law 86–211	Public Law 88–664	Public Law 90–77 [1]
	$600	$60	$64	$70
$600	1,200	45	48	51
1,200	1,800	25	27	29

[1] Payment to widow increased by $50 a month when she is so disabled as to require the regular aid and attendance of another person or is a patient in a nursing home. No similar provision in prior law.

WIDOW, 1 CHILD

Annual income other than pension		Monthly pension		
More than—	But equal to or less than—	Public Law 86-211	Public Law 88-664	Public Law 90-77[1 2]
	$1,000	$75	$80	$86
$1,000	2,000	60	64	67
2,000	3,000	40	43	45

[1] *Plus $16 for each additional child.*
[2] Payment to widow increased by $50 a month when she is so disabled as to require the regular aid and attendance of another person or is a patient in a nursing home. No similar provision in prior law.

NO WIDOW, 1 OR MORE CHILDREN

Annual income equal to or less than (earned income excluded)—	Monthly pension		
	Public Law 86-211	Public Law 88-664	Public Law 90-77
$1,800	$35 for 1 child and $15 for each additional child.	$38 for 1 child and $15 for each additional child.	$40 for 1 child and $16 for each additional child.

The following table illustrates the pension provisions of H.R. 12555, as reported, as compared with those in present law:

Income increment	Veteran alone		Veteran with dependent		Widow alone		Widow with 1 child [1]	
	Existing law	H.R. 12555	Existing law	H.R. 12555	Existing law	H.R. 12555	Existing law	H.R. 12555
$100	$104	$110	[2] $109	[2] $120	$70	$74	$86	$90
$200	104	110	[2] 109	[2] 120	70	74	86	90
$300	104	110	[2] 109	[2] 120	70	74	86	90
$400	104	108	[2] 109	[2] 120	70	73	86	90
$500	104	106	[2] 109	[2] 120	70	72	86	90
$600	104	104	[2] 109	[2] 118	70	70	86	90
$700	79	100	[2] 109	[2] 116	51	67	86	89
$800	79	96	[2] 109	[2] 114	51	64	86	88
$900	79	92	[2] 109	[2] 112	51	61	86	87
$1,000	79	88	[2] 109	[2] 109	51	58	86	86
$1,100	79	84	84	107	51	55	67	85
$1,200	79	79	84	105	51	51	67	83
$1,300	45	75	84	103	29	48	67	81
$1,400	45	69	84	101	29	45	67	79
$1,500	45	63	84	99	29	41	67	77
$1,600	45	57	84	96	29	37	67	75
$1,700	45	51	84	93	29	33	67	73
$1,800	45	45	84	90	29	29	67	71
$1,900		37	84	87		23	67	69
$2,000		29	84	84		17	67	67
$2,100			50	81			45	65
$2,200			50	78			45	63
$2,300			50	75			45	61
$2,400			50	72			45	59
$2,500			50	69			45	57
$2,600			50	66			45	55
$2,700			50	62			45	53
$2,800			50	58			45	51
$2,900			50	54			45	48
$3,000			50	50			45	45
$3,100				42				43

[1] *Plus $16 for each additional child.*
[2] Add $5 for 2 dependents or $10 for 3 or more dependents.

The Social Security Amendments of 1967 (H.R. 12080), provide increases in social security benefits which would of necessity affect the non-service-connected pension and service-connected dependency and indemnity compensation (DIC) programs administered by the Veterans' Administration.

Existing law, unchanged by this bill, permits any beneficiary to exclude 10 percent of social security or other retirement income in determining eligibility for monthly VA benefits.

Service-connected compensation (DIC) is paid to parents on the basis of income. Existing rates and those proposed are shown by the tables below:

IF THERE IS ONLY 1 PARENT—

Total annual income		Monthly payment (H.R. 12555)	Monthly payment (law)
More than—	but Equal to or less than—		
	$800	$87	$87
$800	900	81	69
900	1,000	75	69
1,000	1,100	69	69
1,100	1,200	62	52
1,200	1,300	54	52
1,300	1,400	46	35
1,400	1,500	38	35
1,500	1,600	31	18
1,600	1,700	25	18
1,700	1,800	18	18
1,800	1,900	12	----------
1,900	2,000	10	----------

IF THERE ARE 2 PARENTS, BUT THEY ARE NOT LIVING TOGETHER—

Total annual income		Monthly payment to each parent (H.R. 12555)	Monthly payment (law)
More than—	but Equal to or less than—		
	800	$58	$58
$800	900	54	46
900	1,000	50	46
1,000	1,100	46	46
1,100	1,200	41	35
1,200	1,300	35	35
1,300	1,400	29	23
1,400	1,500	23	23
1,500	1,600	20	12
1,600	1,700	16	12
1,700	1,800	12	12
1,800	1,900	11	----------
1,900	2,000	10	----------

IF THERE ARE 2 PARENTS WHO ARE LIVING TOGETHER, OR IF A PARENT HAS REMARRIED AND IS LIVING WITH HIS SPOUSE—

Total combined annual income		Monthly payment to each parent (H.R. 12555)	Monthly payment (law)
More than—	but Equal to or less than—		
	$1,000	$58	$58
$1,000	1,100	56	46
1,100	1,200	54	46
1,200	1,300	52	46
1,300	1,400	49	46
1,400	1,500	46	46
1,500	1,600	44	35
1,600	1,700	42	35
1,700	1,800	40	35
1,800	1,900	38	35
1,900	2,000	35	35
2,000	2,100	33	23
2,100	2,200	31	23
2,200	2,300	29	23
2,300	2,400	26	23
2,400	2,500	23	23
2,500	2,600	21	12
2,600	2,700	19	12
2,700	2,800	17	12
2,800	2,900	15	12
2,900	3,000	12	12
3,000	3,100	11	----------
3,100	3,200	10	----------

With regard to those individuals who receive "old law" pension under the first sentence of sec. 9(b) of the Veterans' Pension Act of 1959, the bill protects such persons against loss of pension because of an increase under the Social Security Amendments of 1967 by increasing the annual income limitations to $1,600 for a single veteran or widow and $2,900 for a veteran with dependents or a widow with children—a $200 increase in each instance. $7.3 million in present annual payments will thus be preserved for 35,000 pensioners. Since no more veterans or widows may come on these rolls, there would be no addition to this group of non-service-connected pensioners.

It is important to note that the transition from a three level income increment system for determining rates to a more sophisticated multi-level system coincides in point of time with a substantial social security increase. For this reason, the committee has included a special protection feature assuring no loss in pension to ease the transition to the new pension structure. The committee wishes to make it clear that this protective feature is a special device and is not intended to serve as a precedent for the future. On the contrary, the rate structure provided by this bill has been carefully designed to assure that pensioners confronted in the future with increases in retirement-type income would never be disadvantaged by a disproportionate decrease in pension. Of course in any system utilizing income limitations there will be those who because of changes in income exceed the top income limit provided by law and thus go off the pension rolls. The provision of section 3, while assuring the protection previously described, gives this group of social security beneficiaries protection through the remainder of 1968 and calendar year 1969 at their current non-service-connected pension level. On January 1, 1970, there will be an income adjustment of $100, and on January 1, 1971, there will be another $100 adjustment, thus placing this group, now estimated at approximately 173,500, in their proper place in the income limitation schedule.

Section 5 of the bill would extend to all income and corpus of estate changes the more liberal end-of-the-year rule for reduction or discontinuance of benefits which currently applies only to an increase in retirement income.

Thus, the Veterans' Administration will continue to base benefit awards on reports of anticipated annual income made at the beginning of a calendar year, and if thereafter there is an increase in annual income, retirement, or other, which requires reduction or discontinuance of a benefit, such adjustment would be deferred until the end of the particular calendar year.

Sections 1, 2, and 4 of the bill are effective January 1, 1969. Sections 3 and 5 are effective on the first day of the first calendar month following the month of initial payment of increases in monthly insurance benefits provided by the Social Security Amendments of 1967.

Hearings were held before the Subcommittee on Compensation and Pension on approximately one hundred income limitation bills on September 19, 20, and 26, 1967.

Cost

The Veterans' Administration estimates the cost of the bill, as reported, as indicated below:

> This estimate assumes effective date of the subject proposal will be April 1, 1968, insofar as the provisions of sections 3 and 5 are concerned. Accordingly, the first year costs as shown represent the 12-month period from April 1, 1968, through March 31, 1969.
>
> Section 1 would provide for payment of VA pension under sections 521 and 541 of title 38, United States Code, in amounts and by income increments consistent with the restructured pension schedule provided in H.R. 12555. The estimated additional costs and the number of cases on the rolls that benefit, applicable to this section, are as follows:

	New cases		Cases on rolls		Total	
	Number	Additional cost (millions)	Number	Additional cost (millions)	Number	Additional cost (millions)
1st year	10,275	$3.9	1,170,743	$25.3	1,181,018	$29.2
2d year	42,719	16.0	1,227,281	105.1	1,270,000	121.1
3d year	44,096	16.4	1,281,784	108.8	1,325,880	125.2
4th year	45,442	16.9	1,337,398	112.4	1,382,890	129.3
5th year	48,861	17.3	1,389,964	116.5	1,436,825	133.8

> Section 2 would provide a structure of rates and income increments for payment of dependency and indemnity compensation under section 415, title 38, United States Code, similar in concept to that proposed by section 1 for pension cases. The approximate costs of this section are estimated as follows:

	New cases		Cases on rolls		Total	
	Number	Additional cost	Number	Additional cost	Number	Additional cost
1st year	75	$10,000	248,000	$115,000	248,075	$125,000
2d year	300	40,000	239,000	443,300	237,300	483,400
3d year	300	40,000	230,000	230,300	230,300	466,600
4th year	300	40,000	221,000	410,000	221,300	450,000
5th year	300	40,000	213,000	395,000	213,300	435,000

Section 3 would provide that if the monthly rate of pension or dependency and indemnity compensation payable to a person under title 38, United States Code, is less, solely because of an increase in monthly insurance benefits provided by the Social Security Amendments of 1967, than was payable for the month immediately preceding the effective date of this act, the Administrator shall continue to pay the benefit at the prior monthly rate during 1968 and 1969. Subsequently, the benefit payable will be reduced annually to the next lower rate in accordance with the rates provided by the tables in sections 1 and 2 until the benefit payable is otherwise in accordance with the rate provided by the tables in sections 1 and 2 or is terminated. The value of this protection is estimated as follows:

	Number of cases	Value of protection (millions)
1st year	173,471	$2.3
2d year	166,390	8.8
3d year	43,386	2.2
4th year	0	0
5th year	0	0

Section 4 would provide an increase in the annual income limitations governing payment of pension under the first sentence of section 9(b) of the Veterans' Pension Act of 1959 from $1,400 and $2,700 to $1,600 and $2,900, respectively. The estimated value of increasing the income limitations as provided would be:

	Number of cases	Value (millions)
1st year	39,915	$2.1
2d year	35,025	7.3
3d year	31,575	6.6
4th year	28,400	5.9
5th year	24,900	5.2

Data are not available with which to estimate the effect of the amendment proposed by section 5. However, restricting its application to uncontrollable types of income—i.e., windfalls, unanticipated dividends, unforeseen insurance benefits, etc.—it is believed the cost effects would not be substantial.

All the above estimates are based on the assumption that the social security amendments will provide for a 13-percent increase in benefits payable with a minimum monthly payment fixed at $55 in lieu of the present $44 for a primary beneficiary.

The favorable report of the Veterans' Administration on H.R. 12555, as introduced, follows:

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,
Washington, D.C., September 20, 1967.

Hon. OLIN E. TEAGUE,
Chairman, Committee on Veterans' Affairs,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: We are pleased to respond to your request for a report on H.R. 12555.

The bill proposes protective provisions for persons whose monthly Veterans' Administration payments would be affected by increases in retirement benefits. Also, other liberalizations are proposed respecting annual income limitations and rates of payment relating to pension and dependency and indemnity compensation.

As revised by Public Law 86–211, effective July 1, 1960, the nonservice-connected disability and death pension program relating to World War I and later war periods (ch. 15, title 38, United States Code) provides benefits on a sliding scale of three annual income levels for veterans and their widows. Thereunder, the greatest amount of pension is paid to those in the greatest need. Certain liberalizations in the program, including increased rates, were provided by Public Law 88–664, effective January 1, 1965, and title I of Public Law 90–77, effective October 1, 1967. Additionally, title II of the later law provided, among other things, for inclusion of the Vietnam era among the periods of war service upon which pension entitlement may be predicated.

A savings provision of Public Law 86–211 permits persons on the pension rolls on June 30, 1960, the day before the effective date of the current program, to continue to receive pension under the provisions of the prior law.

For veterans unmarried and without a child, or widows without a child, the income limitations for the current pension program are $600, $1,200, and $1,800 annually; with respective monthly rates of $104, $79, and $45 for veterans, and $70, $51, and $29 for widows. For veterans married or with a child, or widows with a child, the limitations are $1,000, $2,000, and $3,000 annually. For veterans within the $1,000 income level, the monthly rates are $109, $114, and $119 for one, two, or three or more dependents, respectively. For veterans within the $2,000 and $3,000 income levels, the respective monthly rates are $84 and $50 for one or more dependents. Higher rates are provided for those who are permanently housebound or in need of regular aid and attendance. The monthly rates for widows with one child are $86, $67, and $45 (plus $16 for each additional child) related to the $1,000, $2,000, and $3,000 income levels. An additional allowance is payable to widows who are in need of regular aid and attendance. For children of a veteran, where there is no eligible widow, the pension rates are $40 for the first child and $16

for each additional child, in equal shares, subject to a limitation of $1,800 respecting unearned income. (Cited rates are as provided by Public Law 90–77, effective October 1, 1967.)

Monthly dependency and indemnity compensation payments provided by chapter 13, title 38, United States Code, for parents of veterans who die of a service-connected or compensable disability are also subject to income limitations. The specified levels vary according to whether there are one or two parents, and in a case of two parents, whether they are living together or apart. There are five limitations and related rates in each category. For a sole surviving parent and for each of two parents living apart, the limitations range from $800 to $1,800. For two parents living together, the combined annual income limitations range from $1,000 to $3,000.

In determining annual income under the described programs, all payments of any kind or from any source are included, except certain payments specifically excluded by 38 U.S.C. 503 or 38 U.S.C. 415(g), respectively. With regard to each of the two benefits there is an exclusion of 10 percent of the amount of retirement payments, applicable to such benefits as social security, among others.

Section 1 of H.R. 12555 would expand the three-level annual income limitations and monthly rates for pension under the current program applicable to veterans of World War I, World War II, the Korean conflict, and the Vietnam era, and their widows. The proposed limitations and rates are generally fixed at $100 levels, up to new income maximums of $2,000 and $3,200.

For veterans unmarried and without a child, there would be 18 limitations and rates, ranging from $110 per month at income not in excess of $300 per year, to $29 for income of $1,901 to $2,000. For a veteran with dependents, there would be 28 limitations and rates, ranging from $120, $125, or $130, for one, two, or three or more dependents, respectively, at income of not more than $500 per year, to $34, irrespective of the number of dependents, for income of $3,101 to $3,200.

For widows without a child there are also proposed 18 limitations and pension rates, ranging from $74 per month at income not in excess of $300 per year, to $17 for income of $1,901 to $2,000. There would be 27 limitations and rates for widows with one child, ranging from $90 for income not in excess of $600 per year to $41 for income of $3,101 to $3,200. The existing provision for payment of $16 for each additional child would not be changed.

Section 2 of H.R. 12555 proposes creation of a new section 508 in title 38, United States Code, subsection (a) of which would provide, in substance, that no person shall receive less in combined retirement benefit and Veterans' Administration pension after an increase in the retirement benefit than he received in the aggregate previously. Subsection (b) of the proposed section 508 would provide that the special protective provision of subsection (a) regarding aggregate benefits shall not apply during any period in which there is an increase in annual income of a person other than in the form of an increase in a retirement benefit.

Section 3 of the bill provides for application of the provisions of the proposed new section 508 to persons receiving pension under the prior pension program, in effect on June 30, 1960.

Section 4 of the bill would expand the current five-level annual income limitations and monthly rates for parents' dependency and indemnity compensation. Starting from the current bases of $800 or $1,000, the new limitations and rates would be fixed at $100 levels.

For a sole surviving parent and for each of two parents living apart there would be 13 limitations and rates, up to new annual income maximums of $2,000. With regard to two parents living together, there would be 23 limitations and rates, up to a new combined annual income maximum of $3,200.

Section 5 of the proposal would create a new section 418 in title 38, United States Code, with provisions of the nature set forth in the proposed section 508, supra, for the protection of parents whose dependency and indemnity compensation payments would be affected by increases in retirement benefits.

Section 6 would repeal the existing provision of 38 U.S.C. 3012(b)(4) (added by sec. 3 of Public Law 89–730) whereunder reductions or discontinuances of pension or dependency and indemnity compensation benefits required by an increase in retirement payments are deferred to the end of the calendar year.

Section 7 relates the effective date of the described amendments to the payment of increases in monthly benefits provided by the Social Security Amendments of 1967.

Under the current three-level income limitations and rates system for pension, slight increases in the income of persons at or near the various levels can cause greatly disproportionate losses of benefits. Examples: (*a*) veteran with one dependent whose annual income exceeds $3,000 by as little as $1 loses pension in the amount of $50 a month; and (*b*) a similarly situated widow would lose pension of $45 a month. Reductions of pension as a result of exceeding a particular income limitation by $1 vary from $25 to $34 per month for such veterans and from $19 to $22 for such widows in the less than maximum income categories.

The inordinate reductions in pension which must follow increases in annual income have become well recognized in recent years, particularly with regard to anticipated increases in monthly social security benefits. In the absence of remedial legislation any increase in a Federal retirement benefit could result in a situation which might be aptly described as "* * * the Government giving a little with one hand, and taking away much more with the other."

The President is well aware of the described problem. In his message to the Congress of January 31, 1967, relating to America's servicemen and veterans, he specified along with other proposals one for safeguards against such adverse results on pension from increases in Federal retirement benefits.

In implementation of that proposal of the President, I recommended to the Congress the adoption of legislation which would authorize waivers of all or a portion of increases in Federal retirement benefits by persons also on the Veterans' Administration pension rolls. On March 6, 1967, I testified before the Subcommittee on Compensation and Pension, of your committee, regarding two proposals to effectuate the President's recommendations for legislation. With regard to a bill which proposed waiver authority, I stated in part as follows:

"The waiver provisions proposed by H.R. 4788 would afford a means whereby pensioners concerned could avoid a net loss of aggre-

gate benefits solely by reason of increases in Federal retirement benefits."

In reporting H.R. 2068, 90th Congress (which became S. 16 and, ultimately, Public Law 90–77), your committee indicated that it would defer any action respecting the impact of increases in Federal retirement benefits on pension pending the enactment of social security legislation.

The Senate amended S. 16 to provide for exclusion of the 1965 social security increases, and all future increases in those benefits, from annual income for certain pension and parents' dependency and indemnity compensation beneficiaries. In my identical reports of June 19, 1967, to you and to the chairman, Senate Committee on Finance, respecting S. 16 as passed by the Senate, I opposed the proposed outright exclusion of social security increases from annual income. I urged that waiver authority be substituted for that proposal.

The committee of conference on S. 16 deleted the provisions for exclusion of social security increases from income, pointing out that the managers on the part of the House resisted the proposal on the basis that it was inequitable and that administration of it would be extremely difficult. By way of further explanation, it was stated that while the proposal would cover social security increases, it would not give any relief to individuals under other Federal retirement systems or under any State, county, municipal, or private systems. The conferees asserted their purpose of taking timely action in the area, however, as follows:

"The conferees wish to make clear that it is their intention to take the necessary action to assure that any increase in social security payments which might result from enactment of H.R. 12080 (which was reported by the House Committee on Ways and Means on August 7, 1967) will not result in a reduction of combined income from VA pension, dependency and indemnity compensation, and social security or in removal of any person from the VA pension or dependency and indemnity compensation rolls."

Aside from differences in terminology, and the breadth or limitation of various recommended remedial approaches, I am confident that all interested parties have a common objective with regard to the current potential effect of increases in Federal retirement benefits on Veterans' Administration pension payments. That mutual purpose is the enactment of legislation which will assure that no person will have less income (combined retirement and pension payments) after an increase in the retirement benefit than he had before. It seems only reasonable that there be similar legislation for the protection of parents receiving dependency and indemnity compensation and, as stressed by the managers on the part of the House regarding S. 16, that there be equal treatment respecting all retirement beneficiaries.

All pensioners, and all dependency and indemnity compensation parents, irrespective of the source of income increases, could benefit from the proposed $100 level annual income limitations and monthly benefit rates proposed by the first and fourth sections of H.R. 12555. Under those new tables, increases in income of up to $100 a year would result in—(*a*) pension reductions of as little as $1 a month ($12 annually) and at most $6 a month ($72 annually), for widows; (*b*) pension reductions of as little as $2 a month ($24 annually) and at most $8 a month ($96 annually), for veterans with less than three depend-

ents; and (c) dependency and indemnity compensation reductions of as little as $1 a month ($12 annually) and at most $8 a month ($96 annually), for a parent. The contrast between the outlined moderate reductions stemming from increased income and those which would occur under current law is obvious.

Likewise, the increases proposed by sections 1 and 4 in each maximum annual income limitation under the current pension and dependency and indemnity programs would not be limited to persons with particular sources of income. Those provisions would permit any person to exceed the present limitations of $1,800 or $3,000 by as much as $200 and still receive monthly benefits. As to social security beneficiaries, the raised maximum income limitations, standing alone, would assure that no person would be removed from the current Veterans' Administration rolls solely by reason of an increase in benefirs as proposed by the Social Security Amendments of 1967 (H.R. 12080) as passed by the House.

The new section 508 to title 38, United States Code, proposed by section 2 of H.R. 12555, would provide assurance for the future that no pensioner under the current program would receive less in combined benefits after an increase in any retirement payments than he received before. The new section 418, proposed by section 5, would provide the same assurance for parents receiving dependency and indemnity compensation.

Section 3 of the measure would be of immediate value to veterans and widows receiving pension under the prior program, in effect on June 30, 1960, whose annual income is currently at or near the respective limitations of $1,400 and $2,700. It would authorize application to those pensioners of the same protective provisions regarding combined benefits as would apply under the current pension program.

The protection against disproportionate losses of Veterans' Administration benefits which would be afforded by the foregoing sections of H.R. 12555 would obviate the need for the provision of section 3012(b)(4), of title 38, for deferral to the end of the year of reductions or discontinuances required by increases in retirement benefits. Hence, the proposal of section 6 for repeal of that provision.

It is estimated that the first-year cost of H.R. 12555 if enacted would be approximately $120 million, and that its annual cost would gradually increase to $137 million in the fifth year. The foregoing figures do not reflect, of course, any impact which might result from increases in retirement benefits other than those proposed by the pending Social Security Amendments of 1967, H.R. 12080.

This bill, H.R. 12555, would accomplish the major objective the President had in mind in his recommendation for safeguards in his message of January 31, 1967—protection against a net loss of aggregate benefits solely by reason of increases in Federal retirement benefits. The measure also accords with the purpose of the conferees on S. 16, "to assure that any increase in social security payments which might result from enactment of H.R. 12080 * * * will not result in a reduction of combined income from Veterans' Administration pension, dependency and indemnity compensation, and social security or in the removal of any person from the Veterans' Administration * * * rolls."

You will recall that consonant with the President's direction to me for a comprehensive study of all veterans' benefits, I appointed an

11-member Veterans' Advisory Commission, composed of national experts on veterans affairs. I have discussed H.R. 12555 with the Commission and am happy to advise that it has endorsed the bill in principle.

In addition to the long-range remedy which would be established respecting the current adverse effect on Veterans' Administration benefits of relatively minor increases in retirement benefits, there are certain other desirable features of H.R. 12555. These include provisions for more reasonable and equitable treatment of annual income increases, regardless of source, with respect to all Veterans' Administration beneficiaries. The measure would maintain, at the same time, the underlying concept of need regarding the particular benefits.

As indicated, H.R. 12555 is a meritorious bill which we support in principle. There is one area, however, which we would like to explore with the committee. I am referring to the need for retention of the 10-percent exclusion of retirement income in the light of the revisions contained in H.R. 12555. We recognize that elimination of this provision could require protection through enactment of more liberal maximum income limitations than are contained in the proposal under consideration.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely,

W. J. DRIVER, *Administrator.*

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE 38, UNITED STATES CODE

* * * * * * *

§ 415. Dependency and indemnity compensation to parents

(a) Dependency and indemnity compensation shall be paid monthly to parents of a deceased veteran in the amounts prescribed by this section.

(b)(1) Except as provided in subsection (b)(2), if there is only one parent, dependency and indemnity compensation shall be paid to him at a monthly rate equal to the amount under column II of the following table opposite his total annual income as shown in column I:

Column I		Column II
Total annual income		
More than—	but Equal to or less than—	
	$800	$87
$800	1, 100	69
1, 100	1, 300	52
1, 300	1, 500	35
1, 500	1, 800	18
1, 800	----------	No amount payable.

Column I		*Column II*
Total annual income		
More than—	*but Equal to or less than—*	
	$800	*$87*
$800	*900*	*81*
900	*1, 000*	*75*
1, 000	*1, 100*	*69*
1, 100	*1, 200*	*62*
1, 200	*1, 300*	*54*
1, 300	*1, 400*	*46*
1, 400	*1, 500*	*38*
1, 500	*1, 600*	*31*
1, 600	*1, 700*	*25*
1, 700	*1, 800*	*18*
1, 800	*1, 900*	*12*
1, 900	*2, 000*	*10*

(2) If there is only one parent, and he has remarried and is living with his spouse, dependency and indemnity compensation shall be paid to him under either the table in subsection (b)(1) or the table in subsection (d), whichever is the greater. In such a case of remarriage the total combined annual income of the parent and his spouse shall be counted in determining the monthly rate of dependency and indemnity compensation under the appropriate table.

(c) Except as provided in subsection (d), if there are two parents, but they are not living together, dependency and indemnity compensation shall be paid to each at a monthly rate equal to the amount under column II of the following table opposite the total annual income of each as shown in column I:

Column I		Column II
Total annual income		
More than—	but Equal to or less than—	
	$800	$58
$800	1,100	46
1,100	1,300	35
1,300	1,500	23
1,500	1,800	12
1,800	----------	No amount payable.

Column I		*Column II*
Total annual income		
More than—	*but Equal to or less than—*	
	$800	*$58*
$800	*900*	*54*
900	*1,000*	*50*
1,000	*1,100*	*46*
1,100	*1,200*	*41*
1,200	*1,300*	*35*
1,300	*1,400*	*29*
1,400	*1,500*	*23*
1,500	*1,600*	*20*
1,600	*1,700*	*16*
1,700	*1,800*	*12*
1,800	*1,900*	*11*
1,900	*2,000*	*10*

(d) If there are two parents who are living together, or if a parent has remarried and is living with his spouse, dependency and indemnity compensation shall be paid to each such parent at a monthly rate equal to the amount under column II of the following table opposite the total combined annual income of the parents, or of the parent and his spouse, as the case may be, as shown in column I:

Column I		Column II
Total combined annual income		
More than—	but Equal to or less than—	
	$1,000	$58
$1,000	1,500	46
1,500	2,000	35
2,000	2,500	23
2,500	3,000	12
3,000	----------	No amount payable.

Column I		*Column II*
Total combined annual income		
More than—	*but Equal to or less than—*	
	$1,000	*$58*
$1,000	*1,100*	*56*
1,100	*1,200*	*54*
1,200	*1,300*	*52*
1,300	*1,400*	*49*
1,400	*1,500*	*46*
1,500	*1,600*	*44*
1,600	*1,700*	*42*
1,700	*1,800*	*40*
1,800	*1,900*	*38*
1,900	*2,000*	*35*
2,000	*2,100*	*33*
2,100	*2,200*	*31*
2,200	*2,300*	*29*
2,300	*2,400*	*26*
2,400	*2,500*	*23*
2,500	*2,600*	*21*
2,600	*2,700*	*19*
2,700	*2,800*	*17*
2,800	*2,900*	*15*
2,900	*3,000*	*12*
3,000	*3,100*	*11*
3,100	*3,200*	*10*

(e) The Administrator shall require as a condition of granting or continuing dependency and indemnity compensation to a parent that such parent file each year with him (on the form prescribed by him) a report showing the total income which such parent expects to receive in that year and the total income which such parent received in the preceding year. The parent or parents shall file with the Administrator a revised report whenever there is a material change in the estimated annual income.

(f) If the Administrator ascertains that there have been overpayments to a parent under this section, he shall deduct such overpayments (unless waived) from any future payments made to such parent under this section.

(g)(1) In determining income under this section, all payments of any kind or from any source shall be included, except—

(A) payments of the six-months' death gratuity;

(B) donations from public or private relief or welfare organizations;

(C) payments under this chapter (except section 412(a)) and chapters 11 and 15 of this title;

(D) lump-sum death payments under subchapter II of chapter 7 of title 42;

(E) payments of bonus or similar cash gratuity by any State based upon service in the Armed Forces;

(F) payments under policies of servicemen's group life insurance, United States Government life insurance or National Service Life Insurance, and payments of servicemen's indemnity;

(G) 10 per centum of the amount of payments to an individual under public or private retirement, annuity, endowment, or similar plans or programs;

(H) amounts equal to amounts paid by a parent of a deceased veteran for—

(i) a deceased spouse's just debts,

(ii) the expenses of the spouse's last illness to the extent such expenses are not reimbursed under chapter 51 of this title, and

(iii) the expenses of the spouse's burial to the extent that such expenses are not reimbursed under chapter 23 or chapter 51 of this title;

(I) proceeds of fire insurance policies;

(J) amounts equal to amounts paid by a parent of a deceased veteran for—

(i) the expenses of the veteran's last illness, and

(ii) the expenses of his burial to the extent that such expenses are not reimbursed under chapter 23 of this title;

(K) profit realized from the disposition of real or personal property other than in the course of a business;

(L) payments received for discharge of jury duty or obligatory civic duties.

(2) The Administrator may provide by regulation for the exclusion from income under this section of amounts paid by a parent for unusual medical expenses.

* * * * * * *

NON-SERVICE-CONNECTED DISABILITY PENSION

§ 521. Veterans of World War I, World War II, the Korean conflict, or the Vietnam era

(a) The Administrator shall pay to each veteran of World War I, World War II, the Korean conflict, or the Vietnam era, who meets the

service requirements of this section, and who is permanently and totally disabled from non-service-connected disability not the result of the veteran's willful misconduct or vicious habits, pension at the rate prescribed by this section.

(b) If the veteran is unmarried (or married but not living with and not reasonably contributing to the support of his spouse) and has no child, pension shall be paid at the monthly rate set forth in column II of the following table opposite the veteran's annual income as shown in column I:

Column I		Column II
Annual income		
More than—	but Equal to or less than—	
	$600	$104
$600	1, 200	79
1, 200	1, 800	45

Column I		*Column II*
Annual income		
More than—	*but Equal to or less than—*	
	$300	*$110*
$300	*400*	*108*
400	*500*	*106*
500	*600*	*104*
600	*700*	*100*
700	*800*	*96*
800	*900*	*92*
900	*1, 000*	*88*
1, 000	*1, 100*	*84*
1, 100	*1, 200*	*79*
1, 200	*1, 300*	*75*
1, 300	*1, 400*	*69*
1, 400	*1, 500*	*63*
1, 500	*1, 600*	*57*
1, 600	*1, 700*	*51*
1, 700	*1, 800*	*45*
1, 800	*1, 900*	*37*
1, 900	*2, 000*	*29*

(c) If the veteran is married and living with or reasonably contributing to the support of his spouse, or has a child or children, pension shall be paid at the monthly rate set forth in columns II, III, or IV of the following table opposite the veteran's annual income as shown in column I:

Column I		Column II	Column III	Column IV
Annual income		One dependent	Two dependents	Three or more dependents
More than—	Equal to or but less than—			
	$1,000	$109	$114	$119
$1,000	2,000	84	84	84
2,000	3,000	50	50	50

Column I		*Column II*	*Column III*	*Column IV*
Annual income		*One dependent*	*Two dependents*	*Three or more dependents*
More than—	*but Equal to or less than—*			
	$500	*$120*	*$125*	*$130*
$500	*600*	*118*	*123*	*128*
600	*700*	*116*	*121*	*126*
700	*800*	*114*	*119*	*124*
800	*900*	*112*	*117*	*122*
900	*1,000*	*109*	*114*	*119*
1,000	*1,100*	*107*	*107*	*107*
1,100	*1,200*	*105*	*105*	*105*
1,200	*1,300*	*103*	*103*	*103*
1,300	*1,400*	*101*	*101*	*101*
1,400	*1,500*	*99*	*99*	*99*
1,500	*1,600*	*96*	*96*	*96*
1,600	*1,700*	*93*	*93*	*93*
1,700	*1,800*	*90*	*90*	*90*
1,800	*1,900*	*87*	*87*	*87*
1,900	*2,000*	*84*	*84*	*84*
2,000	*2,100*	*81*	*81*	*81*
2,100	*2,200*	*78*	*78*	*78*
2,200	*2,300*	*75*	*75*	*75*
2,300	*2,400*	*72*	*72*	*72*
2,400	*2,500*	*69*	*69*	*69*
2,500	*2,600*	*66*	*66*	*66*
2,600	*2,700*	*62*	*62*	*62*
2,700	*2,800*	*58*	*58*	*58*
2,800	*2,900*	*54*	*54*	*54*
2,900	*3,000*	*50*	*50*	*50*
3,000	*3,100*	*42*	*42*	*42*
3,100	*3,200*	*34*	*34*	*34*

(d) If the veteran is in need of regular aid and attendance, the monthly rate payable to him under subsection (b) or (c) shall be increased by $100.

(e) If the veteran has a disability rated as permanent and total, and (1) has additional disability or disabilities independently ratable at 60 per centum or more, or, (2) by reason of his disability or disabilities, is permanently housebound but does not qualify for the aid and attendance rate under subsection (d) of this section, the monthly rate payable to him under subsection (b) or (c) shall be increased by $40.

(f) For the purposes of this section—

(1) in determining annual income, where a veteran is living with his spouse, all income of the spouse which is reasonably available to or for the veteran in excess of whichever is the greater, $1,200 or the total earned income of the spouse, shall be considered as the income of the veteran, unless in the judgment of the Administrator to do so would work a hardship upon the veteran;

(2) a veteran shall be considered as living with a spouse, even though they reside apart, unless they are estranged.

(g) A veteran meets the service requirements of this section if he served in the active military, naval, or air service—

(1) for ninety days or more during either World War I, World War II, the Korean conflict, or the Vietnam era;

(2) during World War I, World War II, the Korean conflict, or the Vietnam era, and was discharged or released from such service for a service-connected disability;

(3) for a period of ninety consecutive days or more and such period ended during World War I, or began or ended during World War II, the Korean conflict, or the Vietnam era; or

(4) for an aggregate of ninety days or more in two or more separate periods of service during more than one period of war.

* * * * * * *

WORLD WAR I, WORLD WAR II, THE KOREAN CONFLICT, AND THE VIETNAM ERA

§ 541. Widows of World War I, World War II, Korean conflict, or Vietnam era veterans

(a) The Administrator shall pay to the widow of each veteran of World War I, World War II, the Korean conflict, or the Vietnam era who met the service requirements of section 521 of this title, or who at the time of his death was receiving (or entitled to receive) compensation or retirement pay for a service-connected disability, pension at the rate prescribed by this section.

(b) If there is no child, pension shall be paid at the monthly rate set forth in column II of the following table opposite the widow's annual income as shown in column I:

Column I		Column II
Annual income		
More than—	but Equal to or less than—	
	$600	$70
$600	1, 200	51
1, 200	1, 800	29

Column I		*Column II*
Annual income		
More than—	*but Equal to or less than—*	
	$300	*$74*
$300	*400*	*73*
400	*500*	*72*
500	*600*	*70*
600	*700*	*67*
700	*800*	*64*
800	*900*	*61*
900	*1, 000*	*58*
1, 000	*1, 100*	*55*
1, 100	*1, 200*	*51*
1, 200	*1, 300*	*48*
1, 300	*1, 400*	*45*
1, 400	*1, 500*	*41*
1, 500	*1, 600*	*37*
1, 600	*1, 700*	*33*
1, 700	*1, 800*	*29*
1, 800	*1, 900*	*23*
1, 900	*2, 000*	*17*

(c) If there is a widow and one child, pension shall be paid at the monthly rate set forth in column II of the following table opposite the widow's annual income as shown in column I:

Column I		Column II
Annual income		
More than—	but Equal to or less than—	
	$1,000	$86
$1,000	2,000	67
2,000	3,000	45

Column I		*Column II*
Annual income		
More than—	*but Equal to or less than—*	
	$600	*$90*
$600	*700*	*89*
700	*800*	*88*
800	*900*	*87*
900	*1,000*	*86*
1,000	*1,100*	*85*
1,100	*1,200*	*83*
1,200	*1,300*	*81*
1,300	*1,400*	*79*
1,400	*1,500*	*77*
1,500	*1,600*	*75*
1,600	*1,700*	*73*
1,700	*1,800*	*71*
1,800	*1,900*	*69*
1,900	*2,000*	*67*
2,000	*2,100*	*65*
2,100	*2,200*	*63*
2,200	*2,300*	*61*
2,300	*2,400*	*59*
2,400	*2,500*	*57*
2,500	*2,600*	*55*
2,600	*2,700*	*53*
2,700	*2,800*	*51*
2,800	*2,900*	*48*
2,900	*3,000*	*45*
3,000	*3,100*	*43*
3,100	*3,200*	*41*

(d) If there is a widow and more than one child, the monthly rate payable under subsection (c) shall be increased by $16 for each additional child.

(e) No pension shall be paid to a widow of a veteran under this section unless she was married to him—

(1) before (A) December 14, 1944, in the case of a widow of a World War I veteran, or (B) January 1, 1957, in the case of a widow of a World War II veteran, or (C) February 1, 1965, in the case of a widow of a Korean conflict veteran, or (D) before the expiration of ten years following termination of the Vietnam era in the case of a widow of a Vietnam era veteran; or

(2) for one year or more; or

(3) for any period of time if a child was born of the marriage, or was born to them before the marriage.

* * * * * * *

§ 3012. Effective dates of reductions and discontinuances

(a) Except as otherwise specified in this section, the effective date of reduction or discontinuance of compensation, dependency and indemnity compensation, or pension shall be fixed in accordance with the facts found.

(b) The effective date of a reduction or discontinuance of compensation, dependency and indemnity compensation, or pension—

(1) by reason of marriage or remarriage, or death of a payee shall be the last day of the month before such marriage, remarriage, or death occurs;

(2) by reason of marriage, divorce, or death of a dependant of a payee shall be the last day of the month in which such marriage, divorce, or death occurs;

(3) by reason of receipt of active service pay or retirement pay shall be the day before the date such pay began;

(4) by reason of change in income or corpus of estate shall be [the last day of the month in which the change occurred, except that when a change in income is due to an increase in payments under a public or private retirement plan or program the effective date of a reduction or discontinuance resulting therefrom shall be] the last day of the calendar year in which the change occurred;

(5) by reason of a change in disability or employability of a veteran in receipt of pension shall be the last day of the month in which discontinuance of the award is approved;

(6) by reason of change in law or administrative issue, change in interpretation of a law or administrative issue, or, for compensation purposes, a change in service-connected or employability status or change in physical condition shall be the last day of the month following sixty days from the date of notice to the payee (at his last address of record) of the reduction or discontinuance;

(7) by reason of the discontinuance of school attendance of a payee or a dependent of a payee shall be the last day of the month in which such discontinuance occurred;

(8) by reason of termination of a temporary increase in compensation for hospitalization or treatment shall be the last day of the month in which the hospital discharge or termination of treatment occurred, whichever is earlier;

(9) by reason of an erroneous award based on an act of commission or omission by the beneficiary, or with his knowledge, shall be the effective date of the award; and

(10) by reason of an erroneous award based solely on administrative error or error in judgment shall be the date of last payment.

○

Union Calendar No. 401

90TH CONGRESS
1ST SESSION

H. R. 12555

[Report No. 1039]

IN THE HOUSE OF REPRESENTATIVES

AUGUST 23, 1967

Mr. TEAGUE of Texas introduced the following bill; which was referred to the Committee on Veterans' Affairs

DECEMBER 12, 1967

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

A BILL

To amend title 38 of the United States Code to liberalize the provisions relating to payment of pension, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

That (a) the table in subsection (b) of section 521 of title 38, United States Code, is amended to appear as follows:

"Column I		Column II
Annual income		
More than—	Equal to or but less than—	
	$300	$100
$300	400	108
400	500	106
500	600	104
600	700	100
700	800	96
800	900	92
900	1, 000	88
1, 000	1, 100	84
1, 100	1, 200	79
1, 200	1, 300	75
1, 300	1, 400	69
1, 400	1, 500	63
1, 500	1, 600	57
1, 600	1, 700	51
1, 700	1, 800	45
1, 800	1, 900	37
1, 900	2, 000	29"

~~(b) The table in subsection (c) of such section 521 is amended to appear as follows:~~

"Column I		Column II	Column III	Column
Annual income		One dependent	Two dependents	Three or more dependents
More than—	but Equal to or less than—			
	$500	$120	$125	$130
$500	600	118	123	128
600	700	116	121	126
700	800	114	119	124
800	900	112	117	122
900	1,000	109	114	119
1,000	1,100	107	107	107
1,100	1,200	105	105	105
1,200	1,300	103	103	103
1,300	1,400	101	101	101
1,400	1,500	99	99	99
1,500	1,600	96	96	96
1,600	1,700	93	93	93
1,700	1,800	90	90	90
1,800	1,900	87	87	87
1,900	2,000	84	84	84
2,000	2,100	81	81	81
2,100	2,200	78	78	78
2,200	2,300	75	75	75
2,300	2,400	72	72	72
2,400	2,500	69	69	69
2,500	2,600	66	66	66
2,600	2,700	62	62	62
2,700	2,800	58	58	58
2,800	2,900	54	54	54
2,900	3,000	50	50	50
3,000	3,100	42	42	42
3,100	3,200	34	34	34"

~~(c) The table in subsection (b) of section 541 of title 38, United States Code, is amended to appear as follows:~~

"Column I		Column II
Annual income		
More than—	Equal to or but less than—	
	$300	$74
$300	400	73
400	500	72
500	600	70
600	700	67
700	800	64
800	900	61
900	1, 000	58
1, 000	1, 100	55
1, 100	1, 200	51
1, 200	1, 300	48
1, 300	1, 400	45
1, 400	1, 500	41
1, 500	1, 600	37
1, 600	1, 700	33
1, 700	1, 800	29
1, 800	1, 900	23
1, 900	2, 000	17"

~~(d) The table in subsection (b) of section 541 of title 38, United States Code, is amended to appear as follows:~~

"Column I		Column II
Annual income		
More than—	Equal to or but less than—	
	$600	$90
$600	700	89
700	800	88
800	900	87
900	1,000	86
1,000	1,100	85
1,100	1,200	83
1,200	1,300	81
1,300	1,400	79
1,400	1,500	77
1,500	1,600	75
1,600	1,700	73
1,700	1,800	71
1,800	1,900	69
1,900	2,000	67
2,000	2,100	65
2,100	2,200	63
2,200	2,300	61
2,300	2,400	59
2,400	2,500	57
2,500	2,600	55
2,600	2,700	53
2,700	2,800	51
2,800	2,900	48
2,900	3,000	45
3,000	3,100	43
3,100	3,200	41"

SEC. 2. (a) Subchapter I of chapter 15 of title 38, United States Code, is amended by adding at the end thereof the following new section:

"§ 508. **Persons affected by increases in retirement benefits**

"(a) If the aggregate monthly benefits payable to any person under this chapter and under a public or private retirement plan or program, following an increase in the retirement benefit effective after December 31, 1966, is less, solely because of such increase, than, was payable in the aggregate immediately prior to payment of the increase, the Administrator shall pay to that person a monthly rate of pension which when added to the increased monthly rate of the retirement benefit will at least equal the aggregate of the monthly benefits payable to that person immediately prior to payment of the increase.

"(b) Subsection (a) shall not apply for any period during which annual income of a person, exclusive of an increase in a retirement benefit, exceeds the amount of annual income which the person received immediately prior to initial payment of pension under subsection (a)."

(b) The table of sections at the beginning of chapter 15 of title 38, United States Code, is amended by adding immediately after

"507. Disappearance."

the following:

"508. Persons affected by increases in retirement benefits."

SEC. 3. The Administrator shall extend the same protection to persons entitled to pension under the first sentence of section 9(b) of the Veterans' Pension Act of 1959 who are affected by increases in retirement benefits as is provided by section 508 of title 38, United States Code, respecting persons receiving pension under chapter 15 of that title.

SEC. 4. (a) The table in subsection (b)(1) of section 415 of title 38, United States Code, is amended to appear as follows:

"Column I		Column II
Total annual income		
More than—	Equal to or but less than—	
	$800	$87
$800	900	81
900	1,000	75
1,000	1,100	69
1,100	1,200	62
1,200	1,300	54
1,300	1,400	46
1,400	1,500	38
1,500	1,600	31
1,600	1,700	25
1,700	1,800	18
1,800	1,900	12
1,900	2,000	10"

~~(b) The table in subsection (c) of such section 415 is amended to appear as follows:~~

"Column I		Column II
Total annual income		
More than—	Equal to or but less than—	
	$800	$58
$800	900	54
900	1,000	50
1,000	1,100	46
1,100	1,200	41
1,200	1,300	35
1,300	1,400	29
1,400	1,500	23
1,500	1,600	20
1,600	1,700	16
1,700	1,800	12
1,800	1,900	11
1,900	2,000	10"

~~(c) The table in subsection (d) of such section 415 is amended to appear as follows:~~

"Column I		Column II
Total combined annual income		
More than—	but Equal to or less than—	
	$1,000	$58
$1,000	1,100	56
1,100	1,200	54
1,200	1,300	52
1,300	1,400	49
1,400	1,500	46
1,500	1,600	44
1,600	1,700	42
1,700	1,800	40
1,800	1,900	38
1,900	2,000	35
2,000	2,100	33
2,100	2,200	31
2,200	2,300	29
2,300	2,400	26
2,400	2,500	23
2,500	2,600	21
2,600	2,700	19
2,700	2,800	17
2,800	2,900	15
2,900	3,000	12
3,000	3,100	11
3,100	3,200	10".

SEC. 5. (a) Subchapter II of chapter 13 of title 38, United States Code, is amended by adding at the end thereof the following new section:

"§ 418. Persons affected by increases in retirement benefits

"(a) If the aggregate monthly benefits payable to any person under this chapter and under a public or private retirement plan or program, following an increase in the retirement benefit effective after December 31, 1966, is less, solely because of such increase, than was payable in the aggregate immediately prior to payment of the increase, the Administrator shall pay to that person a monthly rate of dependency and indemnity compensation which when added to the increased monthly rate of the retirement benefit will at least equal the aggregate of the monthly benefits payable to that person immediately prior to payment of the increase.

"(b) Subsection (a) shall not apply for any period during which annual income of a person, exclusive of an increase in a retirement benefit, exceeds the amount of annual income which the person received immediately prior to initial payment of dependency and indemnity compensation under subsection (a)."

(b) The table of sections at the beginning of chapter 13 of title 38, United States Code, is amended by adding immediately after

"417. Restriction on payments under this chapter."

~~the following:~~

~~"118. Persons affected by increases in retirement benefits."~~

~~SEC. 6. Section 3012(b)(4), title 38, United States Code, is amended by substituting a semicolon for the comma and striking out all thereafter.~~

~~SEC. 7. The amendments made by this Act shall become effective the first day of the first calendar month following the month of initial payment of increases in monthly insurance benefits provided by the Social Security Amendments of 1967.~~

That (a) the table in subsection (b) of section 521 of title 38, United States Code, is amended to appear as follows:

"Column I			*Column II*
Annual income			
More than—	*but*	*Equal to or less than—*	
		$300	*$110*
$300		*400*	*108*
400		*500*	*106*
500		*600*	*104*
600		*700*	*100*
700		*800*	*96*
800		*900*	*92*
900		*1,000*	*88*
1,000		*1,100*	*84*
1,100		*1,200*	*79*
1,200		*1,300*	*75*
1,300		*1,400*	*69*
1,400		*1,500*	*63*
1,500		*1,600*	*57*
1,600		*1,700*	*51*
1,700		*1,800*	*45*
1,800		*1,900*	*37*
1,900		*2,000*	*29".*

(b) The table in subsection (c) of such section 521 is amended to appear as follows:

"Column I		Column II	Column III	Column IV
Annual income		One dependent	Two dependents	Three or more dependents
More than—	Equal to or but less than—			
	$500	$120	$125	$130
$500	600	118	123	128
600	700	116	121	126
700	800	114	119	124
800	900	112	117	122
900	1,000	109	114	119
1,000	1,100	107	107	107
1,100	1,200	105	105	105
1,200	1,300	103	103	103
1,300	1,400	101	101	101
1,400	1,500	99	99	99
1,500	1,600	96	96	96
1,600	1,700	93	93	93
1,700	1,800	90	90	90
1,800	1,900	87	87	87
1,900	2,000	84	84	84
2,000	2,100	81	81	81
2,100	2,200	78	78	78
2,200	2,300	75	75	75
2,300	2,400	72	72	72
2,400	2,500	69	69	69
2,500	2,600	66	66	66
2,600	2,700	62	62	62
2,700	2,800	58	58	58
2,800	2,900	54	54	54
2,900	3,000	50	50	50
3,000	3,100	42	42	42
3,100	3,200	34	34	34".

(c) The table in subsection (b) of section 541 of title 38, United States Code, is amended to appear as follows:

"Column I		Column II
Annual income		
More than—	but Equal to or less than—	
	$300	$74
$300	400	73
400	500	72
500	600	70
600	700	67
700	800	64
800	900	61
900	1,000	58
1,000	1,100	55
1,100	1,200	51
1,200	1,300	48
1,300	1,400	45
1,400	1,500	41
1,500	1,600	37
1,600	1,700	33
1,700	1,800	29
1,800	1,900	23
1,900	2,000	17".

(d) The table in subsection (c) of such section 541, is amended to appear as follows:

"Column I			Column II
Annual income			
More than—	but	Equal to or less than—	
		$600	$90
$600		700	89
700		800	88
800		900	87
900		1,000	86
1,000		1,100	85
1,100		1,200	83
1,200		1,300	81
1,300		1,400	79
1,400		1,500	77
1,500		1,600	75
1,600		1,700	73
1,700		1,800	71
1,800		1,900	69
1,900		2,000	67
2,000		2,100	65
2,100		2,200	63
2,200		2,300	61
2,300		2,400	59
2,400		2,500	57
2,500		2,600	55
2,600		2,700	53
2,700		2,800	51
2,800		2,900	48
2,900		3,000	45
3,000		3,100	43
3,100		3,200	41".

SEC. 2. (a) The table in subsection (b)(1) of section 415 of title 38, United States Code, is amended to appear as follows:

"Column I		*Column II*
Total annual income		
More than—	*but Equal to or less than—*	
	$800	*$87*
$800	*900*	*81*
900	*1,000*	*75*
1,000	*1,100*	*69*
1,100	*1,200*	*62*
1,200	*1,300*	*54*
1,300	*1,400*	*46*
1,400	*1,500*	*38*
1,500	*1,600*	*31*
1,600	*1,700*	*25*
1,700	*1,800*	*18*
1,800	*1,900*	*12*
1,900	*2,000*	*10".*

(b) The table in subsection (c) of such section 415 is amended to appear as follows:

"Column I			*Column II*
Total annual income			
More than—	*but*	*Equal to or less than—*	
		$800	*$58*
$800		*900*	*54*
900		*1,000*	*50*
1,000		*1,100*	*46*
1,100		*1,200*	*41*
1,200		*1,300*	*35*
1,300		*1,400*	*29*
1,400		*1,500*	*23*
1,500		*1,600*	*20*
1,600		*1,700*	*16*
1,700		*1,800*	*12*
1,800		*1,900*	*11*
1,900		*2,000*	*10".*

(c) The table in subsection (d) of such section 415 is amended to appear as follows:

"*Column I*		*Column II*
Total combined annual income		
More than—	*but Equal to or less than—*	
	$1,000	*$58*
$1,000	*1,100*	*56*
1,100	*1,200*	*54*
1,200	*1,300*	*52*
1,300	*1,400*	*49*
1,400	*1,500*	*46*
1,500	*1,600*	*44*
1,600	*1,700*	*42*
1,700	*1,800*	*40*
1,800	*1,900*	*38*
1,900	*2,000*	*35*
2,000	*2,100*	*33*
2,100	*2,200*	*31*
2,200	*2,300*	*29*
2,300	*2,400*	*26*
2,400	*2,500*	*23*
2,500	*2,600*	*21*
2,600	*2,700*	*19*
2,700	*2,800*	*17*
2,800	*2,900*	*15*
2,900	*3,000*	*12*
3,000	*3,100*	*11*
3,100	*3,200*	*10*".

SEC. 3. (a) If the monthly rate of pension or dependency and indemnity compensation payable to a person under title 38, United States Code, would be less, solely as a result of an increase in monthly insurance benefits provided by the Social Security Amendments of 1967, than the monthly rate payable for the month immediately preceding the effective date of this Act, the Administrator of Veterans' Affairs shall pay the person as follows:

(1) for the balance of calendar year 1968 and during calendar year 1969, at the prior monthly rate;

(2) during the calendar year 1970, at the rate for the next $100 annual income limitation higher than the maximum annual income limitation corresponding to the prior monthly rate; and

(3) during each successive calendar year, at the rate for the next $100 annual income limitation higher than the one applied for the preceding year, until the rate corresponding to actual countable income is reached.

(b) Subsection (a) shall not apply for any period during which annual income of such person, exclusive of an increase in monthly insurance benefits provided by the Social Security Amendments of 1967, exceeds the amount of annual income upon which was based the pension or dependency and indemnity compensation payable to the person immediately prior to receipt of the increase.

SEC. 4. The annual income limitations governing payment of pension under the first sentence of section 9(b) of the Veterans' Pension Act of 1959 hereafter shall be $1,600 and $2,900, instead of $1,400 and $2,700, respectively.

SEC. 5. Paragraph (4) of section 3012(b) of title 38, United States Code, is amended to read as follows:

"(4) by reason of change in income or corpus of estate shall be the last day of the calendar year in which the change occurred;"

SEC. 6. (a) The first section and sections 2 and 4 of this Act shall take effect on January 1, 1969.

(b) Sections 3 and 5 of this Act shall take effect on the first day of the first calendar month following the month of initial payment of increases in monthly insurance benefits provided by the Social Security Amendments of 1967.

Union Calendar No. 401

90TH CONGRESS
1ST SESSION

H. R. 12555

[Report No. 1039]

A BILL

To amend title 38 of the United States Code to liberalize the provisions relating to payment of pension, and for other purposes.

By Mr. TEAGUE of Texas

AUGUST 23, 1967
Referred to the Committee on Veterans' Affairs

DECEMBER 12, 1967
Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

INCOME LIMITATIONS ON NON-SERVICE-CONNECTED PENSIONS

Mr. TEAGUE of Texas. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 12555) to amend title 38 of the United States Code to liberalize the provisions relating to payment of pension, and for other purposes, as amended.

The Clerk read as follows:

H.R. 12555

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the table in subsection (b) of section 521 of title 38, United States Code, is amended to appear as follows:

"Col. I, annual income		Col. II
More than—	But equal to or less than—	
	$300	$110
$300	400	108
400	500	106
500	600	104
600	700	100
700	800	96
800	900	92
900	1,000	88
1,000	1,100	84
1,100	1,200	79
1,200	1,300	75
1,300	1,400	69
1,400	1,500	63
1,500	1,600	57
1,600	1,700	51
1,700	1,800	45
1,800	1,900	37
1,900	2,000	29".

(b) The table in subsection (c) of such section 521 is amended to appear as follows:

"Col. I Annual income		Col. II	Col. III	Col. IV
More than—	But equal to or less than—	1 dependent	2 dependents	3 or more dependents
	$500	$120	$125	$130
$500	600	118	123	128
600	700	116	121	126
700	800	114	119	124
800	900	112	117	122
900	1,000	109	114	119
1,000	1,100	107	107	107
1,100	1,200	105	105	105
1,200	1,300	103	103	103
1,300	1,400	101	101	101
1,400	1,500	99	99	99
1,500	1,600	96	96	96
1,600	1,700	93	93	93
1,700	1,800	90	90	90
1,800	1,900	87	87	87
1,900	2,000	84	84	84
2,000	2,100	81	81	81
2,100	2,200	78	78	78
2,200	2,300	75	75	75
2,300	2,400	72	72	72
2,400	2,500	69	69	69
2,500	2,600	66	66	66
2,600	2,700	62	62	62
2,700	2,800	58	58	58
2,800	2,900	54	54	54
2,900	3,000	50	50	50
3,000	3,100	42	42	42
3,100	3,200	34	34	34".

(c) The table in subsection (b) of section 541 of title 38, United States Code, is amended to appear as follows:

"Col. I, annual income		Col. II
More than—	But equal to or less than—	
	$300	$74
$300	400	73
400	500	72
500	600	70
600	700	67
700	800	64
800	900	61
900	1,000	58
1,000	1,100	55
1,100	1,200	51
1,200	1,300	48
1,300	1,400	45
1,400	1,500	41
1,500	1,600	37
1,600	1,700	33
1,700	1,800	29
1,800	1,900	23
1,900	2,000	17".

(d) The table in subsection (c) of such section 541, is amended to appear as follows:

"Col. I, annual income		Col. II
More than—	But equal to or less than—	
	$600	$90
$600	700	89
700	800	88
800	900	87
900	1,000	86
1,000	1,100	85
1,100	1,200	83
1,200	1,300	81
1,300	1,400	79
1,400	1,500	77
1,500	1,600	75
1,600	1,700	73
1,700	1,800	71
1,800	1,900	69
1,900	2,000	67
2,000	2,100	65
2,100	2,200	63
2,200	2,300	61
2,300	2,400	59
2,400	2,500	57
2,500	2,600	55
2,600	2,700	53
2,700	2,800	51
2,800	2,900	48
2,900	3,000	45
3,000	3,100	43
3,100	3,200	41".

SEC. 2. (a) The table in subsection (b) (1) of section 415 of title 38, United States Code, is amended to appear as follows:

"Col. I, Total annual income		Col. II
More than—	But equal to or less than—	
	$800	$87
$800	900	81
900	1,000	75
1,000	1,100	69
1,100	1,200	62
1,200	1,300	54
1,300	1,400	46
1,400	1,500	38
1,500	1,600	31
1,600	1,700	25
1,700	1,800	18
1,800	1,900	12
1,900	2,000	10".

(b) The table in subsection (c) of such section 415 is amended to appear as follows:

"Col. I Total annual income		Col. II
More than—	But equal to or less than—	
	$800	$58
$800	900	54
900	1,000	50
1,000	1,100	46
1,100	1,200	41
1,200	1,300	35
1,300	1,400	29
1,400	1,500	23
1,500	1,600	20
1,600	1,700	16
1,700	1,800	12
1,800	1,900	11
1,900	2,000	10".

(c) The table in subsection (d) of such section 415 is amended to appear as follows:

"Col. I, total combined annual income		Col. II
More than—	Bu. equa. to or less than—	
	$1,000	$58
$1,000	1,100	56
1,100	1,200	54
1,200	1,300	52
1,300	1,400	49
1,400	1,500	46
1,500	1,600	44
1,600	1,700	42
1,700	1,800	40
1,800	1,900	38
1,900	2,000	35
2,000	2,100	33
2,100	2,200	31
2,200	2,300	29
2,300	2,400	26
2,400	2,500	23
2,500	2,600	21
2,600	2,700	19
2,700	2,800	17
2,800	2,900	15
2,900	3,000	12
3,000	3,100	11
3,100	3,200	10".

SEC. 3. (a) If the monthly rate of pension or dependency and indemnity compensation payable to a person under title 38, United States Code, would be less, solely as a result of an increase in monthly insurance benefits provided by the Social Security Amendments of 1967, than the monthly rate payable for the month immediately preceding the effective date of this Act, the Administrator of Veterans' Affairs shall pay the person as follows:

(1) for the balance of calendar year 1968 and during calendar year 1969, at the prior monthly rate;

(2) during the calendar year 1970, at the rate for the next $100 annual income limitation higher than the maximum annual income limitation corresponding to the prior monthly rate; and

(3) during each successive calendar year, at the rate for the next $100 annual income limitation higher than the one applied for the preceding year, until the rate corresponding to actual countable income is reached.

(b) Subsection (a) shall not apply for any period during which annual income of such person, exclusive of an increase in monthly insurance benefits provided by the Social Security Amendments of 1967, exceeds the amount of annual income upon which was based the pension or dependency and indemnity compensation payable to the person immediately prior to receipt of the increase.

SEC. 4. The annual income limitations governing payment of pension under the first sentence of section 9(b) of the Veterans' Pension Act of 1959 hereafter shall be $1,600 and $2,900, instead of $1,400 and $2,700, respectively.

SEC. 5. Paragraph (4) of section 3012(b) of title 38, United States Code, is amended to read as follows:

"(4) by reason of change in income or corpus of estate shall be the last day of the calendar year in which the change occurred;"

SEC. 6. (a) The first section and sections 2 and 4 of this Act shall take effect on January 1, 1969.

(b) Sections 3 and 5 of this Act shall take effect on the first day of the first calendar month following the month of initial payment of increases in monthly insurance benefits provided by the Social Security Amendments of 1967.

The SPEAKER. Is a second demanded?

Mr. ADAIR. Mr. Speaker, I demand a second.

The SPEAKER. Without objection, a second will be considered as ordered.

There was no objection.

(Mr. TEAGUE of Texas asked and was given permission to revise and extend his remarks, and include extraneous matter.)

Mr. TEAGUE of Texas. Mr. Speaker, the Committee on Veterans' Affairs has reported H.R. 12555 for the purpose of assuring that veteran pensioners also receiving an increase in social security payments, as a result of the legislation now in the stages of final consideration in the Congress, will not be adversely affected. The Committee on Veterans' Affairs has given a great deal of attention to this problem. A subcommittee headed by BRYAN DORN, of South Carolina, with HORACE KORNEGAY, RAY ROBERTS, JIM HANLEY, PAUL FINO, JOHN SAYLOR, and BILL SCOTT as members, had lengthy hearings on this legislation. This bill is supported by the administration and they have worked closely with us in developing it. Mr. A. W. Stratton, the new Deputy Administrator of the Veterans' Administration, Mr. Arthur Farmer, the new Chief Benefits Director, and Mr. Charles Peckarsky, the new Deputy Chief Benefits Director, have devoted a great deal of time to this problem. Mr. James T. Taaffe, Jr., the Acting Chief of the Compensation, Pension, and Education Service and his always helpful associate, Louis Townsend, have spent much time on this legislation. Lloyd Johnson and his assistants spent all last weekend working on estimates on this bill. We thank them all.

The veterans' organizations have worked closely with us and I am placing in the RECORD at a later point telegrams from the American Legion, Disabled American Veterans, Veterans of World War I, Veterans of Foreign Wars and Amvets, expressing support for this bill.

This bill approaches the problem in two ways. It creates a new method of payment based on $100 increments so that in the future when a veteran gets a raise in income from any source it will have only a minimum effect on his pension payment. This new system will become effective January 1, 1969. In the meantime, there are provisions in the bill that protect all pensioners through 1968, and social security recipients are given special protection while getting the new system installed and into operation. Income limits are raised so that a veteran will not go off the pension system solely as a result of his raise in social security.

We believe this bill is a good solution to the problem. It has broad support among those interested in veteran problems. We are hopeful that the Senate will be able to consider it immediately when we pass it so that it can become law this year and thus relieve many veterans and widows from a source of worry.

The net effect on non-service-connected pensions, both income limits and rates of pension, as a result of this bill is shown in the table which, under unanimous consent I include as a part of my remarks.

Income increment	Veteran alone		Veteran with dependent		Widow alone		Widow with 1 child	
	Existing law	H.R. 12555	Existing law	H.R. 12555	Existing law	H.R. 12555	Existing law	H.R. 12555
$100	$104	$110	$109	$120	$70	$74	$86	$90
$200	104	110	109	120	70	74	86	90
$300	104	110	109	120	70	74	86	90
$400	104	108	109	120	70	73	86	90
$500	104	106	109	120	70	72	86	90
$600	104	104	109	118	70	70	86	90
$700	79	100	109	116	51	67	86	89
$800	79	96	109	114	51	64	86	88
$900	79	92	109	112	51	61	86	87
$1,000	79	88	109	109	51	58	86	86
$1,100	79	84	84	107	51	55	67	85
$1,200	79	79	84	105	51	51	67	83
$1,300	45	75	84	103	29	48	67	81
$1,400	45	69	84	101	29	45	67	79
$1,500	45	63	84	99	29	41	67	77
$1,600	45	57	84	96	29	37	67	75
$1,700	45	51	83	93	29	33	67	73
$1,800	45	45	84	90	29	29	67	71
$1,900	----------	37	84	87	--------	23	67	69
$2,000	----------	29	84	84	--------	17	67	67
$2,100	----------	----------	50	81	--------	--------	45	65
$2,200	----------	----------	50	78	--------	--------	45	63
$2,300	----------	----------	50	75	--------	--------	45	61
$2,400	----------	----------	50	72	--------	--------	45	59
$2,500	----------	----------	50	69	--------	--------	45	57
$2,600	----------	----------	50	66	--------	--------	45	55
$2,700	----------	----------	50	62	--------	--------	45	53
$2,800	----------	----------	50	58	--------	--------	45	51
$2,900	----------	----------	50	54	--------	--------	45	48
$3,000	----------	----------	50	50	--------	--------	45	45
$3,100	----------	----------	----------	42	--------	--------	--------	43
$3,200	----------	----------	----------	34	--------	--------	--------	41

In connection with the above rates it should be stressed that the existing law permits any beneficiary of social security or other retirement income to exclude 10 percent of such income in determining eligibility for monthly Veterans' Administration pensions. This bill does not make any change in this exclusion factor.

It will be noted that generally speaking the income limtiations have been increased by $200. This was done when the committee voted to report this bill as a substitute for the present three-level income increment system and substitute the more sophisticated multilevel system incorporated in this proposal. The $200 increase applies to the individuals who are receiving pension under the so-called old law as well as under the provisions of Public Law 86–211, effective July 1, 1960.

With regard to those individuals who receive "old law" pension under the first sentence of section 9(b) of the Veterans' Pension Act of 1959, the bill protects such persons against loss of pension because of an increase under the Social Security Amendments of 1967 by increasing the annual income limitations to $1,600 for a single veteran or widow and $2,900 for a veteran with dependents or a widow with children—a $200 increase in each instance; $7.3 million in present annual payments will thus be preserved for 35,000 pensioners. Since no more veterans or widows may come on these rolls, there would be no addition to this group of non-service-connected pensioners.

The committee has included a special protection feature assuring no loss in pension to ease the transition to the new pension structure. The committee wishes to make it clear that this protective feature is a special device and is not intended to serve as a precedent for the future. On the contrary, the rate structure provided by this bill has been carefully designed to assure that pensioners confronted in the future with increases in retirement-type income would never be disadvantaged by a disproportionate decrease in pension. Of course in any system utilizing income limitations there will be those who because of changes in income exceed the top income limit provided by law and thus go off the pension rolls. The provision of section 3, while assuring the protection previously described, gives this group of social security beneficaries protection through the calendar years 1968 and 1969 at their current non-service-connected pension level. On January 1, 1970, there will be an income adjustment of $100, and on January 1, 1971, there will be another $100 adjustment, thus placing this group, now estimated at approximately 173,500, in their proper place in the income limitation schedule.

Service-connected compensation is generally paid without regard to any income limitations, but in the case of dependency and indemnity compensation paid to the parents of deceased servicemen there are income limitations and this bill proposes to change not only the income limitations but also the monthly payments. Mr. Speaker, under unanimous consent I include at this point in my remarks three tables which show the effect of this bill on so-called DIC death compensation:

IF THERE IS ONLY 1 PARENT—

Total annual income		Monthly payment (H.R. 12555)	Monthly payment (law)
More than—	But equal to or less than—		
	$800	$87	$87
$800	900	81	69
900	1,000	75	69
1,000	1,100	69	69
1,100	1,200	62	52
1,200	1,300	54	52
1,300	1,400	46	35
1,400	1,500	38	35
1,500	1,600	31	18
1,600	1,700	25	18
1,700	1,800	18	18
1,800	1,900	12	----------
1,900	2,000	10	----------

IF THERE ARE 2 PARENTS, BUT THEY ARE NOT LIVING TOGETHER—

Total annual income		Monthly payment to each parent (H.R. 12555)	Monthly payment (law)
More than—	But equal to or less than—		
	$800	$58	$58
$800	900	54	46
900	1,000	50	46
1,000	1,100	46	46
1,100	1,200	41	35
1,200	1,300	35	35
1,300	1,400	29	23
1,400	1,500	23	23
1,500	1,600	20	12
1,600	1,700	16	12
1,700	1,800	12	12
1,800	1,900	11	----------
1,900	2,000	10	----------

IF THERE ARE 2 PARENTS WHO ARE LIVING TOGETHER, OR IF A PARENT HAS REMARRIED AND IS LIVING WITH HIS SPOUSE—

Total combined annual income		Monthly payment to each parent (H.R. 12555)	Monthly payment (law)
More than—	But equal to or less than—		
	$1,000	$58	$58
$1,000	1,100	56	46
1,100	1,200	54	46
1,200	1,300	52	46
1,300	1,400	49	46
1,400	1,500	46	46
1,500	1,600	44	35
1,600	1,700	42	35
1,700	1,800	40	35
1,800	1,900	38	35
1,900	2,000	35	35
2,000	2,100	33	23
2,100	2,200	31	23
2,200	2,300	29	23
2,300	2,400	26	23
2,400	2,500	23	23
2,500	2,600	21	12
2,600	2,700	19	12
2,700	2,800	17	12
2,800	2,900	15	12
2,900	3,000	12	12
3,000	3,100	11	----------
3,100	3,200	10	----------

Section 5 of the bill would extend to all income and corpus of estate changes the more liberal end-of-the-year rule for reduction or discontinuance of benefits which currently applies only to an increase in retirement income.

The VA will continue to base benefit awards for a calendar year on reports of anticipated annual income made at the beginning of that year. If there is an increase in annual income, retirement, or other, received after the person has been placed at his proper level on the pension scale for that year, which could not have been reasonably anticipated by the pensioner, any required reduction or discontinuance of his benefit would be deferred until the end of the year.

Sections 1, 2, and 4 of the bill are effective January 1, 1969. Sections 3 and 5 are effective on the first day of the first calendar month following the month of initial payment of increases in monthly insurance benefits provided by the Social Security Amendments of 1967.

Hearings were held before the Subcommittee on Compensation and Pension on approximately 100 income limitation bills on September 19, 20, and 26, 1967.

I want to reiterate my appreciation for the activity of the Subcommittee on Compensation and Pension so ably headed by the gentleman from South

Carolina [Mr. DORN] for its hearings and for the executive sessions which the Subcommittee held resulting in the positive recommendation to the full committee.

Mr. Speaker, I think it would be helpful in our consideration here today to consider the pension rates and their increases over a 30-year period, and I ask unanimous consent to insert such a history at this point in my remarks:

PENSION RATES CORRELATED TO COST OF LIVING

Law	Effective date	Monthly rates, veteran and 3 dependents, minimal income	Consumer Price Index	Percent of change in monthly pension rate over July 1933 rate	Percent of change in cost-of-living index over that for July 1933
Veterans Regulation 1(a)	July 1, 1933	$30.00	45.6	----------	----------
Public Law 601, 77th Cong	June 10, 1942	40.00	56.7	33⅓	24.3
Public Law 313, 78th Cong	May 27, 1944	50.00	61.0	66⅔	33.7
Public Law 662, 79th Cong	Sept. 1, 1946	60.00	71.2	100.0	56.1
Public Law 356, 82d Cong	July 1, 1952	63.00	93.0	110.0	103.9
Public Law 698, 83d Cong	Oct. 1, 1954	66.15	93.3	120.5	104.6
Public Law 86-211	July 1, 1960	100.00	103.2	233.3	126.3
Public Law 88-664	Jan. 1, 1965	115.00	108.9	283.3	138.8
Public Law 90-77	Oct. 1, 1967	119.00	117.1	296.7	156.8

The Veterans' Administration has given the committee a comprehensive estimate of cost which I include at this point as a part of my remarks:

This estimate assumes effective date of the subject proposal will be April 1, 1968, insofar as the provisions of sections 3 and 5 are concerned. Accordingly, the first year costs as shown represent the 12-month period from April 1, 1968, through March 31, 1969.

Section 1 would provide for payment of VA pension under sections 521 and 541 of title 38, United States Code, in amounts and by income increments consistent with the restructured pension schedule provided in H.R. 12555. The estimated additional costs and the number of cases on the rolls that benefit, applicable to this section, are as follows:

	New cases		Cases on rolls		Total	
	Number	Additional cost (millions)	Number	Additional cost (millions)	Number	Additional cost (millions)
1st year	10,275	$3.9	1,170,743	$25.3	1,181,018	$29.2
2d year	42,719	16.0	1,227,281	105.1	1,270,000	121.1
3d year	44,096	16.4	1,281,784	108.8	1,325,880	125.2
4th year	45,442	16.9	1,337,398	112.4	1,382,890	129.3
5th year	48,861	17.3	1,389,964	116.5	1,436,825	133.8

Section 2 would provide a structure of rates and income increments for payment of dependency and indemnity compensation under section 415, title 38, United States Code, similar in concept to that proposed by section 1 for pension cases. The approximate costs of this section are estimated as follows:

	New cases		Cases on rolls		Total	
	Number	Additional cost	Number	Additional cost	Number	Additional cost
1st year	75	$10,000	248,000	$115,000	248,075	$125,000
2d year	300	40,000	239,000	443,300	237,300	483,400
3d year	300	40,000	230,000	230,300	230,300	466,600
4th year	300	40,000	221,000	410,000	221,300	450,000
5th year	300	40,000	213,000	395,000	213,300	435,000

Section 3 would provide that if the monthly rate of pension or dependency and indemnity compensation payable to a person under title 38, United States Code, is less, solely because of an increase in monthly insurance benefits provided by the Social Security Amendments of 1967, than was payable for the month immediately preceding the effective date of this act, the Administrator shall continue to pay the benefit at the prior monthly rate during 1968 and 1969. Subsequently the benefit payable will be reduced annually to the next lower rate in accordance with the rates provided by the tables in sections 1 and 2 until the benefit payable is otherwise in accordance with the rate provided by the tables in sections 1 and 2 or is terminated. The value of this protection is estimated as follows:

	Number of cases	Value of protection (millions)
1st year	173,471	$2.3
2d year	166,390	8.8
3d year	43,386	2.2
4th year	0	0
5th years	0	0

Section 4 would provide an increase in the annual income limitations governing payment of pension under the first sentence of section 9(b) of the Veterans' Pension Act of 1959 from $1,400 and $2,700 to $1,600 and $2,900, respectively. The estimated value of increasing the income limitations as provided would be:

	Number of cases	Value (millions)
1st year	39,915	$2.1
2d year	35,025	7.3
3d year	31,575	6.6
4th year	28,400	5.9
5th year	24,900	5.2

Data are not available with which to estimate the effect of the amendment proposed by section 5. However, restricting its application to uncontrollable types of income—that is, windfalls, unanticipated dividends, unforeseen insurance benefits, and so forth—it is believed the cost effects would not be substantial.

All the above estimates are based on the assumption that the social security amendments will provide for a 13-percent increase in benefits payable with a minimum monthly payment fixed at $55 in lieu of the present $44 for a primary beneficiary.

This proposal I am happy to say is fully supported by the veterans organizations, the American Legion, Veterans of Foreign Wars, Disabled American Veterans, Amvets, and Veterans of World War I, as evidenced by the letters which, under unanimous consent, Mr. Speaker, I include at this point in the RECORD as a part of my remarks:

WASHINGTON, D.C.,
December 13, 1967.

Hon. OLIN TEAGUE,
Chairman, House Committee on Veterans' Affairs, Rayburn House Office Building, Washington, D.C.:

The American Legion commends you and the members of your committee for reporting H.R. 12555, a bill which will liberalize death and disability pension and compensation for dependent parents and also assure that these beneficiaries will not suffer reductions in their benefits as a result of increases in social security. The bill as reported satisfies many of our mandates and we urge its enactment before adjournment of this session of the Congress.

HERALD E. STRINGER,
Director, National Legislative Commission, the American Legion.

DECEMBER 14, 1967.

Hon. OLIN E. TEAGUE,
Chairman, Veterans Affairs Committee, House of Representatives, Washington, D.C.:

Veterans of Foreign Wars strongly recommend favorable consideration and approval of H.R. 12555 scheduled for vote on Friday. This will provide protection against reduction of veterans pension payments because of social security and other increased income. It provides for a badly needed increase in pension payments for over a million veterans, widows and dependent parents. While the bill does not carry out Veterans of Foreign Wars mandate to the fullest extent, it is a great step in that direction. House approval of this bill will be deeply appreciated by the 1.4 million members of the Veterans of Foreign Wars of the United States.

JOSEPH A. SCERRA,
Commander in Chief, Veterans of Foreign Wars of United States.

DECEMBER 13, 1967.

Hon. OLIN E. TEAGUE,
Chairman, Veterans' Affairs Committee, House of Representatives, Washington, D.C.:

Disabled American Veterans wholeheartedly support H.R. 12555 providing improvement in the income limitations for pension purposes. You and your colleagues on the Committee on Veterans Affairs are to be commended for your efforts on behalf of the needy totally disabled war-time veterans.

CHARLES L. HUBER,
National Director, Disabled American Veterans.

VETERANS OF WORLD WAR I OF THE U.S.A., INC.,
Washington, D.C., December 13, 1967.

Hon. OLIN E. TEAGUE,
Chairman, House Committee on Veterans' Affairs, Cannon House Office Building, Washington, D.C.

MY DEAR CONGRESSMAN TEAGUE: In recognition of the fact that the proposed legislative bill, H.R. 12555, protects the veterans on the pension rolls on account of thee increase on Social Security effective March 1, 1968, the National Commander of the Veterans of World War I of the U.S.A., Inc., hereby gives his endorsement to this legislation.

With very best wishes, I am,

Sincerely yours,

PHILIP F. O'BRIEN,
National Commander.

WASHINGTON, D.C.,
December 14, 1967.

Hon. OLIN E. TEAGUE,
Chairman, House Veterans' Affairs Committee, Cannon House Office Building, Washington, D.C.:

Amvets continue to favor the legislative intent of H.R. 12555 with its protection to veterans on matters of income limitation and we commend your committee for your continued efforts toward this end.

ANTHONY J. CASERTA,
National Commander.

Mr. Speaker, the committee has had several inquiries raising the question as to why an increase in the rates of compensation for the service-connected disabled was not voted at the same time as the provisions of Public Law 90–77, which became effective last October 1—the previous pension raise was in Public Law 88–664. The last increase in the rates of compensation as provided in Public Law 89–311—October 31, 1965—averaged 10 percent. I ask unanimous consent to include at this point in my remarks a history of wartime service-connected compensation rates since July 1, 1933. This chart, and the previous one on pensions, prove conclusively that in these two important segments of the veterans' program the Congress has acted in a generous and responsible manner.

HISTORY OF WARTIME SERVICE-CONNECTED COMPENSATION INCREASES

	Percent	July 1, 1933	+ Percent increase =	Jan. 19, 1934	+ Percent increase =	Public Law 312, 78th Cong., June 1, 1944	Public Law 182, 78th Cong., Oct. 1, 1945	+ Percent increase =	Public Law 662, 79th Cong., Sept. 1, 1946	+ Percent increase =	Public Law 339, 81st Cong., Dec. 1, 1949	+ Percent increase =	Public Law 356, 82d Cong., July 1, 1952
Sec. 314, title 38, subpar.—													
(a)	10	$9	11.1	$10	15	$11.50	----	20	$13.80	8.7	$15	5	$15.75
(b)	20	18	11.1	20	15	23.00	----	20	27.60	8.7	30	5	31.50
(c)	30	27	11.1	30	15	34.50	----	20	41.40	8.7	45	5	47.25
(d)	40	36	11.1	40	15	46.00	----	20	55.20	8.7	60	5	63.00
(e)	50	45	11.1	50	15	57.50	----	20	69.00 / 60.00	8.7	75	15	86.25
(f)	60	54	11.1	60	15	69.00	----	20	82.80	8.7	90	15	103.50
(g)	70	63	11.1	70	15	80.50	----	20	96.60	8.7	105	15	120.75
(h)	80	72	11.1	80	15	92.00	----	20	110.40	8.7	120	15	138.00
(i)	90	81	11.1	90	15	103.50	----	20	124.20	8.7	135	15	155.25
(j)	100	90	11.1	100	15	115.00	----	20	138.00	8.7	150	15	172.50
Subpar. (s) (housebound cases) Public Law 86–663, effective Sept. 1, 1960	----	----	----	----	----	----	----	----	----	----	----	----	----
(l)	----	150	----	----	33.3	----	$200	20	240.00	----	----	----	----
(m)	----	175	----	----	34.3	----	235	20	282.00	----	----	----	----
(n)	----	200	----	----	32.5	----	265	20	318.00	----	----	----	----
(o)	----	250	----	----	20.0	----	300	20	360.00	----	----	----	----
(p)	----	----	----	----	----	----	300	20	360.00	----	----	----	----
Subpar. (r) "A and A" nonhospitalization, Public Law 85–782, effective Oct. 1, 1958	----	----	----	----	----	----	----	----	----	----	----	----	----
(k)	----	25	----	----	40.0	----	35	20	42.00	----	----	----	----
(q)	----	----	----	----	----	----	----	----	----	----	----	----	----

	+ Percent increase =	Public Law 427, 82d Cong., Aug. 1, 1952	+ Percent increase =	Public Law 695, 83d Cong., Oct. 1, 1954	+ Percent increase =	Public Law 85–168, Oct. 1, 1957	+ Percent increase =	Public Law 87–645, Oct. 1, 1962	+ Percent increase =	Public Law 89–311, Oct. 31, 1965	Percent increase from Jan 19, 1934	Percent increase from June 1, 1944	Percent increase from Oct. 1, 1954
Sec. 314, title 38, subpar. —													
(a)	----	----	7.9	$17	11.8	$19	5.3	$20	5.0	$21	110.0	91.3	23.5
(b)	----	----	4.8	33	9.1	36	5.6	38	5.3	40	100.0	73.9	21.2
(c)	----	----	5.8	50	10.0	55	5.5	58	3.4	60	100.0	73.9	20.0
(d)	----	----	4.8	66	10.6	73	5.5	77	6.6	82	105.0	78.3	24.2
(e)	----	----	5.5	91	9.9	100	7.0	107	5.6	113	126.0	96.5	24.8
(f)	----	----	5.3	109	10.1	120	6.7	128	6.3	136	126.7	97.1	24.8
(g)	----	----	5.2	127	10.2	140	6.4	149	7.4	161	130.0	100.0	26.8
(h)	----	----	5.0	145	10.3	160	6.3	170	9.4	186	132.5	102.2	28.3
(i)	----	----	5.0	163	9.8	179	6.7	191	9.4	209	132.2	101.9	28.2
(j)	----	----	4.9	181	24.3	225	11.1	250	20.0	300	200.0	160.9	65.7
Subpar. (s) (housebound cases) Public Law 86–663, effective Sept. 1, 1960	----	----	----	----	----	265	9.4	290	20.7	350	----	----	----
(l)	10.8	$266	4.9	279	10.8	309	10.0	340	17.6	400	166.6	166.6	43.4
(m)	11.0	313	5.1	329	9.1	359	8.6	390	15.4	450	157.1	157.1	36.8
(n)	11.0	353	5.1	371	8.1	401	9.7	440	19.3	525	162.5	162.5	41.5
(o)	11.1	400	5.0	420	7.1	450	16.7	525	14.3	600	140.0	140.0	42.9
(p)	11.1	400	5.0	420	7.1	450	16.7	525	14.3	600	----	----	42.9
Subpar. (r) "A and A" nonhospitalization, Public Law 85–782, effective Oct. 1, 1958	----	----	----	----	----	150	33.3	200	25.0	250	----	----	----
(k)	11.9	47	----	----	----	----	----	----	----	----	88.0	88.0	00.0
(q)	----	67	----	----	----	----	----	----	----	----	----	----	00.0

It will be my purpose as chairman to have hearings at an early date in the second session on an increase for service-connected compensation for our disabled veterans. They will be held after the report of the Presidential panel, announced in the President's message on January 31, 1967, which is due to make recommendations on a variety of veteran matters.

Mr. Speaker, I have no further requests for time.

Mr. ADAIR. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in support of H.R. 12555. This bill protects every veteran, widow, and child receiving monthly pension benefits and every dependent parent receiving service-connected survivors' benefits against any reduction or termination of pension or survivor benefits that might otherwise result from the social security increase passed by the House and Senate earlier this week. The Committee on Veterans' Affairs and its staff has devoted considerable time and effort to this important matter. Members of the Subcommittee on Compensation and Pension in particular are deserving of commendation for their careful consideration of the many alternative solutions represented in more than 100 bills introduced on this subject. The subcommittee received the views of the Nation's veterans' organizations, administration officials, and Members of Congress during public hearings in September of this year. The product of their exhaustive consideration of this subject as approved by the full Committee on Veterans' Affairs is set forth in the measure before the House today. This bill, in my judgment, proposes a fair and reasonable solution to the problem.

Since the possibility of a social security increase was first mentioned prior to the convening of this 90th Congress, Members have been deluged with mail from veterans and widows expressing apprehension that a modest increase in monthly social security benefits would trigger a far greater reduction in monthly veterans' pension benefits. Despite the fact that existing law prevented the reduction or termination of veterans' pension until the end of the calendar year in which the increased social security benefit was received, there was ample reason for apprehension. Under existing law, there are three income brackets for veterans or widows without dependents and three income brackets for veterans or widows with dependents, each enti-

tling the pensioner to a different monthly rate of pension. Should a veteran or widow's income from sources other than pension fall within one of these three brackets, it entitled the pensioner to a specific rate of pension. A modest increase in social security could conceivably cause the veteran's income to exceed the limit of that income bracket. Thus, his monthly rate of pension would be reduced at the end of the calendar year to the rate payable for the higher income bracket. In most cases, the reduction in veterans' pension would be far greater than the increase in social security.

The bill before the House proposes to solve this problem by eliminating the three brackets of existing law and in their stead providing a range of 18 income levels for veterans and widows without dependents and 28 for those with dependents. The pension rate, of course, would vary at each income level. Thus, a modest increase in income would not result in a sharp reduction in pension benefits.

Notwithstanding the fact that this revised income scale contained in the proposed bill will prevent most pensioners from being adversely affected by the social security increase, the bill contains a protective provision which permits every pensioner receiving pension to receive the full social security increase without losing a single penny of their monthly veterans' pension benefits.

The bill, Mr. Speaker, contains several additional desirable features: It increases the maximum income limitations of all pension laws, the so-called old law as well as the new law, by $200. It relates the amount of pension payments more closely to financial need. It increases the monthly rate of pension for more than one million veterans, widows and children. It extends eligibility for pension to approximately 10,000 new pensioners. Most important, however, it establishes a somewhat permanent solution to this continually recurring problem for pensioners each time social security benefits are increased.

I urge that the bill be passed.

Now, Mr. Speaker, I yield 5 minutes to the gentleman from Pennsylvania [Mr. SAYLOR].

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

Mr. SAYLOR. Mr. Speaker, I rise in support of the bill, H.R. 12555. This bill will drastically revise the income limitations of current pension laws that determine the monthly rate of pension to which a veteran or widow may be entitled. In place of the three income brackets of existing law, the bill proposes to create 18 income brackets in increments of $100 for veterans and widows without dependents and 28 for those with dependents. Each of these $100 brackets will, of course, entitle the recipient to a different rate of pension. The obvious advantage of the new system is that a slight increase in income will not cause a sharp reduction in monthly pension benefits.

I am supporting this bill, Mr. Speaker, not only because it prevents any pensioner from suffering the reduction or termination of his veterans' pension that might otherwise result from the receipt of the social security increase, but I support it because it increases the monthly rate of pension for 1,170,743 veterans, widows and children. I must confess, however, that I am not entirely satisfied with two features of this bill. First, the bill provides, in some cases, a far greater increase to those with income than it provides for pensioners with no income. I recognize, of course, that once the new scale proposed by this bill is firmly established, it will more closely relate pension payments to need. It is most unfortunate, however, that we cannot in this instance provide the greatest increase to those who are most needy.

I am concerned, Mr. Speaker, that the bill does not provide the same protection against reduction or termination of pension to persons with income from other sources as it provides for the social security recipient. If, for example, the social security increase would ordinarily cause a reduction in monthly pension benefits, this bill protects the pensioner against such a reduction until 1970, and possibly longer. If a second veteran received an increase in his income at the same time and in the same amount, but from a source other than social security, then his pension would be reduced at the end of the calendar year in which the increased income was received. Believing that this discrimination should be eliminated from the bill, I proposed an amendment in committee that would have excluded increases in income from any source in the computation of income for pension purposes. Unfortunately, this amendment was rejected. I am pleased, however, that another amendment I was privileged to offer was accepted by the committee and is now part of the bill. This amendment has the effect of deferring until the end of the calendar year in which a change in income occurs, any reduction or termination of pension payments resulting from an increase in income from any source. Despite these inequities, Mr. Speaker, I believe the bill before the House today is a good bill. As a member of the Subcommittee on Compensation and Pension, I can personally attest to the diligence with which members of the subcommittee tackled this longstanding problem. I urge that the bill be passed.

Mr. ADAIR. Mr. Speaker, I yield 5 minutes to the gentleman from New York [Mr. FINO].

Mr. FINO. Mr. Speaker, I rise in support of H.R. 12555 because it will accomplish two very important objectives.

First, it will provide an increase for non-service-connected pensions for approximately 1 million veterans, widows, and children, and

Secondly, it will restructure our veterans' pension system with respect to income limitations.

Under the present set up, eligibility for veterans' pension depends on the level of other income. If a veteran's income is below a certain amount, he qualifies for a full pension. However, as his income increases the amount of his pension decreases.

Given this arrangement, social security and other income changes often work to reduce a veteran's pension by a greater sum that is represented by the social security increase. This is exactly what the House Veterans' Committee is trying to correct. I think this legislation now before us does the job.

Under this proposal, a veteran's pension will depend on which of 18 income brackets he falls under. By taking this approach, we have cushioned the impact that a few additional dollars of outside income can have on his pension.

Perhaps of more immediate concern to many affected veterans is the exemption this bill will provide for the proposed social security increases. In a nutshell, the new social security increases will not count towards income ceilings, so that no veteran's pension will be reduced because of such increases. This is very important.

However, I regret the action taken by our committee in adopting an amendment which proposes to phase this protection out over a period of 2 years. Thus, while the social security hike will not affect veterans pensions during 1968 and 1969, it will thereafter. Under this amendment, half of the social security increase will count as outside income in 1970, thereby reducing the veterans pension benefits. And by 1971, the entire increase will count as outside income thereby further reducing the veteran's pension. Fortunately because of the new scale, the adjustment will be small.

Frankly, this does not make sense to me because the social security increases are based on the rise in cost-of-living. It is not fair to give cost-of-living increases on the one hand and then take it back on the other hand. If anything inflation is going to get worse—not better. The budget difficulties of our veterans will increase not decrease. I feel that this idea of phasing out social security increases is most unfair. I should emphasize however that the scale based on $100 steps will greatly minimize the problem in the future.

Of course, on balance, I intend to vote for this bill because it is at least a step in the right direction.

Mr. Speaker, I had intended to speak about 10 or 15 minutes in support of this legislation because I think it is very important. But in view of the fact that today is my birthday, I want to get back home and to my wife to celebrate my birthday.

Mr. DORN. Mr. Speaker, I rise in support of H.R. 12555 and urge the House to adopt this timely legislation by an overwheiming vote.

It has been a great honor and privilege to serve as chairman of the Subcommittee on Compensation and Pensions which held hearings and reported this bill. I want to pay tribute to each member of the subcommittee—Mr. KORNEGAY, Mr. ROBERTS, Mr. HANDLEY, Mr. SAYLOR, Mr. FINO, and Mr. SCOTT. I have never worked with a more cooperative subcommittee in my 19 years in the Congress.

We have watched with keen interest the passage of the social security bill providing for an increase in social security benefits. Mr. Speaker, I supported that legislation. This bill is necessary in order

that no veteran or widow drawing a non-service-connected pension will lose even $1 of that pension because of an increase in social security benefits.

This legislation is supported by all of our veterans organizations. The veterans and widows who are in receipt of non-service-connected pensions have expressed a great fear that the proposed increase in social security benefits will cause a greater reduction in their pension paid by the Veterans' Administration than the increase they will receive in their social security payments. I am pleased to support H.R. 12555 as it will prevent this from happening. This bill, also, provides protection for dependent parents who receive dependency and indemnity compensation.

This bill will provide another $120 million for veterans, their widows and dependents. It will provide an increase of $200 in the present income limitation for the non-service-connected pension program as well as the D.I.C. program for dependent parents of veterans who died from service incurred disabilities. This $200 increase will exceed the maximum increase a person will receive in his social security payment, therefore, no person can lose his pension because of the social security increase if H.R. 12555 is approved.

Mr. Speaker, I wish to emphasize that this $200 increase in income limitations applies to the so-called "old law" pension as well as the new law. Under this bill the income limitation for the old law would be $1,600, rather than $1,400, for veterans and widows without dependents and $2,900, rather than $2,700 for veterans and widows with dependents.

One of the complaints of the present pension program, has been that because of its income limitation structure, a person could be placed in a higher income bracket by a slight increase in his income and which would result in a far greater reduction in his pension than the increase he had received. H.R. 12555 will eliminate this possibility by replacing the present three step income bracket with income steps in $100 increments. This is probably the most worthwhile provision of the bill.

This bill will not only assure the protection of present pension rates, even though the veteran or widow receives an increase in their social security benefits, but also provides an increase, effective January 1, 1969, in the pension rate for about one million and two hundred thousand persons who are now receiving non-service-connected pensions.

Mr. DONOHUE. Mr. Speaker, there is no question that the substantial intent and design of this bill before us, H.R. 12555, is meritorious in principle and I, therefore, hope the House will overwhelmingly approve it at this time.

The basic purpose of this proposal is to avoid the obvious contradiction and injustice that would be imposed upon veterans and their dependents by reason of inordinate reductions in veterans' pensions which would, without this legislation inevitably follow because of increases in monthly social security benefits.

In other words, it is designed to prevent the situation that has been aptly described as: "The Government giving a little with one hand and taking away much more with the other."

By the adoption of this legislation, we will also be fulfilling a commitment that was inherent in our previous legislative actions affecting social security increases and the benefits granted to our war veterans, their dependent parents and immediate family dependents. Actually this measure under consideration is in accord with the expressed pledge contained in the language of the conferees on S. 16, adopted here last August 17 when it was promised: "To assure that any increase in social security payments which might result from enactment of H.R. 12080 will not result in a reduction of combined income from Veterans' Administration pension, dependency and indemnity compensation, and social security or in the removal of any person from the Veterans' Administration rolls."

Of course, Mr. Speaker, there is no pretense that this bill is perfect and that it will immediately prevent any and every inequity from being visited upon our veterans and their dependents but it is admittedly a real forward step in our proper legislative concern for our veterans and their families.

As the complicated procedures and application of this bill are observed we will have the opportunity, from such experience, to make further corrections and revisions whenever warranted and I am certain all Members stand pledged to do so at the appropriate time in the future. Meanwhile let us accept and approve this measure without extended delay.

Mr. DULSKI. Mr. Speaker, I am happy to support this bill, H.R. 12555, which was unanimously reported by the Committee on Veterans' Affairs last Tuesday.

Months ago I introduced H.R. 3754, which had as its purpose the increase of income limitation applicable to non-service-connected pensions. The bill which we are considering today is more comprehensive and deals with this recurring situation on a long-term basis.

The committee bill may be described as increasing the income limitations by $200 for both the old and new cases. It increases the rates of pension and protects those individuals who have increased income as a result of the Social Security Amendments of 1967.

The bill, as reported, greatly increases the number of income levels, making adjustments for each $100 change in income level, instead of the much wider brackets under existing law. It is best described as a multilevel bill which will be much more sensitive in measuring need—the basic criteria in determining eligibility for non-service-connected penson.

I think it is important to note, too, that our committee on Veterans' Affairs has acted promptly and responsibly in reporting this bill to avoid interim hardship cases.

Mr. Speaker, I want to especially commend our chairman, the gentleman from Texas [Mr. TEAGUE] for his leadership in dealing with this important matter.

In order to protect the hardship cases, the bill now under consideration would be effective immediately following the first payment of increased social security benefits next spring.

It is good to know that the major veterans organizations—the American Legion, Veterans of Foreign Wars, Disabled American Veterans, AMVETS, and Veterans of World War I—all support the concept of the bill which we are acting upon.

When the increased rates of pension are payable, it will certainly make life somewhat easier for those who are in the lower income brackets. This has been the primary concern of all members of the committee in seeing that those who have the greatest need receive the greatest consideration.

Mr. LANGEN. Mr. Speaker, I heartily support H.R. 12555, to amend the income limitation provisions applicable to veterans and widows of veterans receiving non-service-connected disability pensions under chapter 15 of title 38, United States Code.

The current earnings limitations have remained unchanged since 1959, while substantial increases in both wages and prices have occurred. During the same period of time, proper recognition was made of increasing wages and prices on pension systems such as social security. The earning limitations were subsequently liberalized three times in the past 8 years for social security pensioners. Surely our veterans and their dependents need similar treatment.

It would be most unfair for this Congress to increase both social security and veteran benefits, only to fail to finish our job by allowing thousands of pensioners to actually receive less instead of more. For the past number of years, we have been faced with the knowledge that relatively small social security payment increases will often result in substantial reductions in veterans' non-service-connected pensions, and will leave these veterans, their widows or other dependents with even less income than they presently receive. We have but to look at last year to confirm this fact.

I am sure that every Member of Congress has a fairly large file of correspondence from concerned people who have been personally affected by congressional oversight in changing the language of the law. Your letters undoubtedly run along the lines of those received in my office.

Wrote one veteran:

This past raise I've had less than I had before.

Another wrote:

The way it stands right now a gain of $200 per year will cause us to lose $900 in veterans' pension.

From a World War I veteran:

We need some financial help due to the increase in taxes and living costs. If I get a raise I will lose half of my pension unless I get a raise in income limitations.

These are typical of the letters I have received. They offer real evidence of the need to not only provide these people with cost-of-living increases due to the

effects of inflation, but to make sure they do not end up with less instead of more.

One of the reasons, of course, for the sharp pension reductions some veterans or their dependents suffer is the fact that there are so few steps in the tables of income limits. By increasing the number of steps by which the income can be raised, and reducing the benefits by smaller amounts for each step up, we can be secure in the knowledge that future increases in social security benefits will not result in other pension reductions that wipe out benefits.

I respectfully urge favorable consideration of this bill.

Mr. ST GERMAIN. Mr. Speaker, I rise today in support of the bill—H.R. 12555—to amend title 30 of the United States Code to liberalize the provisions relating to payment of pensions.

This legislation, which is timely and greatly needed, proposes protective provisions for persons whose monthly Veterans' Administration payments would be affected by increases in retirement benefits. It will assure that no person will have less income—combined retirement and pension payments—after an increase in the retirement benefit than he had before.

In other words, Mr. Speaker, it will avoid the sad occasion of the Government giving a little with one hand—increased social security benefits—and taking away much more with the other—reducing veteran pension by an amount greater than the increase in social security benefits.

On March 16, I stated before the House Ways and Means Committee during its consideration of the social security benefits of 1967, that:

> This practice of giving and taking away has particular relevance to our pensioned veterans. On the one hand we increase Social Security Benefits and, because of this increase in income, on the other hand a veterans pension is reduced by a greater amount than the increase in Social Security Benefits. Thus, he would have been better off had the increase not been given.

I went on to further state:

> Because of this problem which confronts so many veterans, I introduced a bill, H.R. 11585, in the 89th Congress to provide that certain Social Security Benefits be waived and not counted as income for veterans receiving pensions. I would like to see this concept incorporated into the Social Security legislation now being considered by this Committee. I think that we are too indebted to our veterans to allow a so-called increase in Social Security benefits to cause a greater reduction in their veteran pensions.

Therefore, in view of the aforementioned, you can well understand, Mr. Speaker, why I strongly support the legislation before this body today.

Mr. TEAGUE's bill will provide assurance for the future that no pensioner under the current program would receive less in combined benefits after an increase in any retirement payments than he received before.

I urge that all my colleagues join me in supporting this timely and greatly needed legislation.

Mr. KORNEGAY. Mr. Speaker, since the day that Congress began the consideration of proposals to increase social security benefits, there has been much apprehension among recipients of non-service-connected pensions that such action could cause them to lose their pensions from the Veterans' Administration as the payment of the pension is based upon the person's annual income. I know that the Members of Congress have been most desirous to take action which will assure that pensions are not reduced. This may be accomplished by the passage of H.R. 12555 which we have before us today; therefore, I strongly support this bill and urge its speedy approval.

The solution provided by H.R. 12555 is only one of the various steps that could be taken to accomplish what I believe we all desire. The important thing is that it solves the problem and I feel in a very equitable manner.

I understand that under the proposed social security increase, the maximum income a person will receive does not exceed $200 a year. Therefore, to assure that no veteran or widow in receipt of a non-service-connected pension will lose their pension because of the social security increase, H.R. 12555 increases the annual income limitation for the pension program from $1,800 to $2,000 for the widow or veteran without dependents and from $1,300 to $3,200 for the veteran or widow with dependents. I wish to also emphasize that the so-called "old law" pension is not overlooked, and the income limitation of $1,400 for veterans and widows without dependents is increased to $1,600, and the $2,700 income limitation for veterans or widows with dependents is increased to $2,900.

Another important feature of the bill is the replacement of the present three step income bracket for the payment of benefits with a new income formula of income steps in increments of $100. This will eliminate the possibility of a pensioner receiving a severe reduction in his monthly pension because of a slight increase in his income that caused him to be placed in a higher income bracket. Because of the many income steps provided by H.R. 12555, hereafter, if a claimant receives an increase in his income from any source, the reduction in his monthly pension because of being in a higher income bracket will be very small and hardly noticeable.

Under the existing law, receipt of an increase in retirement income during the year would not affect a person's pension until the next calendar year. This bill will expand this provision of the law to include any type of income.

Not only will this bill assure the protection of present non-service-connected pensions because of the proposed social security increase, but not to be overlooked is the fact that effective January 1, 1969 it provides a substantial increase in the pension rates for about 1,200,000 persons now in receipt of non-service-connected pension.

I wish to also point out, Mr. Speaker, that the protection provided for pensions is also provided for dependent parents receiving dependency and indemnity compensation as the income limitation for this program is also increased by $200.

Mr. DUNCAN. Mr. Speaker, I support this legislation, although I would have liked to have seen the bill broadened to cover increased income across the board for all veterans, not just those who receive social security benefits.

Such an amendment was offered in committee but it was defeated.

I offered an amendment in committee that all veterans 72 years of age or older, with an income of less than $3,300, would be considered for pension purposes as having no income. I thought this amendment fair and equitable, because a social security recipient 72 years of age or older has no income limitations.

This amendment also did not receive favorable passage in the Committee on Veterans' Affairs.

Mr. Speaker, it appears to me that our older veterans have been made the whipping boy of this Congress. At a time when it seems that we spend billions of dollars on foreign aid and every conceivable new welfare program is funded almost without prudence and good judgment, it seems that we should do a little for the men who gave so much for their country.

Mr. ZABLOCKI. Mr. Speaker, in these final hours of the first session of the 90th Congress, the House of Representatives has been called upon to take final action on a number of important legislative measures.

Despite this effort to adjourn, however, this body has taken the time to deal with a problem of intense concern to more than one million American veterans.

That problems is one of maintaining parity in the level of the pensions given to our Nation's veterans.

The Social Security Act amendments passed this week and sent to the President for signature raised social security pension by 13 percent across the board.

Yet many of our veterans—certainly those who most need such increases—would not have enjoyed the benefits. The veterans' pension laws would required that pensions received by needy veterans be reduced by 90 percent of the amount of the social security pension increase.

Clearly, this would have worked hardship and injustice on those who have given much for our Nation in the armed services.

The need for a legislative remedy to this situation has been clear to many of us. Credit for the measure now before us must go to the distinguished chairman of the House Veterans' Affairs Committee [Mr. TEAGUE], and the members of his committee.

They have labored hard to bring to the Floor of the House a bill, H.R. 12555, to adjust the income limits and rates for those receiving non-service-connected pensions. At the same time they have increased service connected dependency and indemnity compensation for dependent parents.

This legislation will insure that the veterans receiving veterans' pension and social security benefits will receive the full increase from the new social security scales.

The House should swiftly approve the committee bill. We will, by this action, insure that our needy veterans will have a much brighter and more prosperous Christmas.

As we end this long and weary session—and turn our thoughts to being home for the holidays—we will be able to take satisfaction in knowing that those who have given most to preserve our Nation and its traditions will receive their full and fair share of pension benefits.

Mr. REES. Mr. Speaker, when the original foreign assistance and related agencies appropriation act of 1968 was approved by Congress I had serious misgivings. Today I very reluctantly voted for the conference committee report on this act and I would again like to reassert my reluctance and repeat my original objections.

I very reluctantly voted for the Foreign Assistance and Related Agencies Appropriation Act, 1968. Practically the only reason I could think of for voting for this emasculated appropriation bill is that some vehicle is necessary to keep a concept of foreign aid alive. The bill represents a drastic and dangerous $1 billion cut from recommendations made by the administration and is an attempt by the Appropriations Subcommittee on Foreign Operation to write policy matters which rightly should be dealth with by the Committee on Foreign Relations or the executive branch of Government.

Today we are spending nearly $30 billion a year fighting the war in Vietnam. I can think of no greater insurance policy against this type of involvement than our foreign aid program by which we hope to help the emerging nations of the world. At a time when we should be doubling our commitment, we are making shortsighted cuts. The foreign aid program has changed in scope a great deal during the past few years. The major emphasis now is in low-interest loans for such major projects as creating and conserving water resources, conservation, power development, internal communications, and food production.

Together with the loan program we also have a technical assistance program supplying brain power which these countries need to adequately develop their resources. In our own hemisphere the commitment we made for the Alliance for Progress is being watered down drastically. It is my prediction that if this trend of emasculating our foreign aid obligations continues, the problems we have in Vietnam will be multiplied throughout the underdeveloped areas of this world. The schism of the future will not be between Communist and capitalist nations, but between the developed and underdeveloped countries and, to prevent this, there must be a strong commitment from all developed nations to give basic aid to these less fortunate countries. Only in this way can we reverse this disastrous trend of the rich nations becoming richer and the poor nations becoming even poorer.

The Foreign Assistance Appropriation Act is deplorable, and in voting for this act I do so with the hope that sanity might be restored in the Senate-House conference committee.

Mrs. DWYER. Mr. Speaker, the present bill is an exercise in simple justice and equity for veterans and their dependents, and I support it wholeheartedly.

H.R. 12555 would revise the present structure of pensions and other compensation administered by the Veterans' Administration in order to assure that beneficiaries confronted in the future with increases in retirement-type income will never be disadvantaged by a disproportionate decrease in VA benefits.

The bill is especially relevant to the increases in social security benefits just approved by the Congress. Without the protection afforded by H.R. 12555, most VA beneficiaries who are also on the social security rolls would find their veterans benefits immediately reduced by virtue of the income limitation provisions of the present law. In effect, the bill suspends the limitations through 1969 and reapplies them gradually in 1970 and 1971.

While the bill does not remove such income limitations, the transition it provides from a simple three-level income increment system to a more sophisticated multi-level system for determining benefit rates will assure fair treatment to all. The pending bill, too, preserves the existing 10-percent exclusion of retirement income in determining eligibility for VA benefits. It offers a modest liberalization of income limitations and rates of payment. It eases the effect on benefits of increases in other income. And it continues the principle that the greatest benefits go to persons in greatest need.

Of first importance, however, the legislation will accomplish these two fundamental purposes: It will prevent situations in which an increase in Federal retirement benefits would result in an even greater decrease in VA benefits; and it will assure that no increase in social security benefits would result in a reduction of combined VA-social security benefits.

In brief, this bill will end once and for all situations in which the Government gives a little with one hand and takes away much more with the other.

Mr. RANDALL. Mr. Speaker, I enthusiastically support the provisions of this bill, which makes it certain that no person will receive a reduction in his pension or in dependency and indemnity compensation because of the increases in benefits under the social security bill the Congress sent to the President this week.

The bill now before us will increase the rate of non-service-connected pensions for more than 1 million individuals now receiving benefits by reason of service to their country in the Armed Forces. It also permits payment of pensions for the first time to 10,275 people because of new overall maximum income limitations. All of these cases will receive pension benefit in addition to the 1967 social security increases, which I understand will begin with the February 1968 checks.

Present law provides for three pension income limitations for veterans and three for widows. The bill now before the House provides a range of 18 income levels for veterans and widows without dependents and 28 for those with dependents. Maximum income allowable for receipt of pension is increased from $1,800 to $2,000 for veterans or widows without dependents and from $3,000 to $3,200 for those with dependents.

Veterans and widows who continue to receive pensions under laws in effect before July 1960, who have never made an election to receive under existing law will receive an increase in income limitation in the amount of $200—from $1,400 to $1,600 for those without dependents, and from $2,700 to $2,900 for those with dependents.

Mr. Speaker, this is the season of the year when many of us may be charitably disposed. But there is no charity in this bill. A vote for H.R. 12555 is nothing more than simple acknowledgment of a tremendous debt of gratitude free Americans owe to the veterans of the Armed Forces who have fought and died to keep us free. I can and will cheerfully vote for this bill and I hope that it passes unanimously.

GENERAL LEAVE TO EXTEND

Mr. TEAGUE of Texas. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on the bill H.R. 12555.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. ADAIR. Mr. Speaker, I have no further requests for time.

The SPEAKER. The question is on the motion of the gentleman from Texas that the House suspend the rules and pass the bill, H.R. 12555, as amended.

Mr. ADAIR. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 353, nays 0, not voting 80, as follows:

[Roll No. 447]

YEAS—353

Abernethy	Burleson	Dow
Adair	Burton, Calif.	Dowdy
Addabbo	Burton, Utah	Downing
Albert	Bush	Dulski
Anderson, Ill.	Button	Duncan
Anderson, Tenn.	Byrne, Pa.	Eckhardt
Andrews, Ala.	Byrnes, Wis.	Edwards, Ala.
Andrews, N. Dak.	Cabell	Edwards, Calif.
Ashmore	Cahill	Ellberg
Aspinall	Carey	Erlenborn
Ayres	Carter	Esch
Baring	Casey	Eshleman
Barrett	Cederberg	Evans, Colo.
Battin	Chamberlain	Fallon
Belcher	Clancy	Farbstein
Bell	Clark	Fascell
Bennett	Clausen, Don H.	Feighan
Berry	Clawson, Del	Findley
Betts	Cleveland	Fino
Bevill	Cohelan	Fisher
Biester	Collier	Flood
Bingham	Conable	Fiynt
Blackburn	Conte	Foley
Blanton	Conyers	Ford, Gerald R.
Blatnik	Corman	Ford, William D.
Boggs	Cowger	Fountain
Boland	Cramer	Fraser
Bolton	Culver	Frelinghuysen
Bow	Cunningham	Friedel
Brademas	Curtis	Fulton, Pa.
Brasco	Daddario	Galifianakis
Bray	Daniels	Gallagher
Brinkley	Davis, Ga.	Garmatz
Brock	Davis, Wis.	Gathings
Brooks	de la Garza	Gettys
Brotzman	Dellenback	Giaimo
Brown, Mich.	Denney	Gibbons
Brown, Ohio	Dent	Gilbert
Broyhill, N.C.	Derwinski	Gonzalez
Broyhill, Va.	Diggs	Goodling
Buchanan	Dingell	Gray
Burke, Fla.	Dole	Green, Oreg.
Burke, Mass.	Donohue	Green, Pa.
	Dorn	Gross

Grover	Mahon	Roudebush
Gubser	Mailliard	Roush
Gude	Marsh	Roybal
Hagan	Mathias, Calif.	Rumsfeld
Haley	Matsunaga	Ruppe
Hall	May	Ryan
Halpern	Mayne	St Germain
Hamilton	Meeds	Sandman
Hammer-schmidt	Meskill	Satterfield
	Miller, Ohio	Saylor
Hanley	Mills	Schadeberg
Hansen, Idaho	Minish	Scherle
Hansen, Wash.	Mink	Scheuer
Harvey	Minshall	Schneebeli
Hathaway	Mize	Schweiker
Hawkins	Monagan	Schwengel
Hays	Montgomery	Scott
Hechler, W. Va.	Moore	Selden
Heckler, Mass.	Moorhead	Shriver
Helstoski	Morgan	Skubitz
Henderson	Morse, Mass.	Slack
Holifield	Morton	Smith, Calif.
Holland	Mosher	Smith, Iowa
Horton	Moss	Smith, N.Y.
Howard	Multer	Smith, Okla.
Hull	Murphy, Ill.	Snyder
Hunt	Murphy, N.Y.	Springer
Hutchinson	Myers	Stafford
Ichord	Natcher	Staggers
Irwin	Nedzi	Stanton
Jacobs	Nelsen	Steed
Jarman	Nix	Steiger, Ariz.
Joelson	O'Hara, Ill.	Steiger, Wis.
Johnson, Calif.	O'Hara, Mich.	Stephens
Johnson, Pa.	O'Konski	Stubblefield
Jonas	Olsen	Stuckey
Jones, Ala.	O'Neal, Ga.	Taft
Jones, N.C.	O'Neill, Mass.	Taylor
Karsten	Ottinger	Teague, Tex.
Karth	Passman	Thompson, Ga.
Kastenmeier	Patten	Thompson, N.J.
Kazen	Pelly	Thomson, Wis.
Kee	Pepper	Tiernan
Keith	Perkins	Tunney
Kelly	Pettis	Udall
Kirwan	Philbin	Ullman
Kleppe	Pickle	Utt
Kluczynski	Pike	Van Deerlin
Kornegay	Pirnie	Vander Jagt
Kyl	Poage	Vanik
Kyros	Poff	Vigorito
Laird	Pollock	Waggonner
Landrum	Pool	Waldie
Langen	Price, Ill.	Walker
Latta	Price, Tex.	Wampler
Leggett	Pryor	Whalen
Lennon	Purcell	Whalley
Lipscomb	Quie	Whitener
Lloyd	Quillen	Whitten
Long, La.	Railsback	Widnall
Long, Md.	Randall	Wiggins
McCarthy	Rarick	Williams, Pa.
McClory	Reid, Ill.	Wilson, Charles H.
McCloskey	Reid, N.Y.	
McClure	Reifel	Winn
McCulloch	Rhodes, Ariz.	Wolff
McDade	Riegle	Wright
McDonald, Mich.	Rivers	Wydler
	Robison	Wylie
McEwen	Rodino	Wyman
McMillan	Rogers, Fla.	Yates
Macdonald, Mass.	Ronan	Young
	Rooney, N.Y.	Zablocki
MacGregor	Rooney, Pa.	Zion
Machen	Rosenthal	Zwach
Madden	Roth	

NAYS—0

NOT VOTING—80

Abbitt	Gurney	Reinecke
Adams	Halleck	Resnick
Annunzio	Hanna	Reuss
Arends	Hardy	Rhodes, Pa.
Ashbrook	Harrison	Roberts
Ashley	Harsha	Rogers, Colo.
Bates	Hébert	Rostenkowski
Bolling	Herlong	St. Onge
Broomfield	Hicks	Shipley
Brown, Calif.	Hosmer	Sikes
Celler	Hungate	Sisk
Colmer	Jones, Mo.	Stratton
Corbett	King, Calif.	Sullivan
Dawson	King, N.Y.	Talcott
Delaney	Kupferman	Teague, Calif.
Devine	Kuykendall	Tenzer
Dickinson	Lukens	Tuck
Dwyer	McFall	Watkins
Edmondson	Martin	Watson
Edwards, La.	Mathias, Md.	Watts
Everett	Michel	White
Evins, Tenn.	Miller, Calif.	Williams, Miss.
Fulton, Tenn.	Morris, N. Mex.	Willis
Fuqua	Nichols	Wilson, Bob
Gardner	Patman	Wyatt
Goodell	Pucinski	
Griffiths	Rees	

So (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

The Clerk announced the following pairs:

Mr. Hébert with Mr. Arends.
Mr. St. Onge with Mr. Halleck.
Mr. Annunzio with Mr. Dickinson.
Mr. Miller of California with Mr. Corbett.
Mr. Nichols with Mr. Martin.
Mr. Evins of Tennessee with Mr. Michel.
Mr. Sikes with Mr. Gurney.
Mr. McFall with Mr. Broomfield.
Mr. King of California with Mr. Teague of California.
Mr. Tenzer with Mr. Reinecke.
Mr. Adams with Mr. Harrison.
Mr. Delaney with Mr. Bates.
Mr. Celler with Mrs. Dwyer.
Mr. Hicks with Mr. Mathias of Maryland.
Mr. Stratton with Mr. Bob Wilson.
Mr. Shipley with Mr. Talcott.
Mr. Rostenkowski with Mr. Ashbrook.
Mr. Rhodes of Pennsylvania with Mr. Devine.
Mr. Fuqua with Mr. Gardner.
Mr. Pucinski with Mr. Goodell.
Mr. Roberts with Mr. Lukens.
Mrs. Griffiths with Mr. King of New York.
Mr. Watts with Mr. Kuykendall.
Mr. Patman with Mr. Hosmer.
Mr. Everett with Mr. Kupferman.
Mr. Edwards of Louisiana with Mr. Harsha.
Mr. Fulton of Tennessee with Mr. Wyatt.
Mr. Resnick with Mr. Watkins.
Mr. Reuss with Mr. Watson.
Mr. Rees with Mr. Dawson.
Mr. Colmer with Mr. Brown of California.
Mr. Morris of New Mexico with Mr. Ashley.
Mr. Abbitt with Mr. Willis.
Mrs. Sullivan with Mr. Tuck.
Mr. Hungate with Mr. Williams of Mississippi.
Mr. Hardy with Mr. Hanna.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

ADDITIONAL SECURITY

Mr. MONAGAN. Mr. Speaker, the passage into law of this year's social security amendments is a welcome event to many millions of Americans. But were it not for the passage of another bill—H.R. 12555 which guarantees that veterans will not suffer a decrease in their pensions as a result of increased social security benefits—over 1 million former members of our Armed Forces would end up receiving less money than they do now.

Past experience has shown the unfortunate effects of the lawmakers' failure to consider this necessary adjustment, and for those fellow Americans who have served their country well this is the least that we could have done.

I am pleased to note that the final vote in the House for H.R. 12555 was 353 to 0.

mately 10,000 new pensioners. Most important, however, it establishes a somewhat permanent solution to this continually recurring problem for pensioners each time social security benefits are increased.

Support of H.R. 12555

SPEECH
OF
HON. ROBERT DOLE
OF KANSAS
IN THE HOUSE OF REPRESENTATIVES
Friday, December 15, 1967

Mr. DOLE. Mr. Speaker, I wholeheartedly support the bill H.R. 12555, not only because it increases the rate of non-service-connected pensions, but also because it increases the overall maximum income limitations.

This bill protects every veteran, widow, and child receiving monthly VA pension benefits against reduction or termination of such benefits that might result from the social security increase passed by Congress earlier in the week.

During the opening days of the 90th Congress, I introduced a bill, H.R. 3952, to rectify an injustice affecting many, many veterans whose pensions were reduced as a result of the modest social security increase voted by the 89th Congress.

Mr. Speaker, in most instances, these veterans received a social security annuity which placed them slightly under one of the income limits established by law for entitlement to a certain rate of pension. When the social security increase, though slight, was approved, it was sufficient to put the veteran in a higher income bracket, thus reducing or terminating his payments. Though the amount varied with the individual case, I understand that each of the more than 29,000 veterans concerned lost considerably more in pension than he gained in social security.

H.R. 12555, fortunately, insures that there will be no repetition of the incidents referred to where veterans lost income by the increase voted by Congress in social security.

The bill contains several additional desirabl features. It increases the maximum income limitations of all pension laws, the so-called old law as well as the new law, by $200. It relates the amount of pension payments more closely to financial need. It increases the monthly rate of pension for more than 1 million veterans, widows, and children. It extends eligibility for pension to approxi-

limitation provisions for veterans and widows of veterans receiving non-service-connected disability pensions. This legislation is needed. The earnings limitations have been liberalized for recipients of social security benefits. Our veterans and their dependents should have similar consideration.

This bill increases the rates of pensions and protects individuals who have increased income as a result of the recently enacted social security amendments. It increases the number of income levels making adjustments for each $100 change in income level instead of the much wider brackets existing under present law. Both social security benefits and veterans benefits have been increased in this Congress. The sad result, if we did not increase the income limitation, would be that thousands of pensioners would actually receive less instead of more. It does not make sense for a veteran to receive a raise or a social security increase, only to lose twice that amount, or even more, in his veterans pension.

H.R. 12555 creates a new method of payment based on $100 increments so that in the future when a veteran gets a raise in income from any source, it will have only a minimum effect on his pension payment. It becomes effective January 1, 1969, and in the meantime, there are provisions in the bill to protect all pensioners through 1968 and social security recipients are given protection while getting the new system installed and putting it into effect. Income limits are raised so a veteran will not go off the pension system solely as a result of his raise in social security.

Mr. Speaker, I am pleased the Veterans Affairs Committee acted promptly to bring this bill to the House for a vote before adjournment of this session. I shall vote for the bill and I urge my colleagues to do likewise.

H.R. 12555

SPEECH

OF

HON. JACOB H. GILBERT

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Friday, December 15, 1967

Mr. GILBERT. Mr. Speaker, I strongly support H.R. 12555, to amend the income

Veterans Pension Benefits H.R. 12555

EXTENSION OF REMARKS
OF
HON. EDNA F. KELLY
OF NEW YORK
IN THE HOUSE OF REPRESENTATIVES
Friday, December 15, 1967

Mrs. KELLY. Mr. Speaker, on December 15, 1967, the House of Representatives passed the bill H.R. 12555, to amend the income limitation provision for veterans and widows of veterans receiving non-service-connected disability pensions and to increase the rate of non-service-connected pensions.

This bill offers greater protection for every veteran, widow and child receiving VA pension benefits by prohibiting reductions or termination of benefits that might result from the Social Security Amendments of 1967.

H.R. 12555 insures that there will be no termination or reduction of VA pension benefits as a result of an increase in social security benefits. The bill increases the overall maximum income limitation by $200, so that a veteran will not lose his pension solely as a result of his raise in social security.

Early in the 90th Congress, on February 2, 1967, I introduced H.R. 4756, to amend title 38 of the United States Code to provide that monthly social security payments shall not be considered as income in determining eligibility for pensions under that title. On March 2, I testified before the House Committee on Veterans' Affairs in support of my bill, H.R. 4756. At that time, I stated:

> Social Security benefits are not gifts or grants from our government. These benefits are insurance which is paid for during productive years by employers and employees. I see no reason to consider these benefits as income in determining eligibility for veterans pensions.

On September 19, 1967, I again testified before the House Committee on Veterans' Affairs. During the course of my statement, I said:

> While my bill excludes only Social Security benefits from consideration as income to determine eligibility for veterans pensions, it has come to my attention that veterans receiving Federal pensions and other types of annuities are similarly affected by our present laws. Therefore, I hope that this

Committee will also take into consideration the elimination of retirement annuities from consideration as income in determining eligibility for veterans pensions.

Mr. Speaker, I now urge that the Senate as one of the first orders of business in the second session of the 90th Congress, consider and act favorably on H.R. 12555.

Calendar No. 990

90TH CONGRESS, 2d Session | SENATE | REPORT No. 1009

INCOME LIMITATIONS ON NON-SERVICE-CONNECTED PENSIONS

FEBRUARY 28, 1968.—Ordered to be printed

Mr. LONG of Louisiana, from the Committee on Finance, submitted the following

REPORT

[To accompany H.R. 12555]

The Committee on Finance, to which was referred the bill (H.R. 12555) to amend title 38, United States Code, to liberalize the provisions relating to payment of pension, and for other purposes, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

I. PURPOSE

H.R. 12555 is designed to liberalize both the "new law" and the "old law" pension programs and the dependency and indemnity compensation program (DIC) by—

(1) Increasing the monthly amounts payable under the new law pension and DIC programs;

(2) Expanding the income limitations of these programs as well as "old law" pension; and

(3) Phasing-in recipients of the 1967 social security increases to a new multilevel income program.

The bill would also assure that increases in the income of the VA recipient, regardless of the source, or changes in the corpus of a VA recipient's estate do not decrease or terminate a VA benefit until the beginning of the next calendar year. Under present law this sort of deferral applies only with respect to increases in retirement benefits. The major objective of the bill is establishment of a long-range system to protect the veteran from the disproportionate pension losses that could result from increases in other income, particularly retirement income subject to periodic increases such as social security.

II. BRIEF SUMMARY OF MAJOR PROVISIONS

H.R. 12555 makes a number of substantial changes in the veterans pension and survivor compensation programs, particularly with respect to the income limits.

A. Income Limits

The income limits determine a veteran's (or his survivor's) eligibility for benefits and the amount he would receive.

(1) *Multilevel limits.*—Under present law there are three income limits which measure the need of a veteran for a pension, and which determine the amount he may receive. (Similar income limits are applied to death pension.) There are five such limits applied to parents under the dependency and indemnity (DIC) program. H.R. 12555 substitutes 18 limits for the three in the pension law applicable to a single veteran. It also substitutes 13 gradations for the five in the DIC program for a widowed parent. The following table illustrates these gradations and monthly amounts in the pension program:

VETERAN, NO DEPENDENTS

Annual income other than pension				Monthly pension	
More than—		But equal to or less than—			
Existing law	H.R. 12555	Existing law	H.R. 12555	Existing law	H.R. 12555
			$300		$110
	$300		400		108
	400		500		106
	500	($600)	600	($104)	104
	600		700		100
	700		800		96
	800		900		92
	900		1,000		88
	1,000		1,100		84
($600)	1,100	($1,200)	1,200	($79)	79
	1,200		1,300		75
	1,300		1,400		69
	1,400		1,500		63
	1,500		1,600		57
	1,600		1,700		51
($1,200)	1,700	($1,800)	1,800	($45)	45
($1,800)	1,800		1,900	(None)	37
	1,900		2,000		29

(2) *Monthly benefits.*—Beginning January 1969 these additional gradations permit a more orderly and gradual reduction in monthly benefits required because of slight increases in other income, such as social security. In some instances, this will mean that the recipient will receive increased monthly amounts.

(3) *Minimum income limit.*—In the case of a single veteran under the new pension program the minimum $600 annual income limit under present law (which qualifies a veteran for $104 of monthly benefits) would be replaced by a $300 limit (and a monthly benefit of $110). This feature recognizes that the less income a veteran has, the greater his need. And it provides him with a larger pension of up to $72 more per year.

(4) *Maximum income limit.*—In the case of a single veteran under the new pension program the maximum amount of outside income a veteran may receive and still qualify for benefits is $1,800. H.R. 12555

would raise this to $2,000, in recognition of the 13-percent increase in social security payments.

(5) *Conforming changes.*—Comparable changes would be made in the schedules under the pension program for veterans with dependents and widows and under the DIC program for parents.

(6) *Old law pensioners.*—Unlike these comprehensive revisions of the new pension program, the only change contemplated by H.R. 12555 in the old program involves a $200 increase in the present $1,400 limit for a single veteran and the $2,700 limit for a married couple. This addition reflects the 13-percent increase in social security payments.

B. Relation to Social Security

(1) *New law and DIC.*—H.R. 12555 would assure that no pensioner under the new pension law and no parent receiving dependency and indemnity compensation (DIC) would have his benefit reduced during 1968 and 1969 solely as a result of an increase under the Social Security Amendments of 1967. However, commencing in 1970 the veteran's (or survivor's) income for purpose of applying the income limitations would be increased in multiples of $100 per year until the full amount of his 1967 social security increases have been reflected.

For example, a single veteran has annual income of $1,200 for pension purposes, including social security of $984. Under the present veterans' law, he would qualify for a monthly pension of $79. Because of the social security increase enacted in 1968 his total income would rise by $144, causing his veteran's pension to drop to $45 per month. In effect, he would forfeit $408 of veterans' benefits for $144 of social security—a net loss of $264.

Under H.R. 12555 for 1968 and 1969 he would not be required to count the 1967 social security increase in measuring his income for pension purposes. His countable income would remain at $1,200 and his pension would continue at $79 per month.

In 1970, however, this veteran must count $100 of the 1967 increase. This would make his income for pension purposes $1,300 and would require his pension to be reduced to $75 per month. In 1971 he would count the remaining portion of his social security increase. His total income would then exceed $1,300 and a further reduction in his pension to $69 per month would occur. The foregoing example takes into consideration the 10-percent exclusion of retirement income from a veteran's annual income for pension purposes. This gradual and more restricted reduction contrasts with the sharp reduction to $45 in 1969 required by existing law.

The net effect of the bill after all social security benefits have been assimilated into the veteran's reportable income is to assure that his aggregate income will generally be greater than it was before the social security increase occurred.

(2) *Old law.*—Presently, the so-called old law program has two levels of income limit determining pension eligibility; namely, $1,400 for a single veteran and $2,700 for a married veteran. To accommodate the 13-percent social security increase enacted in 1968, H.R. 12555 would raise these limits by $200—to $1,600 and $2,900, respectively. This would avoid the otherwise harsh result that would occur to nearly 40,000 pensioners. For example, some pensioners could forfeit up to $78.75 monthly ($945 yearly) resulting from an average $144 a year of social security—a net loss of $801.

C. End-of-Year Reduction

Under present law when there is a change in income of pensioners due to an increase in payments under a public or private retirement program such as social security, the reduction or discontinuance of the pensioner's VA benefit is delayed until the last day of the year in which the income change occurred. H.R. 12555 would extend this same treatment to any increase in the income of the VA recipient, regardless of the source, and to any increase in the corpus of a VA recipient's estate.

III. GENERAL DISCUSSION

A. New Pension Program

(*1*) *Development of benefit amounts.*—Public Law 86–211, effective July 1, 1960, created a new pension program which has been amended by Public Laws 88–664 and 90–77 and which presently provides the following rates of pension and income limitations:

INCREASES UNDER PUBLIC LAW 86-211 SINCE JUNE 30, 1960

VETERAN, NO DEPENDENTS[1][2]

Annual income other than pension		Monthly pension		
More than—	But equal to or less than—	Public Law 86–211 (1960)	Public Law 88–664 (1965)	Public Law 90–77 (present)
	$600	$85	$100	$104
$600	1,200	70	75	75
1,200	1,800	40	43	45

[1] Pension reduced to $30 after 2d full month of hospitalization or domiciliary care by the VA.
[2] Applicable rate under current law increased by $100 per month for veterans who are patients in nursing homes or so helpless or blind as to require the regular aid and attendance of another person, or by $40 when veteran is permanently housebound because of severe disability.

VETERAN, WITH DEPENDENTS[1]

Annual income other than pension		Monthly pension								
		Veteran and 1 dependent			Veteran and 2 dependents			Veteran and 3 or more dependents		
More than—	But equal to or less than—	Public Law 86–211 (1960)	Public Law 88–664 (1965)	Public Law 90–77 (present)	Public Law 86–211 (1960)	Public Law 88–664 (1965)	Public Law 90–77 (present)	Public Law 86–211 (1960)	Public Law 88–664 (1965)	Public Law 90–77 (present)
	$1,000	$90	$105	$109	$95	$110	$114	$100	$115	$119
$1,000	2,000	75	80	84	75	80	84	75	80	84
2,000	3,000	45	48	50	45	48	50	45	48	50

[1] Applicable rate under current law increased by $100 per month for veterans who are patients in nursing homes or so helpless or blind as to require the regular aid and attendance of another person, or by $40 when veteran is permanently housebound because of severe disability.

WIDOW, NO CHILD

Annual income other than pension		Monthly pension		
More than—	But equal to or less than—	Public Law 86–211 (1960)	Public Law 88–664 (1965)	Public Law 90–77[1] (present)
	$600	$60	$64	$70
$600	1,200	45	48	51
1,200	1,800	25	27	29

[1] Payment to widow increased by $50 a month when she is so disabled as to require the regular aid and attendance of another person or is a patient in a nursing home. No similar provision in prior law.

WIDOW, 1 CHILD

Annual income other than pension		Monthly pension		
More than—	But equal to or less than—	Public Law 86-211 (1960)	Public Law 88-664 (1965)	Public Law 90-77 [1] [2] (present)
	$1,000	$75	$80	$86
$1,000	2,000	60	64	67
2,000	3,000	40	43	45

[1] Plus $16 for each additional child.
[2] Payment to widow increased by $50 a month when she is so disabled as to require the regular aid and attendance of another person or is a patient in a nursing home. No similar provision in prior law.

NO WIDOW, 1 OR MORE CHILDREN

Annual income equal to or less than (earned income excluded)—	Monthly pension		
	Public Law 86-211 (1960)	Public Law 88-664 (1965)	Public Law 90-77 (present)
$1,800	$35 for 1 child and $15 for each additional child.	$38 for 1 child and $15 for each additional child.	$40 for 1 child and $16 for each additional child.

(2) Changes recommended by House bill.—The following table illustrates the pension provisions of H.R. 12555, as reported, as compared with those in present law:

Income increment	Veteran alone		Veteran with dependent		Widow alone		Widow with 1 child [1]	
	Existing law	H.R. 12555	Existing law	H.R. 12555	Existing law	H.R. 12555	Existing law	H.R. 12555
$100	$104	$110	[2] $109	[2] $120	$70	$74	$86	$90
$200	104	110	[2] 109	[2] 120	70	74	86	90
$300	104	110	[2] 109	[2] 120	70	74	86	90
$400	104	108	[2] 109	[2] 120	70	73	86	90
$500	104	106	[2] 109	[2] 120	70	72	86	90
$600	104	104	[2] 109	[2] 118	70	70	86	90
$700	79	100	[2] 109	[2] 116	51	67	86	89
$800	79	96	[2] 109	[2] 114	51	64	86	88
$900	79	92	[2] 109	[2] 112	51	61	86	87
$1,000	79	88	[2] 109	[2] 109	51	58	86	86
$1,100	79	84	84	107	51	55	67	85
$1,200	79	79	84	105	51	51	67	83
$1,300	45	75	84	103	29	48	67	81
$1,400	45	69	84	101	29	45	67	79
$1,500	45	63	84	99	29	41	67	77
$1,600	45	57	84	96	29	37	67	75
$1,700	45	51	84	93	29	33	67	73
$1,800	45	45	84	90	29	29	67	71
$1,900	----------	37	84	87	----------	23	67	69
$2,000	----------	29	84	84	----------	17	67	67
$2,100	----------	----------	50	81	----------	----------	45	65
$2,200	----------	----------	50	78	----------	----------	45	63
$2,300	----------	----------	50	75	----------	----------	45	61
$2,400	----------	----------	50	72	----------	----------	45	59
$2,500	----------	----------	50	69	----------	----------	45	57
$2,600	----------	----------	50	66	----------	----------	45	55
$2,700	----------	----------	50	62	----------	----------	45	53
$2,800	----------	----------	50	58	----------	----------	45	51
$2,900	----------	----------	50	54	----------	----------	45	48
$3,000	----------	----------	50	50	----------	----------	45	45
$3,100	----------	----------	----------	42	----------	----------	----------	43
$3,200	----------	----------	----------	34	----------	----------	----------	41

[1] Plus $16 for each additional child.
[2] Add $5 for 2 dependents or $10 for 3 or more dependents.

B. DIC Program

Service-connected compensation (DIC) is paid to parents on the basis of income. Existing rates and those proposed are shown by the tables below:

IF THERE IS ONLY 1 PARENT—

Total annual income		Monthly payment (H.R. 12555)	Monthly payment (law)
More than—	But equal to or less than—		
	$800	$87	$87
$800	900	81	69
900	1,000	75	69
1,000	1,100	69	69
1,100	1,200	62	52
1,200	1,300	54	52
1,300	1,400	46	35
1,400	1,500	38	35
1,500	1,600	31	18
1,600	1,700	25	18
1,700	1,800	18	18
1,800	1,900	12	----------
1,900	2,000	10	----------

IF THERE ARE 2 PARENTS, BUT THEY ARE NOT LIVING TOGETHER—

Total annual income		Monthly payment to each parent (H.R. 12555)	Monthly payment (law)
More than—	But equal to or less than—		
	$800	$58	$58
$800	900	54	46
900	1,000	50	46
1,000	1,100	46	46
1,100	1,200	41	35
1,200	1,300	35	35
1,300	1,400	29	23
1,400	1,500	23	23
1,500	1,600	20	12
1,600	1,700	16	12
1,700	1,800	12	12
1,800	1,900	11	----------
1,900	2,000	10	----------

IF THERE ARE 2 PARENTS WHO ARE LIVING TOGETHER, OR IF A PARENT HAS REMARRIED AND IS LIVING WITH HIS SPOUSE

Total combined annual income		Monthly payment to each parent (H.R. 12555)	Monthly payment (law)
More than—	But equal to or less than—		
	$1,000	$58	$58
$1,000	1,100	56	46
1,100	1,200	54	46
1,200	1,300	52	46
1,300	1,400	49	46
1,400	1,500	46	46
1,500	1,600	44	35
1,600	1,700	42	35
1,700	1,800	40	35
1,800	1,900	38	35
1,900	2,000	35	35
2,000	2,100	33	23
2,100	2,200	31	23
2,200	2,300	29	23
2,300	2,400	26	23
2,400	2,500	23	23
2,500	2,600	21	12
2,600	2,700	19	12
2,700	2,800	17	12
2,800	2,900	15	12
2,900	3,000	12	12
3,000	3,100	11	----------
3,100	3,200	10	----------

C "Old Law" Pension

With regard to those individuals who receive "old law" pension under the first sentence of sec. 9(b) of the Veterans' Pension Act of 1959, the bill protects such persons against loss of pension because of an increase under the Social Security Amendments of 1967 by increasing the annual income limitations to $1,600 for a single veteran or widow and $2,900 for a veteran with dependents or a widow with children—a $200 increase in each instance. $7.3 million in payments will thus be preserved for nearly 35,000 pensioners. Since no more veterans or widows may come on these rolls, there would be no addition to this group of non-service-connected pensioners.

D. Reasons for the Bill

The Committee on Finance and the Senate have long been concerned with the adverse effect an increase in retirement income has on a VA recipient's payment.

Both the pension and DIC programs have income limits used in determining a person's eligibility for VA payments and their monthly amounts. Generally, the VA considers all income of the recipient including social security benefits, in computing his annual income for pension purposes. As reflected in the prior tables on page 4, income levels vary and have commensurate monthly benefits assigned. This is in line with the underlying needs concept of the pension and DIC program whereby the higher the outside income of any person, the lower his VA payments. Thus, a person whose annual income is just below a specific income level can, with a minimal increase in his other retirement income such as social security, be forced over that level into the next income bracket and have his monthly VA benefit greatly reduced, or if his income increase brings him over the maximum level permitted by the VA, his VA payment is stopped.

During both the 88th and 89th Congresses, veteran measures were passed by the Senate to exclude the then proposed social security increase from the VA recipient's income for pension purposes.

The Committee on Finance, together with the Senate, felt that retirement benefit increases, and, in particular, social security increases met the additional need of retirees brought about by changes in wages, prices, and other economic factors that had occurred since the previous increase in such benefits were authorized. Thus, social security benefit increases were generally designed to provide social security recipients with additional necessary funds to meet their everyday needs. They were not designed to deny veterans and their surviving widows and parents from continuing to receive their VA benefits. However, many such persons had their VA payments cut back or terminated because of the social security increase. This action nullified the overall effectiveness and purpose of the increase, not only by failing to add to their overall purchasing power but also by cutting back in what they were receiving. It was this adverse effect the Senate-passed bills sought to avoid.

None of these measures were adopted by the House of Representatives. The House was persuaded by that feature of law (unchanged by H.R. 12555) which permits any VA beneficiary to exclude 10 percent of social security or other retirement income in establishing his eligibility for monthly VA benefits, that sufficient relief through this 10-

percent exclusion had been given to recipients whose other income was made up of retirement income such as social security.

In 1967, however, the administration began to share the Senate's concern regarding disproportionate reductions in pensions following increases in retirement income.

In his message to Congress on January 31, 1967, relating to America's servicemen and veterans, the President recommended legislation providing safeguards against the reduction or termination of a VA beneficiary's pension benefits because of increases in his retirement income. The President urged similar legislation again in his recent veteran's message of January 30, 1968.

The budget message for fiscal year 1969 pointed out: "Legislation should be enacted to relate veteran's pension payments more closely to individual needs and provide better protection against loss of income." It is also noteworthy that the conference committee on S. 16, the Veteran's Pension and Readjustment Act of 1967, asserted in its managers' report that:

> The conferees wish to make clear that it is their intention to take the necessary action to assure that any increase in social security payments which might result from enactment of H.R. 12080 will not result in a reduction of combined income from VA pension, dependency and indemnity compensation, and social security or in removal of any person from the VA pension or dependency and indemnity compensation rolls.

The committee is of the opinion that H.R. 12555 largely achieves the objective long sought by the Senate (and now concurred in by both the House of Representatives and the administration) by assuring that a VA pensioner shall be protected against large losses in his VA income because of minimal increases in other retirement income such as social security.

The transition from a three-level income increment system for determining monthly VA benefits to a more sophisticated multilevel system coincides in point of time with a substantial social security increase. For this reason, the bill contains a special protection feature assuring no loss in pension to ease the transition to the new pension structure. The Finance Committee agrees with the House committee that this protective feature is a special device and is not intended to serve as a precedent for the future. On the contrary, the rate structure provided by this bill has been carefully designed to assure that pensioners confronted in the future with increases in retirement-type income would never be disadvantaged by a disproportionate decrease in pension. Of course in any system utilizing income limitations there will be those who because of changes in income exceed the top income limit provided by law and thus go off the pension rolls. The provision, while assuring the protection previously described, gives this group of social security beneficiaries protection through the remainder of 1968 and calendar year 1969 at their current non-service-connected pension level. On January 1, 1970, there will be an income adjustment of $100, and on January 1, 1971, there will be another $100 adjustment, thus placing this group, now estimated at approximately 173,500, in their appropriate place in the income limitation schedule.

E. End-of-Year Rule

The bill would extend to all income and to corpus of estate changes the more liberal end-of-the-year rule for reduction or discontinuance of benefits which currently applies only to an increase in retirement income. Thus, the Veterans' Administration will continue to base benefit awards on reports of anticipated annual income made at the beginning of a calendar year, and if thereafter there is an increase in annual income, retirement, or other source, which requires reduction or discontinuance of a benefit, such adjustment would be deferred until the end of the particular calendar year.

F. Overall Benefits

It is noteworthy that enactment of H.R. 12555 would provide additional veterans benefits totaling nearly $138 million for the first full year. This amount combined with the first full year benefits authorized by H.R. 14347 (Public Law 89–730) for DIC parents and children, and by S. 16 (Public Law 90–77) for new and old pensioners, would mean that in less than 1½ years Congress will have authorized nearly a quarter of a billion dollars in additional pension and DIC benefits for veterans and survivors.

G. Veterans' Organizationss Position

The committee has been advised by the major service organizations of veterans that they support H.R. 12555 as passed by the House of Respresentatives.

IV. EFFECTIVE DATE

Sections 1 and 2 of this bill which provide new income levels and make monthly benefit adjustments for the pension and DIC programs are effective January 1, 1969, as is section 4 which increases the maximum income limits of the old pension program.

Section 3, providing a phase-in protection for social security recipients, and section 5, extending the year-end reduction rule to all income and estate cases, are effective April 1, 1968 (March is the first month that social security recipients will receive payment of their increased benefits).

V. COSTS

A. Summary

The estimated costs of the amendments, as furnished by the Veterans' Administration, made by H.R. 12555, are composed of two parts. They are:

(1) *Increase in pension and income limits.*—The costs attributable to the increases in monthly amounts of pension and DIC and expansion of income limits on a yearly basis over a 5-year period is as follows:

[In millions of dollars]

	Pension	DIC	Total
1st year	29.2	0.1	29.3
2d year	121.1	.5	121.6
3d year	125.2	.5	125.7
4th year	129.3	.5	129.8
5th year	133.8	.4	134.2
Total	538.6	2.0	540.6

(2) *Social security increase protection.*—The costs attributable to pensioners remaining on the rolls, or not having their payments reduced because of the phase-in provision of the bill, whose benefits would otherwise have been reduced or terminated from the rolls because of their increased social security benefits, is as follows:

[In millions of dollars]

	New law pensions and DIC	Old law pensions	Total
1st year	2.3	2.1	4.4
2 year	8.8	7.3	16.1
3d year	2.2	6.6	8.8
4th year	0	5.9	5.9
5th year	0	5.2	5.2
Total	13.3	27.1	40.4

These figures do not represent additional Federal outlays. They reflect the continuation of payments to veterans (and survivors) who received social security increases under the 1967 act. The totals represent the savings which would accrue if this bill were not enacted.

B. VA Cost Analysis

The Veterans' Administration, in submitting the foregoing cost data, supplied a further analysis of this information, as follows:

> This estimate assumes effective date of the subject proposal will be April 1, 1968, insofar as the provisions of sections 3 and 5 are concerned. Accordingly, the first-year costs as shown represent the 12-month period from April 1, 1968, through March 31, 1969.
>
> Section 1 would provide for payment of VA pension under sections 521 and 541 of title 38, United States Code, in amounts and by income increments consistent with the restructured pension schedule provided in H.R. 12555. The estimated additional costs and the number of cases on the rolls that benefit, applicable to this section, are as follows:

	New cases		Cases on rolls		Total	
	Number	Additional cost (millions)	Number	Additional cost (millions)	Number	Additional cost (millions)
1st year	10,275	$3.9	1,170,743	$25.3	1,181,018	$29.2
2d year	42,719	16.0	1,277,281	105.1	1,270,000	121.1
3d year	44,096	16.4	1,281,784	108.8	1,325,880	125.2
4th year	45,442	16.9	1,337,398	112.4	1,382,890	129.3
5th year	48,861	17.3	1,389,964	116.5	1,436,825	133.8

Section 2 would provide a structure of monthly amounts and income increments for payment of dependency and indemnity compensation under section 415, title 38, United States Code, similar in concept to that proposed by section 1 for pension cases. The approximate costs of this section are estimated as follows:

	New cases		Cases on rolls		Total	
	Number	Additional cost	Number	Additional cost	Number	Additional cost
1st year	75	$10,000	248,000	$115,000	248,075	$125,000
2d year	300	40,000	239,000	443,300	237,300	483,400
3d year	300	40,000	230,000	230,300	230,300	466,600
4th year	300	40,000	221,000	410,000	221,300	450,000
5th year	300	40,000	213,000	395,000	213,300	435,000

Section 3 would provide that if the monthly amount of pension or dependency and indemnity compensation payable to a person under title 38, United States Code, is less, solely because of an increase in monthly insurance benefits provided by the Social Security Amendments of 1967, than was payable for the month immediately preceding the effective date of this act, the Administrator shall continue to pay the benefit at the prior monthly amount during 1968 and 1969. Subsequently, the benefit payable will be reduced annually to the next lower rate in accordance with the rates provided by the tables in sections 1 and 2 until the benefit payable is otherwise in accordance with the amount provided by the tables in sections 1 and 2 or is terminated. The value of this protection is estimated as follows:

	Number of cases	Value of protection (millions)
1st year	173,471	$2.3
2d year	166,390	8.8
3d year	43,386	2.2
4th year	0	0
5th year	0	0

Section 4 would provide an increase in the annual income limitations governing payment of pension under the first sentence of section 9(b) of the Veterans' Pension Act of 1959 from $1,400 and $2,700 to $1,600 and $2,900, respectively. The estimated value of increasing the income limitations as provided would be:

	Number of cases	Value (millions)
1st year	39,915	$2.1
2d year	35,025	7.3
3d year	31,575	6.6
4th year	28,400	5.9
5th year	24,900	5.2

Data are not available with which to estimate the effect of the amendment proposed by section 5. However, restricting its application to uncontrollable types of income—i.e., windfalls, unanticipated dividends, unforeseen insurance benefits, etc.—it is believed the cost effects would not be substantial.

All the above estimates are based on the assumption that the social security amendments will provide for a 13-percent increase in benefits payable with a minimum monthly payment fixed at $55 in lieu of the present $44 for a primary beneficiary.

VI. VA REPORT

The favorable report of the Veterans' Administration on H.R. 12555 follows:

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,
Washington, D.C., February 5, 1968.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: We are pleased to respond to your request for a report on H.R. 12555 as passed by the House of Representatives on December 15, 1967.

The bill proposes liberalizations of the rates and annual income limitations governing the payment of pension under the current program and of dependency and indemnity compensation to parents of deceased veterans; and increases in the annual income limitations for persons receiving pension under the prior program. Additionally, the measure provides certain protection against loss of monthly Veterans' Administration benefits solely as a result of increases in monthly insurance benefits provided by the Social Security Amendments of 1967, Public Law 90–248. It would also liberalize the effective date provisions for reduction or discontinuance of Veterans' Administration benefits due to changes in income or corpus of estate.

As revised by Public Law 86–211, effective July 1, 1960, the non-service-connected disability and death pension program relating to World War I and later war periods (ch. 15, title 38, United States Code) provides benefits on a sliding scale of three annual income levels for veterans and their widows. Thereunder, the greatest amount of

pension is paid to those in the greatest need. Certain liberalizations in the program, including increased rates, were provided by Public Law 88–664, effective January 1, 1965, and title I of Public Law 90–77, effective October 1, 1967. Additionally, title II of the latter law provided, among other things, for inclusion of the Vietnam era among the periods of war service upon which pension entitlement may be predicated.

A savings provision of Public Law 86–211 permits persons on the pension rolls on June 30, 1960, the day before the effective date of the current program, to continue to receive pension under the provisions of the prior law. The annual income limitations for that earlier program are $1,400 for veterans and widows without dependents, and $2,700 for those with one or more dependents.

For veterans unmarried and without a child, or widows without a child, the income limitations for the current pension program are $600, $1,200, and $1,800 annually; with respective monthly rates of $104, $79, and $45 for veterans, and $70, $51, and $29, for widows. For veterans married or with a child, or widows with a child, the limitations are $1,000, $2,000, and $3,000 annually. For veterans within the $1,000 income level, the monthly rates are $109, $114, and $119 for one, two, or three or more dependents, respectively. For veterans within the $2,000 and $3,000 income levels, the respective monthly rates are $84 and $50 for one or more dependents. Higher rates are provided for those who are permanently housebound or in need of regular aid and attendance. The monthly rates for widows with one child are $86, $67, and $45 (plus $16 for each additional child) related to the $1,000, $2,000, and $3,000 income levels. An additional allowance is payable to widows who are in need of regular aid and attendance. For children of a veteran, where there is no eligible widow, the pension rates are $40 for the first child and $16 for each additional child, in equal shares, subject to a limitation of $1,800 respecting unearned income.

Monthly dependency and indemnity compensation payments provided by chapter 13, title 38, United States Code, for parents of veterans who die of a service-connected or compensable disability are also subject to income limitations. The specified levels vary according to whether there are one or two parents, and in a case of two parents, whether they are living together or apart. There are five limitations and related rates in each category. For a sole surviving parent and for each of two parents living apart, the limitations range from $800 to $1,800. For two parents living together, the combined annual income limitations range from $1,000 to $3,000.

In determining annual income under the described programs, all payments of any kind or from any source are included, except certain payments specifically excluded by 38 U.S.C. 503 or 38 U.S.C. 415(g), respectively. With regard to each of the two benefits there is an exclusion of 10 percent of the amount of retirement payments, applicable to such benefits as social security, among others. Currently, 38 U.S.C. 3012(b)(4) provides that reductions or discontinuances of compensation, dependency and indemnity compensation or pension required by a change in retirement income are effective at the end of the calendar year. With respect to all other income changes and changes in corpus of estate, the required reduction or discontinuance is effective the last day of the month in which the change cocurred.

Section 1 of H.R. 12555 would expand the three-level annual income limitations and monthly rates for pension under the current program applicable to veterans of World War I, World War II, the Korean conflict, and the Vietnam era, and their widows. The proposed limitations with corresponding rates are generally fixed at $100 levels, up to new income maximums of $2,000 and $3,200.

For veterans unmarried and without a child, there would be 18 limitations and rates, ranging from $110 per month at income not in excess of $300 per year, to $29 for income of $1,901 to $2,000. For a veteran with dependents, there would be 28 limitations and rates, ranging from $120, $125, or $130, for one, two, or three or more dependents, respectively, at income of not more than $500 per year, to $34, irrespective of the number of dependents, for income of $3,101 to $3,200.

For widows without a child there are also proposed 18 limitations and pension rates, ranging from $74 per month at income not in excess of $300 per year, to $17 for income of $1,901 to $2,000. There would be 27 limitations and rates for widows with one child, ranging from $90 for income not in excess of $600 per year to $41 for income of $3,101 to $3,200. The existing provision for payment of $16 for each additional child would not be changed.

Section 2 of the bill would expand the current five-level annual income limitations and monthly rates for parents' dependency and indemnity compensation. Starting from the current bases of $800 or $1,000, the new limitations and rates would be fixed at $100 levels.

For a sole surviving parent and for each of two parents living apart there would be 13 limitations and rates, up to new annual income maximums of $2,000. With regard to two parents living together, there would be 23 limitations and rates, up to a new combined annual income maximum of $3,200.

Section 3 provides that no person receiving pension under the current law, and no parent receiving dependency and indemnity compensation, shall have his benefit reduced prior to January 1, 1970, solely as a result of an increase in monthly insurance benefits provided by the Social Security Amendments of 1967 (Public Law 90–248). Any required reduction would be made in successive annual stages beginning in 1970.

Section 4 of the bill would increase the income limitations applicable in payment of pension under the prior pension program, in effect on June 30, 1960, from $1,400 and $2,700 to $1,600 and $2,900, respectively.

Section 5 would provide that all reductions or discontinuances of compensation, dependency and indemnity compensation or pension required by a change in income or a change in corpus of estate would be effective the last day of the calendar year in which the change occurred. Currently, this rule applies only in cases of a change in retirement income.

Subsection 6(a) provides that the effective date of the first section and sections 2 and 4 shall be January 1, 1969. Subsection 6(b) relates the effective date for sections 3 and 5 to the initial payment of increases in monthly insurance benefits provided by the Social Security Amendments of 1967, Public Law 90–248. We understand that such payment will be made in March. Accordingly, the effective date specified by subsection 6(b) would be April 1, 1968.

Under the current three-level income limitations and rates system for pension, slight increases in the income of persons at or near the various levels can cause greatly disproportionate losses of benefits. Examples: (*a*) veteran with one dependent whose annual income exceeds $3,000 by as little as $1 loses pension in the amount of $50 a month; and (*b*) a similarly situated widow would lose pension of $45 a month. Reductions of pension as a result of exceeding a particular income limitation by $1 vary from $25 to $34 per month for such veterans and from $19 to $22 for such widows in the less than maximum income categories. In like manner, parents may suffer disproportionate losses of dependency and indemnity compensation by reason of slight increases in income.

The disproportionate reductions in pension which must follow increases in annual income have become well recognized in recent years, particularly with regard to anticipated increases in monthly social security benefits. The President is well aware of the described problem. In his message to the Congress of January 31, 1967, relating to "America's Servicemen and Veterans," he recommended enactment of necessary safeguards. He again urged enactment of such legislation in his message of January 30, 1968, "Our Pride and Our Strength: America's Servicemen and Veterans." Moreover, in his budget message for fiscal year 1969, the President said that "Legislation should be enacted to relate veterans pension payments more closely to individual needs and provide better protection against loss of income."

Additionally, the committee of conference on S. 16, 90th Congress, asserted in its report on that measure, now Public Law 90–77, a purpose of taking timely action with respect to the adverse effect of increases provided by the Social Security Amendments of 1967, on Veterans' Administration pension and dependency and indemnity compensation payments.

The liberalizations proposed by H.R. 12555 would have beneficial results with regard to the impact of increases in annual income on monthly pension and dependency and indemnity compensation payments.

All current law pensioners and all parents receiving dependency and indemnity compensation, independent of the source of income, could benefit from the $100 level annual income limitations and monthly benefits rates proposed by the first and second sections of H.R. 12555. Under those recommended tables, increases in income of up to $100 a year could result in pension reductions of as little as: (*a*) $12 to $72 per year ($1 to $6 a month) for widows; and (*b*) $24 to $96 annually ($2 to $8 a month) for veterans with less than three dependents. Secondly, increases of up to $100 a year could result in dependency and indemnity compensation reductions of as little as $12 to $96 per year ($1 to $8 a month). The contrast between the outlined moderate reductions which could stem from increased income under the proposed tables and those which could occur under present law is obvious.

The proposed restructuring of the annual income limitations and monthly benefits rates would provide more reasonable and equitable treatment of income increases. Moreover, the first and second sections of the bill propose to raise by $200 the maximum annual income limitations for the current pension and dependency and indemnity compensation programs. The new maximum limitations, standing

alone, are believed sufficient to preclude any person being removed from the current Veterans' Administration benefit rolls solely as a result of an increase in monthly payments provided by the Social Security Amendments of 1967.

The new income and rate tables would result in higher rates of pension for more than 1.1 million beneficiaries—85 percent of those receiving pension under the current law with the most substantial increases provided for pensioners with the greatest need.

Although the described provisions of the first and second sections of the bill would appear to preclude termination of the monthly benefit of any current law pensioner or parent receiving dependency and indemnity compensation, solely as a result of a social security increase under Public Law 90–248, such an increase could nevertheless require reduction in Veterans' Administration benefits.

The protective provisions proposed by section 3 would defer any such reduction until January 1, 1970. In other words, all affected current law pensioners and parents receiving dependency and indemnity compensation would be assured payment of the monthly rate payable for March 1968 (assuming initial payment of social security increases during that month) for each succeeding month through 1969, if there is no other change in annual income. For the calendar year 1970, there would be an adjustment to the rate payable at the level of the next annual income limitation higher by $100 than the annual income limitation corresponding to the rate previously paid. There will be a similar adjustment the next year—which should place all beneficiaries at the proper rate level for their countable income.

As pointed out in the report of the House Committee on Veterans' Affairs relating to H.R. 12555 (Rept. 1039, p. 9), the $200 increases in maximum annual income limitations proposed by section 4 for persons receiving pension under the prior pension system, in effect June 30, 1960, will protect those persons against loss of pension because of an increase under the Social Security Amendments of 1967. This section would become effective on January 1, 1969. It is expected that initial payment of increased social security benefits under Public Law 90–248 will be made in March 1968. Of course, affected pensioners will be protected against a reduction of pension during the intervening period under existing law (38 U.S.C. 3012(b)(4)). It provides that when a change in income is due to an increase in retirement payments (social security, among others) the effective date of the reduction or discontinuance of pension, or other pertinent benefit, resulting therefrom will be the last day of the calendar year in which the change occurred.

Section 5 proposes uniformity with regard to effective dates for reduction or discontinuance of monthly benefits due to a change in income or a change in corpus of estate. Presently, administrative action respecting a change in corpus of estate or a change in income other than in the form of retirement benefits is effective the end of the month in which the change occurs. Under section 5 the more liberal end-of-the-year rule for reducing or discontinuing benefits, now limited to retirement income changes, would be extended to all income changes as well as to corpus of estate changes. The end-of-the-year rule has been regarded as applying to changes in actual income, that is, changes in what actually happened as opposed to changes from what was esti-

mated or anticipated. Under section 5, if there is an increase in annual income, retirement or other, received after the person has been placed at his proper level in the pension scale for that year (which increase could not have been reasonably anticipated based on the amount that was actually received from that source the year before) any required reduction or discontinuance would be deferred until the end of the year.

It is considered reasonable for effective date purposes to afford the same treatment to increases in nonretirement income as is applied to retirement income changes.

A summary table showing the estimated cost (new obligational authority) for the first 5 years of sections 1, 2, and 5 of H.R. 12555 as passed by the House follows (the years shown are legislative years with the first year representing the period from April 1, 1968, through March 31, 1969. All amounts are in millions of dollars):

	Sec. 1 (current pension)	Sec. 2 (DIC)	Sec. 5 [1]	Total
1st year	$29.2	$0.1	----------	$29.3
2d year	121.1	.5	----------	121.6
3d year	125.2	.5	----------	125.7
4th year	129.3	.5	----------	129.8
5th year	133.8	.4	----------	134.2
Total	538.6	2.0	----------	540.6

[1] No substantial cost.

Also, the estimated cost effects of the protection provided by sections 3 and 4 would be:

	Sec. 3	Sec. 4	Total
1st year	$2.3	$2.1	$4.4
2d year	8.8	7.3	16.1
3d year	2.2	6.6	8.8
4th year	0.0	5.9	5.9
5th year	0.0	5.2	5.2
Total	13.3	27.1	40.4

This bill would establish more reasonable and equitable benefit rate structures as a substantial solution on a permanent basis to the problem of disproportionate losses in Veterans' Administration benefits. The underlying concept of need would be maintained by the new structures, while relating benefit payments more closely to individual needs.

These structures, in conjunction with the proposed protective provisions with regard to beneficiaries receiving increases under the Social Security Amendments of 1967, Public Law 90–248, would provide reasonable safeguards against disproportionate reductions in Veterans' Administration benefits in line with the recommendations of the President and the asserted purpose of the House-Senate conferees on S. 16 (Public Law 90–77).

Because H.R. 12555 substitutes a large number of small income steps for the three-step system of today, it will provide a good base for more closely relating pension to outside income. We are studying,

however, further refinements, including the possibility of dropping all income steps and adjusting pension or dependency and indemnity compensation payments more directly to changes of other income, and plan to complete our study as soon as possible.

Under these circumstances, I recommend favorable consideration of H.R. 12555.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely,

W. J. DRIVER, *Administrator.*

VII. CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets; new matter is printed in italic; existing law in which no change is proposed is shown in roman):

TITLE 38, UNITED STATES CODE

* * * * * * *

§ 415. Dependency and indemnity compensation to parents

(a) Dependency and indemnity compensation shall be paid monthly to parents of a deceased veteran in the amounts prescribed by this section.

(b)(1) Except as provided in subsection (b)(2), if there is only one parent, dependency and indemnity compensation shall be paid to him at a monthly rate equal to the amount under column II of the following table opposite his total annual income as shown in column I:

[

Column I		Column II
Total annual income		
More than—	but Equal to or less than—	
	$800	$87
$800	1,100	69
1,100	1,300	52
1,300	1,500	35
1,500	1,800	18
1,800	----------	No amount payable.

]

Column I		*Column II*
Total annual income		
More than—	*but Equal to or less than—*	
	$800	*$87*
$800	*900*	*81*
900	*1,000*	*75*
1,000	*1,100*	*69*
1,100	*1,200*	*62*
1,200	*1,300*	*54*
1,300	*1,400*	*46*
1,400	*1,500*	*38*
1,500	*1,600*	*31*
1,600	*1,700*	*25*
1,700	*1,800*	*18*
1,800	*1,900*	*12*
1,900	*2,000*	*10*

(2) If there is only one parent, and he has remarried and is living with his spouse, dependency and indemnity compensation shall be paid to him under either the table in subsection (b)(1) or the table in subsection (d), whichever is the greater. In such a case of remarriage the total combined annual income of the parent and his spouse shall be counted in determining the monthly rate of dependency and indemnity compensation under the appropriate table.

(c) Except as provided in subsection (d), if there are two parents, but they are not living together, dependency and indemnity compensation shall be paid to each at a monthly rate equal to the amount under column II of the following table opposite the total annual income of each as shown in column 1:

Column I		Column II
Total annual income		
More than—	but Equal to or less than—	
	$800	$58
$800	1,100	46
1,100	1,300	35
1,300	1,500	23
1,500	1,800	12
1,800	----------	No amount payable.

Column I		*Column II*
Total annual income		
More than—	*but Equal to or less than—*	
	$800	*$58*
$800	*900*	*54*
900	*1,000*	*50*
1,000	*1,100*	*46*
1,100	*1,200*	*41*
1,200	*1,300*	*35*
1,300	*1,400*	*29*
1,400	*1,500*	*23*
1,500	*1,600*	*20*
1,600	*1,700*	*16*
1,700	*1,800*	*12*
1,800	*1,900*	*11*
1,900	*2,000*	*10*

(d) If there are two parents who are living together, or if a parent has remarried and is living with his spouse, dependency and indemnity compensation shall be paid to each such parent at a monthly rate equal to the amount under column II of the following table opposite the total combined annual income of the parents, or of the parent and his spouse, as the case may be, as shown in column I:

Column I		Column II
Total combined annual income		
More than—	but Equal to or less than—	
	$1,000	$58
$1,000	1,500	46
1,500	2,000	35
2,000	2,500	23
2,500	3,000	12
3,000	----------	No amount payable.

Column I		*Column II*
Total combined annual income		
More than—	*but Equal to or less than—*	
	$1,000	*$58*
$1,000	*1,100*	*56*
1,100	*1,200*	*54*
1,200	*1,300*	*52*
1,300	*1,400*	*49*
1,400	*1,500*	*46*
1,500	*1,600*	*44*
1,600	*1,700*	*42*
1,700	*1,800*	*40*
1,800	*1,900*	*38*
1,900	*2,000*	*35*
2,000	*2,100*	*33*
2,100	*2,200*	*31*
2,200	*2,300*	*29*
2,300	*2,400*	*26*
2,400	*2,500*	*23*
2,500	*2,600*	*21*
2,600	*2,700*	*19*
2,700	*2,800*	*17*
2,800	*2,900*	*15*
2,900	*3,000*	*12*
3,000	*3,100*	*11*
3,100	*3,200*	*10*

(e) The Administrator shall require as a condition of granting or continuing dependency and indemnity compensation to a parent that such parent file each year with him (on the form prescribed by him) a report showing the total income which such parent expects to receive in that year and the total income which such parent received in the preceding year. The parent or parents shall file with the Administrator a revised report whenever there is a material change in the estimated annual income.

(f) If the Administrator ascertains that there have been overpayments to a parent under this section, he shall deduct such overpayments (unless waived) from any future payments made to such parent under this section.

(g)(1) In determining income under this section, all payments of any kind or from any source shall be included, except—

(A) payments of the six-months' death gratuity;

(B) donations from public or private relief or welfare organizations;

(C) payments under this chapter (except section 412(a)) and chapters 11 and 15 of this title;

(D) lump-sum death payments under subchapter II of chapter 7 of title 42:

(E) payments of bonus or similar cash gratuity by any State based upon service in the Armed Forces;

(F) payments under policies of servicemen's group life insurance, United States Government life insurance or National Service Life Insurance, and payments of servicemen's indemnity;

(G) 10 per centum of the amount of payments to an individual under public or private retirement, annuity, endowment, or similar plans or programs;

(H) amounts equal to amounts paid by a parent of a deceased veteran for—

(i) a deceased spouse's just debts,

(ii) the expenses of the spouse's last illness to the extent such expenses are not reimbursed under chapter 51 of this title, and

(iii) the expenses of the spouse's burial to the extent that such expenses are not reimbursed under chapter 23 or chapter 51 of this title;

(I) proceeds of fire insurance policies;

(J) amounts equal to amounts paid by a parent of a deceased veteran for—

(i) the expenses of the veteran's last illness, and

(ii) the expenses of his burial to the extent that such expenses are not reimbursed under chapter 23 of this title;

(K) profit realized from the disposition of real or personal property other than in the course of a business;

(L) payments received for discharge of jury duty or obligatory civic duties.

(2) The Administrator may provide by regulation for the exclusion from income under this section of amounts paid by a parent for unusual medical expenses.

* * * * * * *

NON-SERVICE-CONNECTED DISABILITY PENSION

§ 521. Veterans of World War I, World War II, the Korean conflict, or the Vietnam era

(a) The Administrator shall pay to each veteran of World War I, World War II, the Korean conflict, or the Vietnam era, who meets the service requirements of this section, and who is permanently and totally disabled from non-service-connected disability not the result of the veteran's willful misconduct or vicious habits, pension at the rate prescribed by this section.

(b) If the veteran is unmarried (or married but not living with and not reasonably contributing to the support of his spouse) and has no child, pension shall be paid at the monthly rate set forth in column II of the following table opposite the veteran's annual income as shown in column I:

Column I		Column II
Annual income		
More than—	but Equal to or less than—	
	$600	$104
$600	1,200	79
1,200	1,800	45

Column I			*Column II*
Annual income			
More than—	*but*	*Equal to or less than—*	
		$300	*$110*
$300		*400*	*108*
400		*500*	*106*
500		*600*	*104*
600		*700*	*100*
700		*800*	*96*
800		*900*	*92*
900		*1,000*	*88*
1,000		*1,100*	*84*
1,100		*1,200*	*79*
1,200		*1,300*	*75*
1,300		*1,400*	*69*
1,400		*1,500*	*63*
1,500		*1,600*	*57*
1,600		*1,700*	*51*
1,700		*1,800*	*45*
1,800		*1,900*	*37*
1,900		*2,000*	*29*

(c) If the veteran is married and living with or reasonably contributing to the support of his spouse, or has a child or children, pension shall be paid at the monthly rate set forth in columns II, III, or IV of the following table opposite the veteran's annual income as shown in column I:

Column I		Column II	Column III	Column IV
Annual income		One dependent	Two dependents	Three or more dependents
More than—	but Equal to or less than—			
	$1,000	$109	$114	$119
$1,000	2,000	84	84	84
2,000	3,000	50	50	50

Column I		*Column II*	*Column III*	*Column IV*
Annual income		*One dependent*	*Two dependents*	*Three or more dependents*
More than—	*but Equal to or less than—*			
	$500	*$120*	*$125*	*$130*
$500	*600*	*118*	*123*	*128*
600	*700*	*116*	*121*	*126*
700	*800*	*114*	*119*	*124*
800	*900*	*112*	*117*	*122*
900	*1,000*	*109*	*114*	*119*
1,000	*1,100*	*107*	*107*	*107*
1,100	*1,200*	*105*	*105*	*105*
1,200	*1,300*	*103*	*103*	*103*
1,300	*1,400*	*101*	*101*	*101*
1,400	*1,500*	*99*	*99*	*99*
1,500	*1,600*	*96*	*96*	*96*
1,600	*1,700*	*93*	*93*	*93*
1,700	*1,800*	*90*	*90*	*90*
1,800	*1,900*	*87*	*87*	*87*
1,900	*2,000*	*84*	*84*	*84*
2,000	*2,100*	*81*	*81*	*81*
2,100	*2,200*	*78*	*78*	*78*
2,200	*2,300*	*75*	*75*	*75*
2,300	*2,400*	*72*	*72*	*72*
2,400	*2,500*	*69*	*69*	*69*
2,500	*2,600*	*66*	*66*	*66*
2,600	*2,700*	*62*	*62*	*62*
2,700	*2,800*	*58*	*58*	*58*
2,800	*2,900*	*54*	*54*	*54*
2,900	*3,000*	*50*	*50*	*50*
3,000	*3,100*	*42*	*42*	*42*
3,100	*3,200*	*34*	*34*	*34*

(d) If the veteran is in need of regular aid and attendance, the monthly rate payable to him under subsection (b) or (c) shall be increased by $100.

(e) If the veteran has a disability rated as permanent and total, and (1) has additional disability or disabilities independently ratable at 60 per centum or more, or, (2) by reason of his disability or disabilities, is permanently housebound but does not qualify for the aid and attendance rate under subsection (d) of this section, the monthly rate payable to him under subsection (b) or (c) shall be increased by $40.

(f) For the purposes of this section—

(1) in determining annual income, where a veteran is living with his spouse, all income of the spouse which is reasonably available to or for the veteran in excess of whichever is the greater, $1,200 or the total earned income of the spouse, shall be considered as the income of the veteran, unless in the judgment of the Administrator to do so would work a hardship upon the veteran;

(2) a veteran shall be considered as living with a spouse, even though they reside apart, unless they are estranged.

(g) A veteran meets the service requirements of this section if he served in the active military, naval, or air service—

(1) for ninety days or more during either World War I, World War II, the Korean conflict, or the Vietnam era;

(2) during World War I, World War II, the Korean conflict, or the Vietnam era, and was discharged or released from such service for a service-connected disability;

(3) for a period of ninety consecutive days or more and such period ended during World War I, or began or ended during World War II, the Korean conflict, or the Vietnam era; or

(4) for an aggregate of ninety days or more in two or more separate periods of service during more than one period of war.

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WORLD WAR I, WORLD WAR II, THE KOREAN CONFLICT, AND THE VIETNAM ERA

§ 541. Widows of World War I, World War II, Korean conflict, or Vietnam era veterans

(a) The Administrator shall pay to the widow of each veteran of World War I, World War II, the Korean conflict, or the Vietnam era who met the service requirements of section 521 of this title, or who at the time of his death was receiving (or entitled to receive) compensation or retirement pay for a service-connected disability, pension at the rate prescribed by this section.

(b) If there is no child, pension shall be paid at the monthly rate set forth in column II of the following table opposite the widow's annual income as shown in column I:

Column I		Column II
Annual income		
More than—	but Equal to or less than—	
	$600	$70
$600	1,200	51
1,200	1,800	29

Column I		*Column II*
Annual income		
More than—	*but Equal to or less than—*	
	$300	*$74*
$300	*400*	*73*
400	*500*	*72*
500	*600*	*70*
600	*700*	*67*
700	*800*	*64*
800	*900*	*61*
900	*1,000*	*58*
1,000	*1,100*	*55*
1,100	*1,200*	*51*
1,200	*1,300*	*48*
1,300	*1,400*	*45*
1,400	*1,500*	*41*
1,500	*1,600*	*37*
1,600	*1,700*	*33*
1,700	*1,800*	*29*
1,800	*1,900*	*23*
1,900	*2,000*	*17*

(c) If there is a widow and one child, pension shall be paid at the monthly rate set forth in column II of the following table opposite the widow's annual income as shown in column I:

Column I		Column II
Annual income		
More than—	but Equal to or less than—	
	$1,000	$86
$1,000	2,000	67
2,000	3,000	45

Column I		*Column II*
Annual income		
More than—	*but Equal to or less than—*	
	$600	*$90*
$600	*700*	*89*
700	*800*	*88*
800	*900*	*87*
900	*1,000*	*86*
1,000	*1,100*	*85*
1,100	*1,200*	*83*
1,200	*1,300*	*81*
1,300	*1,400*	*79*
1,400	*1,500*	*77*
1,500	*1,600*	*75*
1,600	*1,700*	*73*
1,700	*1,800*	*71*
1,800	*1,900*	*69*
1,900	*2,000*	*67*
2,000	*2,100*	*65*
2,100	*2,200*	*63*
2,200	*2,300*	*61*
2,300	*2,400*	*59*
2,400	*2,500*	*57*
2,500	*2,600*	*55*
2,600	*2,700*	*53*
2,700	*2,800*	*51*
2,800	*2,900*	*48*
2,900	*3,000*	*45*
3,000	*3,100*	*43*
3,100	*3,200*	*41*

(d) If there is a widow and more than one child, the monthly rate payable under subsection (c) shall be increased by $16 for each additional child.

(e) No pension shall be paid to a widow of a veteran under this section unless she was married to him—

(1) before (A) December 14, 1944, in the case of a widow of a World War I veteran, or (B) January 1, 1957, in the case of a widow of a World War II veteran, or (C) February 1, 1965, in the case of a widow of a Korean conflict veteran, or (D) before the expiration of ten years following termination of the Vietnam era in the case of a widow of a Vietnam era veteran; or

(2) for one year or more; or

(3) for any period of time if a child was born of the marriage, or was born to them before the marriage.

* * * * * * *

§ 3012. Effective dates of reductions and discontinuances

(a) Except as otherwise specified in this section, the effective date of reduction or discontinuance of compensation, dependency and indemnity compensation, or pension shall be fixed in accordance with the facts found.

[(b) The effective date of a reduction or discontinuance of compensation, dependency and indemnity compensation, or pension—

(1) by reason of marriage or remarriage, or death of a payee shall be the last day of the month before such marriage, remarriage, or death occurs;

(2) by reason of marriage, divorce, or death of a dependent of a payee shall be the last day of the month in which such marriage, divorce, or death occurs;

(3) by reason of receipt of active service pay or retirement pay shall be the day before the date such pay began;

(4) by reason of change in income or corpus of estate shall be [the last day of the month in which the change occurred, except that when a change in income is due to an increase in payments under a public or private retirement plan or program the effective date of a reduction or discontinuance resulting therefrom shall be] the last day of the calendar year in which the change occurred;

(5) by reason of a change in disability or employability of a veteran in receipt of pension shall be the last day of the month in which discontinuance of the award is approved;

(6) by reason of change in law, or administrative issue, change in interpretation of a law or administrative issue, or, for compensation purposes, a change in service-connected or employability status or change in physical condition shall be the last day of the month following sixty days from the date of notice to the payee (at his last address of record) of the reduction or discontinuance;

(7) by reason of the discontinuance of school attendance of a payee or a dependent of a payee shall be the last day of the month in which such discontinuance occurred;

(8) by reason of termination of a temporary increase in compensation for hospitalization or treatment shall be the last day of the month in which the hospital discharge or termination of treatment occurred, whichever is earlier;

(9) by reason of an erroneous award based on an act of commission or omission by the beneficiary, or with his knowledge, shall be the effective date of the award: and

(10) by reason of an erroneous award based solely on administrative error or error in judgment shall be the date of last payment.

O

LIBERALIZATION OF PAYMENT OF PENSIONS

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate turn

to the consideration of Calendar No. 990, H.R. 12555.

The PRESIDING OFFICER. The bill will be read by title.

The LEGISLATIVE CLERK. A bill (H.R. 12555) to amend title 38 of the United States Code to liberalize the provisions relating to payment of pension, and for other purposes.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

Mr. LONG of Louisiana. Mr. President, it is with a great deal of pleasure that I call up a veterans' bill, H.R. 12555, which provides long-range protection for VA beneficiaries whose monthly benefits are income related.

The bill achieves its objective in three ways: First, by establishing a new, expanded multilevel income limitation system for the so-called new pension and the parents' dependency and indemnity compensation program; second, it increases the maximum income levels of the new and old pension programs and the parents' DIC programs with an across-the-board increase of these limits by $200; and third, it provides a phase-in protection for those VA recipents who also receive social security benefits, recently increased by the 1967 Social Security Amendments.

I need not remind Senators of the adverse effect that retirement income increases, particularly social security, have on a VA pensioner's payment—a situation which has long been of concern to Congress. I was heartened when the administration joined in the Senate determination to provide some relief to veterans, widows, and children whose livelihood depended in great part upon their pension payments.

Several times the Senate has had occasion to pass measures which would have provided some answer to this problem, but each time, we were met with opposition by the House. However, when we confered on S. 16 with the House members, they agreed that once the social security increase was determined, action would be taken to assure that a minimal increase in social security would not result in a large loss of pension to a veteran or his survivors. The House passed H.R. 12555 by a vote of 353 to zero and it was favorably recommended by the Committee on Finance. It goes far in achieving the objective of insuring protection for the pensions of our veterans and their dependents.

In providing this protection, as well as affording a built-in increase in pensions for most VA recipients, the first full year cost of the bill is $138 million. This is a small cost in relation to the recognition of the obligation that we owe to the more needy veteran families of the United States.

Mr. President, I ask that the Senate favorably adopt the bill as reported. For those Senators who want a more detailed report of the principal provisions of the bill, I ask unanimous consent to insert at this point in the RECORD a summary prepared by the staff of the Committee on Finance.

There being no objection, the summary was ordered to be printed in the RECORD, as follows:

SUMMARY OF PRINCIPAL PROVISIONS OF H.R. 12555

H.R. 12555 makes a number of substantial changes in the Veterans pension and survivor compensation programs, particularly with respect to the income limits.

I. *Income limits.*—The income limits determine a veteran's (or his survivor's) eligibility for benefits and the amount he would receive.

(a) *Multi-level Limits.*—Under present law there are three income limits which measure the need of a veteran for a pension, and in determining the amount he may receive. There are five such limits applied to parents under the dependency and indemnity (DIC) program. H.R. 12555 substitutes 18 limits for the three in the pension law applicable to a single veteran. It also substitutes 13 gradations for the five in the DIC program for a widowed parent. The following table illustrates these gradations and monthly amounts:

VETERAN, NO DEPENDENTS

Annual Income other than pension				Monthly pension	
More than—		But equal to or less than—			
Existing law	H.R. 12555	Existing law	H.R. 12555	Existing law	H.R. 12555
			$300	----------	$110
	$300	----------	400	----------	108
	400	----------	500	----------	106
	500	($600)	600	($104)	104
	600	----------	700	----------	100
	700	----------	800	----------	96
	800	----------	900	----------	92
	900	----------	1,000	----------	88
	1,000	----------	1,100	----------	84
($600)	1,100	(1,200)	1,200	(79)	79
	1,200	----------	1,300	----------	75
	1,300	----------	1,400	----------	69
	1,400	----------	1,500	----------	63
	1,500	----------	1,600	----------	57
	1,600	----------	1,700	----------	51
(1,200)	1,700	(1,800)	1,800	(45)	45
(1,800)	1,800	----------	1,900	(None)	37
	1,900	----------	2,000	----------	29

(b) *Monthly Benefit.*—These addtional gradations permit a more orderly and gradual reduction in monthly benefits required because of slight increases in other income, such as, for example, social security.

(c) *Minimum Income Limit.*—In the case of a single veteran under the new pension program the minimum $600 annual income limit under present law (which qualifies a veteran for $104 of monthly benefits) would be replaced by a $300 limit (and a monthly benefit of $110). This feature recognizes that the less income a veteran has, the greater his need. And it provides him with a larger pension up to $72 more per year.

(d) *Maximum Income Limit.*—In the case of a single veteran under the new pension program the maximum amount of outside income a veteran may receive and still qualify for benefits is $1800. H.R. 12555 would raise this to $2000, in recognition of the 13% increase in social security payments enacted in 1968.

(e) *Conforming Changes.*—Comparable changes would be made in the schedules under the pension program for veterans with dependents, the death pension program, and under the DIC program for parents.

(f) *Old Law Pensioners.*—The only change contemplated by H.R. 12555 in the old program involves a $200 increase in the present $1400 limit for a single veteran and the $2700 limit for a married couple. This increase reflects the 13% increase in social security payments enacted in 1968.

II. Relation to social security.—

(a) H.R. 12555 would assure that no pensioner under the new pension law and no parent receiving dependency and indemnity compensation would have his benefit reduced during 1968 and 1969 solely as a result of an increase under the Social Security Amendments of 1967. However, commencing in 1970 the Veteran's (or survivor's) income for purpose of applying the income limitations would be increased in multiples of $100 per year until the full amount of his 1967 social security increases have been reflected.

For example, a single veteran has annual income of $1200 for pension purposes including social security of $984. Under the present veteran's law, he would qualify for a monthly pension of $79. Because of the social security increase enacted in 1968 his total income would rise by $144, causing his veterans pension to drop to $45 per month. In effect, he would forfeit $408 of veterans benefits for $144 of social security—a net loss of $264.

Under H.R. 12555 for 1968 and 1969 he would not be required to count the 1967 social security increase in measuring his income for pension purposes. His countable income would remain at $1200 and his pension would continue at $79 per month.

In 1970, however, this veteran must count $100 of the 1968 increase. This would make his income for pension purposes $1300 and would require his pension to be reduced to $75 per month. In 1971 he would count the remaining portion of his social security increase. His total income would then exceed $1300 and a further reduction in his pension to $69 per month would occur. The foregoing example takes into consideration the 10% exclusion of retirement income from a veteran's annual income for pension purposes. (This gradual and more restricted reduction contracts with the sharp reduction to $45 in 1969 required by existing law.)

The net effect of the bill after all social security benefits have been assimilated into the veteran's reportable income is to assure that generally his aggregate income will be greater than it was before the social security increase occurred.

(b) *Old Law.*—Presently, the so-called old law program has two levels of income limit determining pension eligibility; namely, $1400 for a single veteran and $2700 for a married veteran. To accommodate the 13% social security increase enacted in 1968, H.R. 12555 would raise these limits by $200—to $1600 and $2900 respectively. This would avoid the otherwise harsh result that would occur to nearly 40 thousand pensioners. For example some pensioners could forfeit up to $78.75 monthly ($945 yearly) resulting from an average $144 a year of social security—a net loss of $801.

III. Social security increase.—H.R. 12555 would generally assure that no VA beneficiary will ultimately end up with less aggregate annual income than he had prior to the 1967 social security increase. Hence, his total income would not be less because of his benefits increase. However, the phase-in provisions of H.R. 12555 do require the VA pensioner to include his social security increase in his income for benefit purposes and this has the effect of reducing his VA pension (but not as drastically as under present law).

IV. *End of year reduction.*—Under present law when there is a change in income of pensioners due to an increase in payments under a public or private retirement program such as social security, the reduction or discontinuance of the pensioners VA benefit is delayed until the last day of the year in which the income change occurred. H.R. 12555 would extend this same treatment to any increase in the income of the VA recipient, regardless of the source, and to any increase in the corpus of a VA recipient's estate.

V. *Costs.*—The costs of the amendments made by H.R. 12555 are made up of two parts. They are:

(a) *Increase in Pension and Income Limits.*—The costs attributable to the increases in monthly amounts of pension and

DIC and expansion of income limits on a yearly basis over a five-year period is as follows:

	Pension	(DIC)	Total (millions)
1st year	$29.2	$0.1	$29.3
2d year	121.1	.5	121.6
3d year	125.2	.5	125.7
4th year	129.3	.5	129.8
5th year	133.8	.4	134.2
Total	538.6	2.0	540.6

(b) *Social Security Increase Protection.*—The costs attributable to pensioners remaining on the rolls because of the phase-in provision of the bill, who would otherwise have been removed from the rolls because of their increased social security benefits (as well as those whose VA benefits will not be reduced) is as follows:

	New law pensions and DIC	Old law pensions	Total (millions)
1st year	$2.3	$2.1	$4.4
2d year	8.8	7.3	16.1
3d year	2.2	6.6	8.8
4th year	.0	5.9	5.9
5th year	.0	5.2	5.2
Total	13.3	27.1	40.4

The figures do not represent additional Federal outlays. They reflect the continuation of payments to veterans (and survivors) who received social security increases under the 1967 Act. The total represent the savings which would accrue if this bill were not enacted.

Mr. CURTIS. Mr. President, I am happy to join with the distinguished chairman of the Finance Committee in urging the Senate to adopt H.R. 12555, as reported by the Committee on Finance.

This bill essentially establishes a long-range system protecting veterans and their dependents from disproportionate losses of VA benefits due to increases in other income. The adverse effect that an increase in retirement income such as social security has on a veteran pension was dramatically highlighted when Congress authorized the 1965 social security increase. Members of both Houses received literally thousands of letters from veterans those VA pensions were sharply reduced or terminated because of the increase in social security benefits. In some instances a veteran ended up with less overall income than he had before the increase was authorized.

In light of these adversities and in recognition of the fact that a social security increase is, in part, to recognize a rise in the cost of living and an attempt to maintain the recipient's purchasing power, I and many of my colleagues in the Senate introduced measures designed to cope with the problem. Numerous times, the Senate adopted these proposed solutions only to have the House reject the Senate's position in conference. Finally, the Veterans' Administration as well as the White House realized that something had to be done in this regard and joined in the fight to protect the veteran's pension. In the last two veterans messages, the administration requested that legislation be enacted that would protect our needy veterans and their families from sharp losses in their pension benefits. H.R. 12555, as passed by the House of Representatives and favorably reported by the Committee on Finance, provides an acceptable solution to this problem.

In liberalizing the income limits of the new law pension program and in the dependency and indemnity program by substituting a multistep income limitation system for the present three-step and five-step limitation and combining with this new income level, benefits commensurate with the revised structure, the bill cushions the effect that would otherwise result from a minimal increase in benefits. Over 2 million VA recipients will be protected against loss or sharp reduction of their benefits as the result of this action. Further, nearly 1.2 million veterans will receive actual increases in their monthly VA checks.

For the old law pensioners the bill provides protection by increasing their present maximum income limits from $1,400 and $2,700 to $1,600 and $2,900.

Another important feature of the bill, which recognizes the attempts of the Senate to meet the problem of retirement income vis-a-vis pension, provides a phase-in of the social security increase of 1967. Under this special provision beginning in 1970, $100 increments of the 1967 social security increase will be recognized as income for pension purposes on a yearly basis until the full amount of the increase has been absorbed into the veteran's income.

We are fully aware that the phase-in will carry with it a minimal reduction in the veteran's future pension payments, but the important factor is that generally, no veteran, widow, or child, will end up with less annual income than he had prior to the 1967 social security increase. The Congress may have to look at the problem again by 1970.

It is important to note that the major veteran organizations have indicated their support for the bill as passed by the House and as favorably reported by the Finance Committee.

I think it is only justified to state that the Senate has labored long in the vineyard of relief and the fruit of those labors is now at hand. I therefore urge that the Senate adopt H.R. 12555.

Mr. MANSFIELD. Mr. President, I ask unanimous consent to have printed in the RECORD an excerpt from the report (No. 1009) explaining the purposes of the bill.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

I. PURPOSE

H.R. 12555 is designed to liberalize both the "new law" and the "old law" pension programs and the dependency and indemnity compensation program (DIC) by—

(1) Increasing the monthly amounts payable under the new law pension and DIC programs:

(2) Expanding the income limitations of these programs as well as "old law" pension; and

(3) Phasing-in recipients of the 1967 social security increases to a new multilevel income program.

The bill would also assure that increases in the income of the VA recipient, regardless of the source, or changes in the corpus of a VA recipient's estate do not decrease or terminate a VA benefit until the beginning of the next calendar year. Under present law this sort of deferral applies only with respect to increases in retirement benefits. The major objective of the bill is establishment of a long-range system to protect the veteran from the disproportionate pension losses that could result from increases in other income, particularly retirement income subject to periodic increases such as social security.

II. BRIEF SUMMARY OF MAJOR PROVISIONS

H.R. 12555 makes a number of substantial changes in the veterans pension and survivor compensation programs, particularly with respect to the income limits.

A. Income limits

The income limits determine a veteran's (or his survivor's) eligibility for benefits and the amount he would receive.

(1) *Multilevel limits.*—Under present law there are three income limits which measure the need of a veteran for a pension, and which determine the amount he may receive. (Similar income limits are applied to death pension.) There are five such limits applied to parents under the dependency and indemnity (DIC) program. H.R. 12555 substitutes 18 limits for the three in the pension law applicable to a single veteran. It also substitutes 13 gradations for the five in the DIC program for a widowed parent. The following table illustrates these gradations and monthly amounts in the pension program:

VETERAN, NO DEPENDENTS

Annual income other than pension				Monthly pension	
More than—		But equal to or less than—			
Existing law	H.R. 12555	Existing law	H.R. 12555	Existing law	H.R. 12555
			$300	----------	$110
	$300	----------	400	----------	108
	400	----------	500	----------	106
	500	($600)	600	($104)	104
	600	----------	700	----------	100
	700	----------	800	----------	96
	800	----------	900	----------	92
	900	----------	1,000	----------	88
	1,000	----------	1,100	----------	84
($600)	1,100	(1,200)	1,200	(79)	79
	1,200	----------	1,300	----------	75
	1,300	----------	1,400	----------	69
	1,400	----------	1,500	----------	63
	1,500	----------	1,600	----------	57
	1,600	----------	1,700	----------	51
(1,200)	1,700	(1,800)	1,800	(45)	45
(1,800)	1,800	----------	1,900	(None)	37
	1,900	----------	2,000	----------	29

(2) *Monthly benefits.*—Beginning January 1969 these additional gradations permit a more orderly and gradual reduction in monthly benefits required because of slight increases in other income, such as social security. In some instances, this will mean that the recipient will receive increased monthly amounts.

(3) *Minimum income limit.*—In the case of a single veteran under the new pension program the minimum $600 annual income limit under present law (which qualifies a veteran for $104 of monthly benefits) would be replaced by a $300 limit (and a monthly benefit of $110). This feature recognizes that the less income a veteran has, the greater his need. And it provides him with a larger pension of up to $72 more per year.

(4) *Maximum income limit.*—In the case of a single veteran under the new pension program the maximum amount of outside income a veteran may receive and still qualify for benefits is $1,800. H.R. 12555 would raise this to $2,000, in recognition of the 13-percent increase in social security payments.

(5) *Conforming changes.*—Comparable changes would be made in the schedules under the pension program for veterans with dependents and widows and under the DIC program for parents.

(6) *Old law pensioners.*—Unlike these comprehensive revisions of the new pension program, the only change contemplated by

H.R. 12555 in the old program involves a $200 increase in the present $1,400 limit for a single veteran and the $2,700 limit for a married couple. This addition reflects the 13-percent increase in social security payments.

B. Relation to social security

(1) *New law and DIC.*—H.R. 12555 would assure that no pensioner under the new pension law and no parent receiving dependency and indemnity compensation (DIC) would have his benefit reduced during 1968 and 1969 solely as a result of an increase under the Social Security Amendments of 1967. However, commencing in 1970 the veteran's (or survivor's) income for purposes of applying the income limitations would be increased in multiples of $100 per year until the full amount of his 1967 social security increases have been reflected.

For example, a single veteran has annual income of $1,200 for pension purposes, including social security of $984. Under the present veterans' law, he would qualify for a monthly pension of $79. Because of the social security increase enacted in 1968 his total income would rise by $144, causing his veteran's pension to drop to $45 per month. In effect, he would forfeit $408 of veterans' benefits for $144 of social security—a net loss of $264.

Under H.R. 12555 for 1968 and 1969 he would not be required to count the 1967 social security increase in measuring his income for pension purposes. His countable income would remain at $1,200 and his pension would continue at $79 per month.

In 1970, however, this veteran must count $100 of the 1967 increase. This would make his income for pension purposes $1,300 and would require his pension to be reduced to $75 per month. In 1971 he would count the remaining portion of his social security increase. His total income would then exceed $1,300 and a further reduction in his pension to $69 per month would occur. The foregoing example takes into consideration the 10-percent exclusion of retirement income from a veteran's annual income for pension purposes. This gradual and more restricted reduction contrasts with the sharp reduction to $45 in 1969 required by existing law.

The net effect of the bill after all social security benefits have been assimilated into the veteran's reportable income is to assure that his aggregate income will generally be greater than it was before the social security increase occurred.

(2) *Old law.*—Presently, the so-called old law program has two levels of income limit determining pension eligibility; namely, $1,400 for a single veteran and $2,700 for a married veteran. To accommodate the 13-percent social security increase enacted in 1968, H.R. 12555 would raise these limits by $200—to $1,600 and $2,900, respectively. This would avoid the otherwise harsh result that would occur to nearly 40,000 pensioners. For example, some pensioners could forfeit up to $78.75 monthly ($945 yearly) resulting from an average $144 a year of social security—a net loss of $801.

C. End-of-year reduction

Under present law when there is a change in income of pensioners due to an increase in payments under a public or private retirement program such as social security, the reduction or discontinuance of the pensioner's VA benefit is delayed until the last day of the year in which the income change occurred. H.R. 12555 would extend this same treatment to any increase in the income of the VA recipient, regardless of the source, and to any increase in the corpus of a VA recipient's estate.

* * * * *

C. "Old law" pension

With regard to those individuals who receive "old law" pension under the first sentence of sec. 9(b) of the Veterans' Pension Act of 1959, the bill protects such persons against loss of pension because of an increase under the Social Security Amendments of 1967 by increasing the annual income limitations to $1,600 for a single veteran or widow and $2,900 for a veteran with dependents or a widow with children—a $200 increase in each instance. $7.3 million in payments will thus be preserved for nearly 35,000 pensioners. Since no more veterans or widows may come on these rolls, there would be no addition to this group of non-service-connected pensioners.

D. Reasons for the bill

The Committee on Finance and the Senate have long been concerned with the adverse effect an increase in retirement income has on a VA recipient's payment.

Both the pension and DIC programs have income limits used in determining a person's eligibility for VA payments and their monthly amounts. Generally, the VA considers all income of the recipient including social security benefits, in computing his annual income for pension purposes. As reflected in the prior tables on page 4, income levels vary and have commensurate monthly benefits assigned. This is in line with the underlying needs concept of the pension and DIC program whereby the higher the outside income of any person, the lower his VA payments. Thus, a person whose annual income is just below a specific income level can, with a minimal increase in his other retirement income such as social security, be forced over that level into the next income bracket and have his monthly VA benefit greatly reduced, or if his income increase brings him over the maximum level permitted by the VA, his VA payment is stopped.

During both the 88th and 89th Congresses, veteran measures were passed by the Senate to exclude the then proposed social security increase from the VA recipient's income for pension purposes.

The Committee on Finance, together with the Senate, felt that retirement benefit increases, and, in particular, social security increases met the additional need of retirees brought about by changes in wages, prices, and other economic factors that had occurred since the previous increase in such benefits were authorized. Thus, social security benefit increases were generally designed to provide social security recipients with additional necessary funds to meet their everyday needs. They were not designed to deny veterans and their surviving widows and parents from continuing to receive their VA benefits. However, many such persons had their VA payments cut back or terminated because of the social security increase. This action nullified the overall effectiveness and purpose of the increase, not only by failing to add to their overall purchasing power but also by cutting back in what they were receiving. It was this adverse effect the Senate-passed bills sought to avoid.

None of these measures were adopted by the House of Representatives. The House was persuaded by that feature of law (unchanged by H.R. 12555) which permits any VA beneficiary to exclude 10 percent of social security or other retirement income in establishing his eligibility for monthly VA benefits, that sufficient relief through this 10-percent exclusion had been given to recipients whose other income was made up of retirement income such as social security.

In 1967, however, the administration began to share the Senate's concern regarding disproportionate reductions in pensions following increases in retirement income.

In his message to Congress on January 31, 1967, relating to America's servicemen and veterans, the President recommended legislation providing safeguards against the reduction or termination of a VA beneficiary's pension benefits because of increases in his retirement income. The President urged similar legislation again in his recent veterans' message of January 30, 1968.

The budget message for fiscal year 1969 pointed out: "Legislation should be enacted to relate veterans' pension payments more closely to individual needs and provide better protection against loss of income." It is also noteworthy that the conference committee on S. 16, the Veterans' Pension and Readjustment Act of 1967, asserted in its manager's report that:

"The conferees wish to make clear that it is their intention to take the necessary action to assure that any increase in social security payments which might result from enactment of H.R. 12080 will not result in a reduction of combined income from VA pension, dependency and indemnity compensation, and social security or in removal of any person from the VA pension or dependency and indemnity compensation rolls."

The committee is of the opinion that H.R. 12555 largely achieves the objective long sought by the Senate (and now concurred in by both the House of Representatives and the administration) by assuring that a VA pensioner shall be protected against large losses in his VA income because of minimal increases in other retirement income such as social security.

The transition from a three-level income increment system for determining monthly VA benefits to a more sophisticated multilevel system coincides in point of time with a substantial social security increase. For this reason, the bill contains a special protection feature assuring no loss in pension to ease the transition to the new pension structure. The Finance Committee agrees with the House committee that this protective feature is a special device and is not intended to serve as a precedent for the future. On the contrary, the rate structure provided by this bill has been carefully designed to assure that pensioners confronted in the future with increases in retirement-type income would never be disadvantaged by a disproportionate decrease in pension. Of course in any system utilizing income limitations there will be those who because of changes in income exceed the top income limit provided by law and thus go off the pension rolls. The provision, while assuring the protection previously described, gives this group of social security beneficiaries protection through the remainder of 1968 and calendar year 1969 at their current non-service-connected pension level. On January 1, 1970, there will be an income adjustment of $100, and on January 1, 1971, there will be another $100 adjustment, thus placing this group, now estimated at approximately 173,500, in their appropriate place in the income limitation schedule.

E. End-of-year rule

The bill would extend to all income and to corpus of estate changes the more liberal end-of-the-year rule for reduction or discontinuance of benefits which currently applies only to an increase in retirement income. Thus, the Veterans' Administration will continue to base benefit awards on reports of anticipated annual income made at the beginning of a calendar year, and if thereafter there is an increase in annual income, retirement, or other source, which requires reduction or discontinuance of a benefit, such adjustment would be deferred until the end of the particular calendar year.

F. Overall benefits

It is noteworthy that enactment of H.R. 12555 would provide additional veterans benefits totaling nearly $138 million for the first full year. This amount combined with the first full year benefits authorized by H.R. 14347 (Public Law 89–730) for DIC parents and children, and by S. 16 (Public Law 90–77) for new and old pensioners, would mean that in less than 1½ years Congress will have authorized nearly a quarter of a billion dollars in additional pension and DIC benefits for veterans and survivors.

G. Veterans' organizations position

The committee has been advised by the major service organizations of veterans that they support H.R. 12555 as passed by the House of Representatives.

The PRESIDING OFFICER. The bill is open to amendment.

If there be no amendment to be proposed, the question is on the third reading of the bill.

The bill was ordered to a third reading, was read the third time, and passed.

Mr. CURTIS. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. LONG of Louisiana. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

REFINEMENT OF INCOME LIMITATIONS CONTAINED IN H.R. 12555 WILL PREVENT HARDSHIP ON VETERANS

Mr. RANDOLPH. Mr. President, I commend the Senate Finance Committee on its work on H.R. 12555, the bill we passed on Monday, March 11, to improve income limitations on non-service-connected veterans' pensions. This is wise and humane legislation, and I am pleased that it has passed both Houses and has gone to the President for his signature.

My interest in this measure stems not only from my representation of West Virginia veterans and their survivors who would have suffered hardship if this legislation had not been passed, but also from my service as chairman of the Subcommittee on Employment and Retirement Incomes of the Senate Special Committee on Aging. Approximately 1 year ago, our subcommittee held a series of hearings on the subject, "Reduction of Retirement Benefits Due to Social Security Increases." There was much testimony during these hearings on the severe reductions in veterans' non-service-connected pensions and related benefits which resulted in 1965 when the social security benefits enacted that year forced many of them over income limits. We were keenly conscious of the danger that the social security increases of 1967 would have the same effect if protective legislation is not enacted.

In our report on this subject, we recommended as the best long-range solution of this problem that there be a refinement of income limits, which is the approach of the bill we passed on Monday, H.R. 12555. This measure substitutes 18 income limits to measure a veteran's pension need for the three income limits in the present law. This means that each time an income limit is exceeded there will be a much smaller loss of his pension than before passage of the bill. Thus, a social security increase which forces a veteran over income limits will result in a much smaller pension loss than before. There will be very few cases where the veteran will suffer a greater pension loss than the amount of his social security increase, and such net losses will be negligible. I would have preferred that even those few cases be prevented also, and we cannot demand perfection. I recognize this as perhaps the best legislation we can hope for under the circumstances.

The dominant reason for the legislation is the need to prevent hardship on veterans and their survivors resulting from the recently enacted social security increase. But there will also be another significant improvement resulting from the bill's enactment. Present law penalizes a veteran or the survivor of a veteran who attempts by his or her own efforts to improve his or her nonpension income and eventually to work his or her way to the point where he or she no longer needs a pension and no longer qualifies for one. Such a veteran or survivor can effect a slight improvement in nonpension income only to find that it forces him or her into a new income bracket,

resulting in a pension loss greater than the improvement in nonpension income which has resulted from his or her efforts. This penalizes and discourages self-help efforts and rewards and encourages apathy and helplessness. If the President signs H.R. 12555 into law, its refined income limits will reverse this trend and will stimulate self-help efforts of those who receive pension benefits and dependency and indemnity compensation.

For these reasons, Mr. President, I am gratified that this meritorious legislation has passed both Houses and the President, I trust, will soon sign it into law.

H.R. 12555

Mr. WILLIAMS of New Jersey. Mr. President, I should like to express my satisfaction as chairman of the Senate Special Committee on Aging that both Houses have now passed H.R. 12555 and sent it to the President for his signature. Senators on the Special Committee on Aging have been aware of the possibility that recently enacted social security increases could result in reductions in overall retirement incomes of some veterans and their survivors if Congress had not acted promptly to forestall that unfortunate result. Under the able leadership of the Senator from West Virginia [Mr. RANDOLPH], our Subcommittee on Employment and Retirement Incomes last year thoroughly studied this problem and formally recommended the approach represented by the bill we have just passed, H.R. 12555. Our favorable action on this bill will prevent unfortunate consequences for many elderly Americans which I am certain no one in Congress intended when we approved the Social Security Amendments of 1967.

Public Law 90-275
90th Congress, H. R. 12555
March 28, 1968

An Act

To amend title 38 of the United States Code to liberalize the provisions relating to payment of pension, and for other purposes.

Veterans pensions.
Income limitations.
81 Stat. 179.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the table in subsection (b) of section 521 of title 38, United States Code, is amended to appear as follows:

"Column I		Column II
Annual income		
More than—	but Equal to or less than—	
	$300	$110
$300	400	108
400	500	106
500	600	104
600	700	100
700	800	96
800	900	92
900	1, 000	88
1, 000	1, 100	84
1, 100	1, 200	79
1, 200	1, 300	75
1, 300	1, 400	69
1, 400	1, 500	63
1, 500	1, 600	57
1, 600	1, 700	51
1, 700	1, 800	45
1, 800	1, 900	37
1, 900	2, 000	29"

82 STAT. 65

Veterans with dependents, 81 Stat. 179.

(b) The table in subsection (c) of such section 521 is amended to appear as follows:

"Column I		Column II	Column III	Column IV
Annual income				
More than—	but Equal to or less than—	One dependent	Two dependents	Three or more dependents
	$500	$120	$125	$130
$500	600	118	123	128
600	700	116	121	126
700	800	114	119	124
800	900	112	117	122
900	1, 000	109	114	119
1, 000	1, 100	107	107	107
1, 100	1, 200	105	105	105
1, 200	1, 300	103	103	103
1, 300	1, 400	101	101	101
1, 400	1, 500	99	99	99
1, 500	1, 600	96	96	96
1, 600	1, 700	93	93	93
1, 700	1, 800	90	90	90
1, 800	1, 900	87	87	87
1, 900	2, 000	84	84	84
2, 000	2, 100	81	81	81
2, 100	2, 200	78	78	78
2, 200	2, 300	75	75	75
2, 300	2, 400	72	72	72
2, 400	2, 500	69	69	69
2, 500	2, 600	66	66	66
2, 600	2, 700	62	62	62
2, 700	2, 800	58	58	58
2, 800	2, 900	54	54	54
2, 900	3, 000	50	50	50
3, 000	3, 100	42	42	42
3, 100	3, 200	34	34	34".

Widows.

(c) The table in subsection (b) of section 541 of title 38, United States Code, is amended to appear as follows:

"Column I		Column II
Annual income		
More than—	but Equal to or less than—	
	$300	$74
$300	400	73
400	500	72
500	600	70
600	700	67
700	800	64
800	900	61
900	1, 000	58
1, 000	1, 100	55
1, 100	1, 200	51
1, 200	1, 300	48
1, 300	1, 400	45
1, 400	1, 500	41
1, 500	1, 600	37
1, 600	1, 700	33
1, 700	1, 800	29
1, 800	1, 900	23
1, 900	2, 000	17".

(d) The table in subsection (c) of such section 541, is amended to appear as follows: Widow with one child. 81 Stat. 180.

"Column I		Column II
Annual income		
More than—	but Equal to or less than—	
	$600	$90
$600	700	89
700	800	88
800	900	87
900	1,000	86
1,000	1,100	85
1,100	1,200	83
1,200	1,300	81
1,300	1,400	79
1,400	1,500	77
1,500	1,600	75
1,600	1,700	73
1,700	1,800	71
1,800	1,900	69
1,900	2,000	67
2,000	2,100	65
2,100	2,200	63
2,200	2,300	61
2,300	2,400	59
2,400	2,500	57
2,500	2,600	55
2,600	2,700	53
2,700	2,800	51
2,800	2,900	48
2,900	3,000	45
3,000	3,100	43
3,100	3,200	41".

SEC. 2. (a) The table in subsection (b) (1) of section 415 of title 38, United States Code, is amended to appear as follows: One parent. 80 Stat. 1157.

"Column I		Column II
Total annual income		
More than—	but Equal to or less than—	
	$800	$87
$800	900	81
900	1,000	75
1,000	1,100	69
1,100	1,200	62
1,200	1,300	54
1,300	1,400	46
1,400	1,500	38
1,500	1,600	31
1,600	1,700	25
1,700	1,800	18
1,800	1,900	12
1,900	2,000	10".

Remarried parent. 80 Stat. 1157.

(b) The table in subsection (c) of such section 415 is amended to appear as follows:

"Column I		Column II
Total annual income		
More than—	but Equal to or less than—	
	$800	$58
$800	900	54
900	1,000	50
1,000	1,100	46
1,100	1,200	41
1,200	1,300	35
1,300	1,400	29
1,400	1,500	23
1,500	1,600	20
1,600	1,700	16
1,700	1,800	12
1,800	1,900	11
1,900	2,000	10".

Two parents.

(c) The table in subsection (d) of such section 415 is amended to appear as follows:

"Column I		Column II
Total combined annual income		
More than—	but Equal to or less than—	
	$1,000	$58
$1,000	1,100	56
1,100	1,200	54
1,200	1,300	52
1,300	1,400	49
1,400	1,500	46
1,500	1,600	44
1,600	1,700	42
1,700	1,800	40
1,800	1,900	38
1,900	2,000	35
2,000	2,100	33
2,100	2,200	31
2,200	2,300	29
2,300	2,400	26
2,400	2,500	23
2,500	2,600	21
2,600	2,700	19
2,700	2,800	17
2,800	2,900	15
2,900	3,000	12
3,000	3,100	11
3,100	3,200	10".

SEC. 3. (a) If the monthly rate of pension or dependency and indemnity compensation payable to a person under title 38, United States Code, would be less, solely as a result of an increase in monthly insurance benefits provided by the Social Security Amendments of 1967, than the monthly rate payable for the month immediately preceding the effective date of this Act, the Administrator of Veterans' Affairs shall pay the person as follows: 81 Stat. 821.

Monthly pension rate provisions.

(1) for the balance of calendar year 1968 and during calendar year 1969, at the prior monthly rate;

(2) during the calendar year 1970, at the rate for the next $100 annual income limitation higher than the maximum annual income limitation corresponding to the prior monthly rate; and

(3) during each successive calendar year, at the rate for the next $100 annual income limitation higher than the one applied for the preceding year, until the rate corresponding to actual countable income is reached.

82 STAT. 67
82 STAT. 68

(b) Subsection (a) shall not apply for any period during which annual income of such person, exclusive of an increase in monthly insurance benefits provided by the Social Security Amendments of 1967, exceeds the amount of annual income upon which was based the pension or dependency and indemnity compensation payable to the person immediately prior to receipt of the increase.

SEC. 4. The annual income limitations governing payment of pension under the first sentence of section 9(b) of the Veterans' Pension Act of 1959 hereafter shall be $1,600 and $2,900, instead of $1,400 and $2,700, respectively.

Limitations increase.
73 Stat. 436.
38 USC 521 note.

SEC. 5. Paragraph (4) of section 3012(b) of title 38, United States Code, is amended to read as follows:

"(4) by reason of change in income or corpus of estate shall be the last day of the calendar year in which the change occurred;"

72 Stat. 1227; 76 Stat. 949.

SEC. 6. (a) The first section and sections 2 and 4 of this Act shall take effect on January 1, 1969.

Effective dates.

(b) Sections 3 and 5 of this Act shall take effect on the first day of the first calendar month following the month of initial payment of increases in monthly insurance benefits provided by the Social Security Amendments of 1967.

Approved March 28, 1968.

LEGISLATIVE HISTORY:

HOUSE REPORT No. 1039 (Comm. on Veterans' Affairs).
SENATE REPORT No. 1009 (Comm. on Finance).
CONGRESSIONAL RECORD:
Vol. 113 (1967): Dec. 15, considered and passed House.
Vol. 114 (1968): Mar. 11, considered and passed Senate.

March 28, 1968

THE WHITE HOUSE

REMARKS OF THE PRESIDENT AT
THE SIGNING OF H.R. 12555
THE CABINET ROOM

Mr. Driver, Chairman Teague, Senator Randolph, Senator Anderson, and other distinguished representatives of the House of Representatives, ladies and gentlemen:

I am glad you could come here this morning. I think we all appreciate the fact that every month these days more than 70,000 of our best, young men take off their uniforms and go back into civilian life.

These new veterans--like their brothers and their fathers--have served their time and made their contribution to freedom and to liberty and to the things that we hold dear.

They are heroes come home--men who were ready to do all they could, including laying their life on the line in the terrible test that we are going through in Vietnam and other places.

I hope that America will never forget these men--just as she has never forgotten others in other wars who have made other contributions.

I think that we ought to observe that since World War II, about 11.5 million veterans have received educational training and been given educational benefits by the taxpayers of this country under the programs very wisely conceived in the Congress--what we call the various G. I. bills. Almost a half million--some 390,000 veterans are at this moment in school or in training somewhere in this country.

So the bill that we are going to sign shortly is another instance of the nation's enlightened and compassionate tradition of trying to care for those who have carried out their obligations in an earlier day.

This bill--they tell me--will benefit approximately one million human beings who are Americans, and veterans--mostly it happens to be older veterans of other wars--and either their dependents or their survivors. It also protects these Americans against a very sharp reduction in benefits which would have occurred because of increases in other income, such as Social Security payments.

(more)

This bill is one of the several measures to aid veterans that are pending in the Congress and I hope we may be able to get passed this year with the help of the Congress. Among these bills we have proposed to Congress is the Veterans in Public Service Act.

That bill is designed to put the best of America to work on the worst of our problems here at home. We think the veterans are among our best and we know that we have a very great need for good personnel in the worst problems we have.

So we would provide incentives to veterans to serve in the city slums as teachers, in the hospitals of the country to care for the sick, to aid us in our urban areas as policemen, or as firemen--are very necessary public duties that we are having difficulty finding people trained, equipped and ready to perform.

We also have a good many of the rural hollows of the country where we need leadership. The training these men received gives them a particular leadership that is very much in need.

Since Korea, we have discharged about five million--and sent them back into private life. But we have not emphasized to them or helped them prepare to fill our greatest needs.

They have just gone wherever they could go. Only about 100,000 of them--of the five million--have got into teaching. So we want very much to encourage more of these young heroes to come back and set an example in the classrooms, on the street, in the recreation areas in the slums, and in the hollows to inspire our youngsters and to provide leadership for them. This Veterans in Public Service Bill we think will do that.

I want to pay tribute to the members in the House and the Senate who handle our veterans legislation--Chairman Teague, Senator Randolph, the Members of the Finance Committee and the Labor and Public Welfare in the Senate, Veterans Committee in the House. They attempt to do what is fair by the Government and the taxpayer and do what is right by the Servicemen. They have, over the years, been models for prudence and--at the same time--justice.

So all you members of both Parties who are here this morning, I thank you for your help. You have been among the least of my problems. You could have been among the greatest. I am very aware of it.

(more)

In addition, I want to pay public tribute to a career man whom I did not know when I named him to one of the most important posts in Government. There is not a Cabinet officer who handles much more money--other than perhaps HEW and Defense. There is not a more efficient administrator in the Government and not a finer public servant. I do not know what Party he belongs to. I don't even know what State he comes from. All I know is that he does a great job for our country.

Mr. William Driver--to him and to his associates who are career public servants, their President, on behalf of all the country, says "Thank you", too.

Commissioner's Bulletin

SOCIAL SECURITY ADMINISTRATION

Number 72 April 5, 1968

ENACTMENT OF VETERANS PENSION LEGISLATION

To Administrative, Supervisory,
and Technical Employees

On March 28, 1968, President Johnson signed H. R. 12555 (Public Law 90-275), a bill which considerably improves the structure of the veterans pension provisions. The legislation overhauls the system of income brackets which measure the need of veterans and their families for pensions based on the nonservice-connected disability or death of the veteran, so that changes in pension amounts will be much more closely coordinated with changes in a pensioner's other income.

Historically, the new legislation is a second major step in the evolution of the veterans pension income schedules. Under the schedules in effect before July 1, 1960, there was only one benefit bracket provided for each category of pensioner--veteran with no dependents, veteran with dependents, widow, widow with children, and children alone. Under the Veterans Pension Act of 1959, effective July 1, 1960, three graduated benefit amounts were provided for each category depending on the pensioner's income other than pension. The following table compares the pensions payable to veterans with no dependents under P. L. 90-275, with pensions paid under the 1959 act, and under the law prior to July 1960 :

ANNUAL INCOME OTHER THAN PENSION		MONTHLY PENSION		
MORE THAN	BUT NOT MORE THAN	P.L. 90-275	LAW EFFECTIVE 7/1/60	LAW PRIOR 7/1/60
	$ 300	$110		
$ 300	400	108		
400	500	106	$104	
500	600	104		
600	700	100		
700	800	96		$66.15 or, if age 65 or 10 years on rolls, $78.75
800	900	92		
900	1,000	88	79	
1,000	1,100	84		
1,100	1,200	79		
1,200	1,300	75		
1,300	1,400	69		
1,400	1,500	63		
1,500	1,600	57	45	
1,600	1,700	51		
1,700	1,800	45		none
1,800	1,900	37		
1,900	2,000	29	none	

For the veteran without dependents, the new law provides 18 pension levels instead of only 3. The changes made in the schedules for other categories of pensioners are in the same general pattern. In all cases annual income brackets of $100 are now provided. In the category of veteran with dependents, where the maximum allowable other income will be $3, 200, 28 brackets (starting at $500) will replace the present 3 brackets.

The maximum amount of income a pensioner may receive and still qualify for a pension is increased by $200 in all pension schedules. This liberalization permits a reduction in the large dropoff in total income that formerly occurred when the pensioner's other income exceeded the maximum limit and pension payments were suspended.

Under the law prior to enactment of P. L. 90-275, an increase in a pensioner's other income, including social security benefits, could in many instances result eventually in a reduction, often very large, in the pensioner's total income. This could occur when a relatively small increase in other income moved the pensioner into a higher income bracket under the veterans pension laws. (With only a few income brackets provided, a shift to a higher bracket invariably meant a sharp drop in the pension amount--the reduction in pension frequently being larger than the increase in other income.)

The reduction in a pensioner's total income which sometimes resulted following a general social security benefit increase has been of concern to the Social Security Administration particularly because most pensioners also get social security benefits. (Of more than 2 million persons who receive veterans pensions, about 1.5 million also receive social security benefits.) Previous legislation directed to this problem did not provide a basic solution.

Public Law 90-275 goes a long way toward providing a basic solution by greatly increasing the number of income brackets under the veterans pension laws, so that a shift to the next higher income bracket requires only a small reduction in the pension amount. The legislation also generally increases the level of pension amounts provided.

As a result of the new veterans pension law, the social security benefit increase enacted in 1968 presents virtually no problem such as arose when social security benefits were increased in the past. The social security increase will generally not result in a pensioner receiving less total income than he had before the social security increase; most of the pensioners will have a net increase in their total income, some will come out even, and relatively few--for

practical purposes only some of those in the newly added high-income brackets or whose pension payments are suspended because their other income exceeds the maximum limit--might have a net loss of income. When social security benefits are increased in the future some small proportion of pensioners in income brackets other than the newly added high-income brackets could also have a net loss of total income. In the few cases where the pensioner experiences a net loss of income the loss will be much smaller than under prior law. The new law provides that in any event pension amounts will not be reduced before 1970 on account of social security benefits enacted in 1968.

The new law makes no change in the provision enacted in 1964 under which 10 percent of benefits paid under social security or other retirement systems are not counted as income for veterans pension purposes. This provision would, when social security benefits are again increased, reduce the number of cases in which a loss of total income would otherwise occur, because only 90 percent of the increase would be counted as income for veterans pension purposes.

Changes in benefit schedules comparable to those affecting pensions are also made in the program which provides dependency and indemnity compensation for parents of deceased veterans.

The new pension schedules provided in P. L. 90-275 are effective January 1, 1969, and the additional pension amounts provided are estimated at $138 million in the first full year. This increase is on top of pension increases of $91. 5 million a year provided by P. L. 90-77, enacted August 31, 1967. Pensions paid in fiscal year 1967 amounted to about $2 billion.

Robert M. Ball
Commissioner

LISTING OF REFERENCE MATERIALS

U.S. Congress. House. Committee on Veterans' Affairs. Subcommittee on Compensation and Pension. *Income Limitations under VA Pension and DIC Programs. Hearings. . .90th Congress, 1st session.*

U.S. Congress. Committee on Conference. *Veterans' Pension and Readjustment Assistance Act of 1967. Conference Report. (H. Report 554 on S. 16, 90th Congress, 1st session.)*