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SOCIAL SECURITY AMENDMENTS OF 1958

AUGUST 14, 1958.—Ordered to be printed

Mr. BYRD, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 13549]

The Committee on Finance, to whom was referred the bill (H. R. 13549) to increase benefits under the Federal old-age, survivors, and disability insurance system, to improve the actuarial status of the trust funds of such system, and otherwise improve such system; to amend the public assistance and maternal and child health and welfare provisions of the Social Security Act; and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

ORGANIZATION OF THE REPORT

The committee approved bill would amend three important parts of the Social Security Act. Old-age, survivors and disability insurance, title II; Public Assistance, titles I, IV, X, and XIV; and Maternal and Child Welfare, title V. Sections I, II, and III of this report are concerned primarily with old-age, survivors, and disability insurance. Section IV is concerned with public assistance and maternal and child welfare, and section V is a section-by-section analysis of the bill.

I. PURPOSE AND SCOPE OF OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROVISIONS

The old-age and survivors insurance benefit structure and the contribution schedule by which the benefits are financed have not been revised by the Congress since 1954. Since that date there have been significant increases in wages and prices; also, new cost estimates have shown an increase in the actuarial deficit of the program. In the

light of these developments, the committee believes that the Congress should take prompt action to assure that the program be kept both effective and actuarially sound.

Twelve million now rely on monthly checks from the social-security system as the foundation of their economic security. For the overwhelming majority of these aged and disabled persons, widows and orphans, these benefits are the major source of their support. As prices have risen in recent years the purchasing power of social-security benefits has been cut.

Moreover, there are 75 million people who are currently contributing under the social-security program toward the benefits that they and their families will need when they in their turn become too old or too disabled to work or when they die. These 75 million persons, together with their dependents, represent practically all Americans not already in the retired group. The benefit protection toward which these workers are contributing has been deteriorating in relation to the wages they are now earning. For although wages have gone up, the system has not been adjusted to take this fact into account. In a dynamic economy such as ours it is necessary that the social-security system be periodically amended to keep up to date the maximum earnings base which governs how much of each worker's annual earnings is subject to contributions and counted toward his social-security protection, in order to keep benefit amounts generally in line with changing prices, wages, and levels of living.

The latest long-range cost estimates prepared by the Chief Actuary of the Social Security Administration show that the old-age and survivors insurance part of the program (as distinct from the disability part) is further out of actuarial balance than it had been expected to be. When the last major changes were made in 1956 the estimates prepared at that time showed an expected long-range actuarial deficit for old-age and survivors insurance of two-tenths of 1 percent of payroll on an intermediate cost basis. More recent estimates show that the old-age and survivors insurance part of the program is now expected to be out of balance by fifty-seven one-hundredths of 1 percent of payroll.

The disability insurance part of the program, on the other hand, shows a definite actuarial surplus. This is not unexpected, since the benefits that were provided when disability insurance protection was first made a part of the social-security program in 1956 were put on a conservative basis. Not only are the contributions imposed for the purpose of financing the disability side of the program fully adequate to meet outgo, so far as can be determined at this time, but there is some room for improvements in the protection afforded to disabled workers and their families.

Your committee believes that there are four major ways in which the old-age survivors and disability insurance programs should be improved. In addition, the committee has approved certain improvements in the public assistance and maternal and child welfare programs which are discussed later in this report.

The committee-approved bill would make the following major changes in the OASDI programs:

1. The financial basis of the old-age, survivors, and disability insurance program would be strengthened so as to make certain that it is sound.

2. Old-age, survivors, and disability insurance benefit amounts would be increased.

3. The maximum limitation on the annual amount of earnings that can be credited toward benefits and taxed for old-age, survivors, and disability insurance purposes would be increased.

4. The disability insurance provisions of the program would be improved through the provision of benefits for dependents of disabled workers, through the elimination of the provision offsetting certain other disability benefits, and in other ways.

A. STRENGTHENING THE FINANCIAL BASIS OF THE SYSTEM

In addition to the need for action to reduce the insufficiency in the financing of old-age and survivors insurance over the long range, there is need for action to improve the condition of the system over the next few years. This year, for the first time in the 18 years since benefits were first paid, the income to the old-age and survivors insurance trust fund is slightly less than the expenditures from the fund. If no changes are made, outgo will continue to exceed income in each year until 1965. A situation where outgo exceeds income for 7 or 8 years is one that should not be permitted to continue. Public confidence in the system—so necessary if it is to provide real security for the people—may be impaired if the trust fund continues to decline.

These considerations have led the committee to approve the provision of the House bill under which a new schedule of contribution rates would be put into effect immediately.

B. INCREASE IN BENEFIT AMOUNTS

The committee believes that adjustments in old-age, survivors, and disability insurance benefit amounts are necessary at this time. Since the last benefit increase was put into effect in 1954, wages have increased by about 12 percent and prices by 8 percent. The generally higher level of the economy means that a benefit increase is required now if the program is to continue to be effective and if the serious hardships beneficiaries are facing are to be relieved.

A survey of beneficiaries made by the Department of Health, Education, and Welfare in December 1957 showed that for most beneficiaries old-age and survivors insurance benefits constitute the major source of income. Of the married couples on the benefit rolls, 12 percent had no income other than their benefits, and 60 percent had less than \$1,200 of such other income. If only permanent retirement income is considered, 30 percent of the married couples had no such income other than their old-age and survivors insurance benefits, and only 20 percent had as much as \$1,200 of such other income. The situation of single retired workers and of aged widow beneficiaries is less favorable than that of the married couples. Clearly, since their benefits are such an important part of their income, the beneficiaries will be in real need if benefit amounts are not adjusted in the light of rising prices, wages, and levels of living.

C. INCREASE IN THE MAXIMUM EARNINGS BASE

Provision is made in the committee-approved bill, as in the House bill, for increasing from \$4,200 to \$4,800 the maximum on the annual amount of earnings on which workers pay social-security taxes and which count in the computation of their benefits. The committee believes the rise in earnings levels makes such an increase appropriate. If the earnings base is not increased as wages rise, the wage-related character of the system will be weakened and eventually lost. In 1950 about 64 percent of regularly employed men would have had all their wages credited toward benefits under the \$3,600 base that was adopted in that year. The \$4,200 earnings base adopted in 1954 would have covered all the wages of about 56 percent of such workers. In 1957 only 43 percent had all their wages credited; about 56 percent would have received full credit under a \$4,800 base. An increase to \$4,800 would restore the situation which prevailed in 1954 and thus, in our opinion, would be a conservative adjustment to the rise in wages that has taken place.

D. IMPROVEMENTS IN DISABILITY PROTECTION

The Social Security Amendments of 1956 extended the insurance protection of the social security program to provide monthly benefits for insured workers who are no longer able to work because of an extended total disability. The disability provisions that were decided upon at that time were purposely conservative in order to reduce to a minimum the problems that are inevitable in a new program of this kind. It was expected that, as experience under these provisions was gained, and as the soundness of the program was confirmed by this experience, necessary improvements would follow. In recognition of the favorable experience that has developed not only under the cash benefit provisions but also under the so-called disability freeze provisions that have been in effect since 1955, both the House and the committee-approved bills broaden the protection now provided against the risk of extended, total disability. They also remove certain provisions that have proved unnecessarily strict and, in some situations, have caused inequities.

All of the recommended improvements in the disability provisions of the program can be adequately financed from the contributions already earmarked for the Federal Disability Insurance Trust Fund.

(1) Benefits for dependents of disability insurance beneficiaries

Both the House and the committee-approved bills provide additional protection for the families of disabled workers. Present law provides monthly benefits for disabled workers who have attained age 50, but no provisions are made for the dependents of these people. This is a serious gap in the protection provided under the program. Accordingly, the committee-approved bill, like the House bill, provides for monthly benefits for the dependents of disability insurance beneficiaries. These benefits would parallel those now provided for the dependents of retired workers.

(2) Elimination of the disability benefits offset provision

Both the House bill and the committee-approved bill would eliminate the disability benefits offset provision of present law. This

provision requires that the monthly social security benefits payable to disabled workers (and those payable to persons disabled in childhood) be reduced by the amount of any periodic benefit payable on account of disability under other Federal programs (other than veteran's compensation) or a State workmen's compensation system. The application of this requirement has produced inequitable effects.

The committee believes that disability benefits payable under the national social security system should be looked upon as providing the basic protection against loss of income due to disabling illness, and we have concluded that it is undesirable, and incompatible with the purposes of the program, to reduce these benefits on account of disability benefits that are payable under other programs.

(3) Retroactivity for applications for disability benefits and the disability freeze

Both the House bill and the committee-approved bill also would make two changes in the disability provisions of the program that are designed to protect the benefit rights of disabled workers. To avoid penalizing disabled workers who do not file timely applications for disability benefits, both bills include a provision under which these benefits, like old-age insurance benefits, may be payable retroactively for as many as 12 months before the month in which the worker applies for them. For a similar reason—to assure that disabled workers who are eligible to preserve their benefit status through the present disability freeze provision are not precluded from doing so only because they fail to file timely applications for a disability freeze—the bills provide for a 3-year postponement of the present deadline, June 30, 1958, for filing fully retroactive disability freeze applications.

(4) Modifications in the work requirements for eligibility for disability protection

Under present law a disabled worker may fail to qualify for disability insurance benefits or a disability freeze only because he did not work in covered employment during the last year or two before his impairment developed into a total disability. A disabled worker in this unfortunate position is likely to be one who, because he has a progressive illness, is unemployed for quite a few months before his impairment meets the law's requirement of disability for all substantial gainful employment. The committee-approved bill, like the House bill, would alleviate this problem by relaxing the present recency-of-work test. The work requirements for eligibility for disability benefits and for the disability freeze would be made identical—the worker would have to be fully insured and have about 5 years of covered work out of the last 10 years before his disability began.

In addition to the four major areas of improvements outlined above, the House bill and the committee-approved bill provide for less important but nevertheless significant changes in the old-age, survivors, and disability insurance program. These changes will clear up certain inequitable situations under present law, will improve family protection, will make it easier for certain groups to obtain coverage under the program, and will facilitate administration of the program. These changes are spelled out in more detail in parts II and III of this report.

J. FINANCIAL BASIS OF PROGRAM

The total cost of the benefit proposals included in the committee bill is 0.59 percent of payroll so far as the old-age and survivors insurance part of the program is concerned. The increased revenue to the program that would result from the changes in the tax schedule and in the maximum earnings base would amount to 0.91 percent of payroll. Thus there would be an excess of income over outgo resulting from the proposals in the bill of 0.32 percent of payroll on the level-premium basis. Since under present law it is estimated that the actuarial deficit in the program amounts to 0.57 percent of payroll the net result of the bill would be to place the program in a position where it had an estimated actuarial deficit of 0.25 percent. This very substantial improvement in the financial basis of the program brings the anticipated deficit well within the range that will permit the program to be considered actuarially sound.

Not only will the long-range financial picture be improved, but for the short range, too, the program will be more adequately financed. Under present law the OASI trust fund is expected to incur a deficit in every year from now until 1965. Under the committee bill, on the other hand, income will exceed outgo in every year from 1960 on for several decades, and even in 1959 the deficit will be substantially cut. Moreover, the ultimate combined tax rate—9 percent under the committee bill—will be reached in 1969 rather than in 1975, so that the time when the true cost of the program becomes apparent in current tax rates will be reached sooner and contributors will pay more nearly what the benefits are worth.

II. SUMMARY OF PRINCIPAL PROVISIONS OF THE BILL

A. OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROVISIONS

1. Individuals now on the benefit rolls and all future beneficiaries would have their benefits increased by about 7 percent, more at the minimum, over the levels provided in the present law. The minimum increase in the benefit of a worker who retired at or after age 65 would be \$3. The average increase for workers now retired would be about \$4.75. The increased benefits would be effective for January 1959; the first checks in the increased amounts would go out early in February. (Under the House bill, the increases would be effective for months after the second month following the month of enactment.)

2. The dollar ceiling on the total of benefits payable to a family would be raised from \$200 to \$254, which is equivalent to twice the maximum retirement benefit payable.

3. The total annual earnings on which benefits could be computed (and on which contributions would be paid) would be raised from \$4,200 to \$4,800, effective January 1, 1959.

4. Benefits would be provided for the dependents of disabled workers like those now provided for the dependents of retired workers.

5. The provision that now requires payments under certain other disability benefit systems to be offset against social security disability benefits would be repealed, so that a person eligible for a social security disability benefit and also for disability benefit under another system would receive the full amount of his social security benefit.

6. The work requirements that a disabled worker must meet to be eligible for cash disability benefits, and to have his benefit rights frozen while he is disabled, would be changed to make it easier for a disabled worker whose disability has a gradual onset to qualify. Under the bill, the worker would no longer be required to have had 6 quarters of coverage out of the 13 calendar quarters before he became disabled. (He would be required to be fully insured and to have 20 quarters of coverage out of the 40 calendar quarters before he became disabled.)

7. Disability insurance benefits (like all other benefits now provided) would be paid for as much as 12 months before the month in which an application for the benefits is filed. Present law contains no provision for retroactive disability insurance payments.

8. The June 30, 1958, deadline for filing fully retroactive applications for the disability freeze would be postponed for 3 years.

9. The law would be changed to provide that a person whose earnings exceed \$1,200 in a year will not lose a benefit under the retirement test for any month in which he has earned wages of \$100 or less, rather than \$80 or less as under present law.

10. Where earnings exceed the amount allowed under the retirement test without loss of benefits, the excess earnings would be charged to months beginning with the first month of the year. Under present law the excess is charged to months in reverse order beginning with the end of the year. The change means that where an individual's or a family's benefits are increased during a year, the benefits suspended by reason of earnings will be the smaller ones that were payable for the early months of the year.

11. The law would be changed to provide that where a person over age 18 is the child of a deceased or retired insured worker and has been disabled since before age 18, benefits would, in general, be paid to the child without requiring the proof required under present law that he has been dependent upon the worker for his support. The change would make the requirement for the disabled adult child the same as for the child under age 18.

12. Benefits would be provided for the dependent parent of a deceased worker even though there is a widow or child of the worker who is or may become eligible for benefits. Under present law a parent can qualify only if there is no such widow or child.

13. A lump sum would be paid to the widow of a deceased worker only if she was living in the same household with him or has paid his burial expenses.

14. Benefits would be paid to a child if the child had been living in the worker's household, if the child had not been supported by anyone else, and if he was adopted by the widow of the worker within 2 years after the worker died.

15. Benefits would be paid to the mother of a child if the child had been adopted by the mother's deceased husband even though they had not been married for as long as a year.

16. Benefits would be paid to the adopted child of a retired worker even though the child had not been adopted for as long as 3 years.

17. Where a survivor of a deceased worker was (or might at retirement age become) eligible for benefits based on the worker's earnings

but loses eligibility by remarriage, the survivor could become eligible, immediately or upon attainment of retirement age, for benefits on her second husband's earnings record.

18. Where two secondary beneficiaries age 18 or over marry each other, for example, the dependent parent of one worker and the widow of another; the payment of benefits to both beneficiaries would be continued. Under present law, both lose benefits. Childhood disability benefits would be continued when the person receiving them marries a person receiving old-age or disability benefits.

19. Changes would be made in the coverage provisions of the program: (1) to facilitate coverage of certain State and local government employees who are in positions covered by a retirement system; (2) to permit limited retroactive coverage for employees of certain nonprofit organizations; (3) to extend coverage to certain turpentine workers; (4) to provide social security credits for earnings which a person has from a partnership during the year of his death; and (5) to provide that social security wage credits of \$160 will be credited for each month of service performed during World War II by American citizens in the armed forces of certain countries which fought against our enemies in that war.

20. Several changes in technical provisions would be made to facilitate administration of the program.

21. The tax rates now scheduled in the law would be increased by one-fourth of 1 percent each for employees and employers, and three-eighths of 1 percent for the self-employed, above the rates now scheduled, and the scheduled increases in the rates would take place every 3 years instead of every 5 years. The revised schedule would be as follows:

	Percent		
	Employers	Employees	Self-employed
1959.....	2½	2½	3¾
1960-62.....	3	3	4½
1963-65.....	3½	3½	5¼
1966-68.....	4	4	6
1969 and thereafter.....	½	4½	6¾

B. PUBLIC ASSISTANCE PROVISIONS

The bill provides a new formula for Federal participation in public assistance providing additional funds to all States and maximum flexibility in meeting medical care needs and other special needs. The formula also recognizes the limited fiscal capacity of the lower income States.

It extends the public assistance program to Guam, increases the Federal fund limitations for Puerto Rico and the Virgin Islands, and extends for 2 years a special provision applying to blind programs in Missouri and Pennsylvania.

C. MATERNAL AND CHILD WELFARE PROVISIONS

Authorizations are increased: for maternal and child health from \$16.5 million to \$21.5 million, for crippled children's services from \$15 million to \$20 million, and for child welfare services from \$12 million to \$17 million.

In the child welfare services program existing differences in treatment of urban and rural children are eliminated and appropriate allotment and matching provisions are included.

All three programs are extended to Guam.

III. DISCUSSION OF OLD-AGE, SURVIVORS, AND DISABILITY PROVISIONS

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

(1) *General*

The committee-approved bill would, like the House bill, raise the level of benefit payments to reflect changes in the economy and to assist in providing more adequate basic protection for beneficiaries.

(2) *Increase in benefit amounts*

The bill would provide for an increase of about 7 percent over the levels provided in the present law, with a minimum increase of \$3 in the benefits payable to a retired worker who came on the rolls at or after age 65. Proportionate but slightly smaller increases, due to the actuarial reduction, would be received by women workers who elected to retire before age 65.

For retired workers now on the benefit rolls, monthly payments would range from \$33 to \$116, as compared with \$30 to \$108.50 under present law. For those coming on the rolls in the future, the range of benefit payments, taking into account the increased earnings base, would be from \$33 to \$127, although it will be many years before anyone will be able to get the maximum amount.

Table A presents illustrative benefit amounts for various family groups under the bill as compared with present law.

(3) *Family benefits*

The bill would make a change in the maximum amount of monthly benefits payable to a family on the basis of an insured worker's earnings record. The bill would raise the present \$200 per month limitation on family benefits to \$254, an amount equal to twice the maximum benefit provided by the bill for a retired worker. The minimum benefit payable where there is only one survivor beneficiary would be increased from \$30 to \$33.

(4) *Benefit table to replace formulas and conversion table*

The bill would provide for a consolidated benefit table to be used in determining benefit amounts both with respect to future beneficiaries and those now on the benefit rolls. This benefit table would replace the formulas and table now in the law. It is believed to constitute an improvement in the method of determining benefit amounts by making it easier for covered workers and beneficiaries to determine what benefits they are entitled to, and by simplifying the benefit-computation process.

In essence, this benefit table is based on the 1954 act benefit formula increased by 7 percent. The table, however, yields slightly higher benefits for very low average wages so as to reflect a minimum increase of \$3. Amounts for retired workers have, in general, been rounded to the nearest dollar.

Effective date of benefit increase.—The House bill provided that the increased benefits would be payable for months following the second month after the month of enactment of the bill. If the bill should be enacted in August, the increased benefits would become payable beginning with November 1958. The committee believes that the increased benefits should not become payable in advance of the time when the increased tax rates that the bill would provide will become effective. The committee-approved bill, therefore, provides for payment of the increased benefits for months beginning with January 1959.

TABLE A.—*Illustrative monthly benefits payable under present law and H. R. 13549*

Average monthly earnings	Old-age benefits				Survivors' benefits			
	Worker ¹		Man and wife ²		Widow, widower, child or parent		Widow and 2 children	
	Present law	Bill	Present law	Bill	Present law	Bill	Present law	Bill
\$50.....	\$30.00	\$33	\$45.00	\$49.50	\$30.00	\$33.00	\$50.20	\$53.10
\$100.....	55.00	59	82.50	88.50	41.30	44.30	82.60	88.60
\$150.....	68.50	73	102.80	109.50	51.40	54.80	120.00	120.00
\$200.....	78.50	84	117.80	126.00	58.90	63.00	157.10	161.60
\$250.....	88.50	95	132.80	142.50	66.40	71.30	177.20	190.10
\$300.....	98.50	105	147.80	157.60	73.90	78.80	197.10	210.20
\$350.....	108.50	116	162.80	174.00	81.40	87.00	200.00	232.00
\$400.....	(³)	127	(³)	190.50	(³)	95.30	(³)	254.10

¹ Worker aged 65 or over at time of retirement, and wife aged 65 or over at the time when she comes on the rolls.

² Survivor benefit amounts for a widow and 1 child or for 2 parents would be the same as for a man and wife.

³ Not applicable since maximum average monthly earnings amount possible is \$350.

B. EARNINGS BASE

Under the committee's bill the maximum amount of annual covered earnings counted for tax and benefit purposes would be raised from \$4,200 to \$4,800, effective January 1, 1959. This change gives recognition to the principle that benefit levels should reflect varying levels of individual earnings. The American social-insurance system, in relating benefits to prior earnings, rests on the principle that conditions of individual security and individual incentive require a relationship between benefits and previous standards of living. Unless the earnings base is adjusted as earnings rise, practically all regular full-time workers may in time be earning more than the current base, and their benefits will bear little relationship to their previous living standards.

C. BENEFITS FOR DEPENDENTS OF DISABILITY INSURANCE BENEFICIARIES

Under present law, benefits are provided for dependents of an insured worker who dies or becomes entitled to retirement benefits, but no provision is made for benefits for dependents of an insured worker who becomes entitled to disability insurance benefits.

The committee's bill, like the House bill, would provide for the payment of monthly benefits to the dependents of persons receiving disability insurance benefits. The categories of dependents eligible for these benefits would parallel those eligible for benefits as dependents

of old-age insurance beneficiaries—namely, wives and dependent husbands who have reached retirement age; unmarried dependent children (including sons or daughters disabled in childhood); and wives who have an eligible child in their care.

The monthly benefits payable to dependents of disabled workers would be subject to the same conditions as are applicable to the dependents of old-age insurance beneficiaries, except that, in addition, the proposed dependents benefits would be suspended if the disabled worker refused, without good cause, to accept vocational rehabilitation.

It is estimated that about 180,000 dependents of workers eligible for disability insurance benefits could become eligible for these monthly benefits beginning with the first month after the month in which the bill is enacted.

In providing monthly benefits for the dependents of workers entitled to disability insurance benefits, the committee has given recognition to the problems confronting families whose breadwinners have been forced to stop work because of total disability. The benefit amount payable to the disabled worker under the present disability insurance provisions does not provide adequate protection for his family. The needs of the family of a disability insurance beneficiary are as great as, or greater than, the needs of the family of an old-age insurance beneficiary. It is reasonable to assume, also, that in a great many cases the care which the disabled person requires makes it difficult, if not impossible, for his wife to increase the family income by working. In addition, a person receiving disability insurance benefits frequently has high medical expenses.

The provision included in both the House bill and the committee-approved bill recommended by the committee would close a serious gap in the disability insurance protection now provided under the social security program and can be adequately financed from the funds which will flow from social security taxes already provided and earmarked for the Federal Disability Insurance Trust Fund.

D. OTHER IMPROVEMENTS IN THE DISABILITY PROVISIONS

(1) Elimination of disability benefits offset provision

The committee has given further consideration to the disability insurance benefit offset provision, under which the social security disability insurance benefits are reduced by the amount of any periodic benefit payable to an individual on account of disability under certain other Federal programs or under State workmen's compensation laws. This offset provision was included in the law at the time that the provisions for social security disability benefits were enacted to prevent duplication between the new social security disability benefits and other disability payments pending the development of administrative experience under the new program.

In the light of experience in the operation of the offset provision, the committee has concluded that it can now be eliminated. Experience with the social security disability provisions indicates that the danger that duplication of disability benefits might produce undesirable results is not of sufficient importance to justify reduction of the social security disability benefits. The committee-approved bill, like the House bill, provides for the elimination of this offset provision.

(2) *Retroactive payment of disability insurance benefits*

Under present law, old-age and survivors insurance benefits may be paid for as many as 12 months before the month in which application is filed. Disability insurance benefits, however, may not be paid retroactively except in the case of applications for such benefits that were filed before January 1, 1958. The Department of Health, Education, and Welfare has advised the committee that a significant proportion of disabled persons applying for disability insurance benefits this year have failed to make timely applications and as a result have lost benefits for 1 or more months. The Department recommended enactment of a provision to meet this problem.

In the opinion of the committee, it is reasonable to expect that, in the absence of a provision under which applications for disability insurance benefits may have a retroactive effect, loss of disability insurance benefits due to delays in claiming them will be a continuing problem. The committee approved bill, like the House bill, therefore would provide that applicants for disability insurance benefits be allowed the same 12-month period in which to file application without incurring loss of benefits as is allowed applicants for old-age and survivors insurance benefits under present law.

(3) *Modification of work requirement for eligibility for disability protection*

Under present law, to qualify for disability insurance benefits a disabled worker must meet three requirements insofar as his work under the old-age, survivors, and disability insurance program is concerned. He must be fully insured; he must be currently insured, which means that he must have at least 6 quarters of coverage (about 1½ years of work) in the period of 13 calendar quarters ending with the quarter in which he became disabled; and he must have a total of 20 quarters of coverage (about 5 years of work) out of the 40 calendar quarters ending with the quarter in which he became disabled. At present the work requirements for a disability freeze differ from those for monthly disability insurance benefits in that fully insured status is not required for the freeze.

A substantial number of persons who have worked regularly and for long periods in employment or self-employment covered under the old-age, survivors, and disability program are not able to meet the work requirements for disability protection. The committee's bill, like the House bill, would delete the provisions of present law which require that a worker be currently insured in order to be eligible for disability benefits or for the disability freeze and would make the work requirements for disability-insurance benefits and the disability freeze alike by adding fully insured status as a requirement for eligibility for the disability freeze.

It is estimated that a result of the changed work requirements about 35,000 persons who cannot qualify for disability-insurance benefits under present law could, upon filing applications, become immediately eligible for benefits, and that, in addition, about 15,000 persons could qualify immediately for a disability freeze.

Under a program which provides protection against loss of earnings on account of disability, it is reasonable and desirable that there be reliable means of limiting such protection to those persons who have had sufficiently long and sufficiently recent covered employment to

indicate that they probably have been dependent upon their earnings. It was to meet this purpose that the disability work requirements were designed, and, in most cases, the present work requirements produce results in accordance with this purpose. Experience under the program has indicated that the currently insured status requirement has operated to deny disability protection in some cases in which there is no doubt that a worker's earnings have been cut off as a result of disability. A large number of disabled workers fail to meet the currently insured status requirement even though they have worked for substantial periods in covered employment or self-employment and have normally been dependent upon their earnings. In many instances, these are persons whose work was interrupted by a progressive illness and who at the onset of this impairment met the work requirements for disability protection. It is not uncommon that an impairment which is not severe enough to meet the definition of disability in the law causes a worker to be absent from work for extended periods. The result is that by the time the impairment becomes serious enough to meet the definition of disability, the worker has lost his currently insured status.

The committee's bill, like the House bill, would provide for the elimination of the currently insured eligibility requirement for disability protection.

Beginning in July 1961, it will be possible for a worker who has qualified for the disability freeze under the present provisions to fail to qualify for either disability insurance benefits at age 50 or old-age insurance benefits at age 65 because he may not be fully insured. There will be instances, too, where dependents or survivors benefits will not be payable even though the worker had been allowed a disability freeze. The addition of the fully insured status requirement for the disability freeze will remove the anomalous situation wherein a period of disability may be established for a worker who cannot later qualify for benefits, whose dependents cannot qualify if he lives to retirement age, or whose survivors may not qualify if he dies.

The requirement of 20 quarters of coverage out of the 40 calendar quarters ending with the quarter of disablement, together with the fully insured status requirement, should provide reasonable and adequate assurance that the protection afforded by the disability provisions will be keyed to loss of earnings on account of disability.

(4) Extension of the period for filing disability freeze applications that are fully retroactive

Under the disability freeze provision of present law, an individual's social security earnings record can be frozen during a period of extended total disability so that his inability to work during such period of disability will not result in a reduction in, or loss of, his old-age, survivors, and disability insurance entitlement. Under present law, applications for the disability insurance freeze that were filed before July 1, 1958, were fully retroactive—to the actual beginning date of the individual's disability in most instances—thus enabling applicants to preserve their rights under the program even though they had been disabled for a number of years. In the case of applications for the freeze that are filed after June 30, 1958, however, an applicant's period of disability cannot be determined to have begun more than 1 year before the date his application is filed. As a consequence, persons

with longstanding disabilities whose applications are filed after June 30, 1958, are likely to be ineligible for the disability freeze and thus are exposed to loss of all protection under the program.

The committee's bill, like the House bill, would postpone through June 30, 1961, the June 30, 1958, deadline for filing applications for the disability freeze that are fully retroactive. As a result of this change, it is estimated that about 30,000 additional disabled workers could, upon filing application, become immediately eligible for disability insurance benefits; and an additional 10,000 could become immediately eligible for a disability freeze.

Both bills would also provide that in the case of applications for the freeze that are filed after June 30, 1961, an applicant's period of disability cannot be determined to have begun more than 18 months before application is filed.

E. IMPROVEMENT OF THE RETIREMENT TEST

The committee-approved bill, like the House bill, would make several minor modifications of the retirement test to improve public understanding and administration of the test.

(1) *Change from \$80 to \$100 amount of wages used in determining whether benefits must be withheld for a month*

Under present law, when beneficiaries earn more than \$1,200 in a year, benefits may be withheld for months in which wages exceed \$80. This provision is very difficult for beneficiaries to understand because it does not seem to be consistent with the \$1,200 exempt amount, which is often interpreted as meaning \$100 per month. Increasing the \$80 figure to \$100 would facilitate administration by improving public understanding and acceptance of the test. It would also eliminate hardships to beneficiaries who lose benefits because they misunderstand the present test.

(2) *Change the order in which excess earnings are allocated to the months of the year*

Under the present law, any earnings in excess of the \$1,200 annual exempt amount are divided into units of \$80 and the units are charged to months beginning with the last month of the taxable year and then to the remaining months of the year, working backward, for the purpose of determining which monthly benefit checks must be withheld under the retirement test. The committee-approved bill, like the House bill, reverses the order of charging excess earnings to months so that the \$80 units are charged to months starting with the first month of the taxable year and working forward. This provision will alleviate the problems relating to the present order of charging excess earnings. In many cases the wife of a beneficiary attains the qualifying age and comes on the rolls during a year in which the husband is on the rolls for the entire year. If, in such cases, the husband has excess earnings, the wife may lose some or even all of her benefit payments because the excess earnings are allocated starting with the last month of the year. Also, where benefits are recomputed or otherwise increased during the year the present method of allocating excess earnings operates to the disadvantage of beneficiaries.

(3) *Filing of annual report*

Present law requires all beneficiaries under age 72 to make a report of earnings if they earn over the exempt amount. The committee-approved bill would modify this requirement so that a beneficiary who receives no benefits for the year because he has already notified the Bureau of Old-Age and Survivors Insurance that he expected to earn over the exempt amount would not have to file another report at the end of the year.

F. DEPENDENTS' BENEFITS

(1) *Dependency of a disabled child*

Under present law, a disabled child who is 18 or over at the time he applies for child's insurance benefits is required to show that he is receiving at least one-half of his support from his parent, or that he was receiving at least one-half of his support from the parent at the time the parent died. On the other hand, a child who is under 18 when he applies for benefits is generally assumed to have been dependent on his father (and on his mother if she has had a significant amount of recent work). Under the committee bill, disabled children who are 18 or over would be deemed dependent on their parents just as younger children are.

(2) *Payment of parent's benefits where a widow or child survives*

The existence of a widow or child actually or potentially entitled to monthly benefits now prevents the payment of monthly benefits to the dependent parent of a deceased worker. This bar operates even if the potentially entitled wife or child never becomes entitled to benefits. The situation has been aggravated by the fact that the 1957 amendments made possible the payment of benefits to a widow who was not living with her husband at the time of his death, so that the existence of a widow who was not living with the worker now prevents payment of benefits to a parent who was living with and dependent on the worker at the time of his death. The committee-approved bill would remove this restriction.

(3) *Benefits for an adopted child after the worker's death*

An adoptable child living as a member of a worker's family and supported by him is, from the point of view of the purposes of the social security program, just as much in need of replacement of the support the child had received from the worker as is the worker's own child. If after the worker's death the surviving spouse adopts the child, the child should, for purposes of receiving child's insurance benefits, be treated as an adopted child of the deceased worker. The committee-approved bill provides for payment of benefits to a child in such cases if at the time of the worker's death the child was a member of the worker's household, if the child was not being supported by any other person, and if the worker's spouse adopts the child within 2 years after the worker dies.

(4) *Removal of 3-year requirement for a child adopted by a retired worker*

Present law requires that the adopted child of a retired worker must have been adopted for at least 3 years before becoming eligible for child's insurance benefits. This provision was intended to provide protection against abuses through adoptions undertaken to secure

rights to benefits. Adoptions are subject to approval by the courts of the various States, and it does not seem that benefits should be denied to all adopted children in order to prevent a rare case of abuse. The committee-approved bill would make benefits payable to an adopted child immediately after adoption.

(5) *Elimination of duration of marriage requirement where a child has been adopted by the deceased worker*

In order to eliminate an anomalous situation where a child can qualify for benefits but his mother who is caring for him cannot, the committee-approved bill, like the House bill, would provide that where a child of a surviving spouse had been adopted by the deceased worker, the surviving spouse can qualify for mother's widow's, or widower's benefits even if married to the deceased worker for less than a year.

(6) *Elimination of duration of marriage requirements where a potential secondary beneficiary marries*

Under present law, the benefit rights of a dependent or secondary beneficiary are terminated if the dependent marries and yet the dependent cannot qualify for benefits on the new spouse's earnings record until the marriage has lasted for some time. Where, for example, the dependent has reached retirement age and marries an old-age beneficiary, the dependent cannot qualify for benefits on the basis of the new spouse's earnings until after 3 years, or until after 1 year if the new spouse should die. The committee believes that when a person who has rights to a dependent's benefit marries and the rights to the previous benefit are terminated, there should be no delay in permitting the person to qualify as a dependent of the new spouse for a benefit based on the new spouse's earnings record. The committee-approved bill, like the House bill would remove the duration-of-marriage requirements for husband's, wife's widow's, and widower's benefits if at the time of the marriage the person was or could have become entitled to a dependent's benefit.

(7) *Provision that marriage will not terminate benefits in certain situations*

When a secondary beneficiary marries, such person's benefit is terminated under present law. If he marries a person who is or who will become entitled to an old-age insurance benefit, he may qualify for a new benefit based on the earnings of the new spouse. But if the new spouse is also receiving a secondary benefit, the benefits of both are terminated and ordinarily neither beneficiary can become entitled to any new benefits. The committee-approved bill, like the House bill, would eliminate the hardship in these cases by providing that marriage would not terminate a benefit where a person receiving mother's, widow's, widower's, parent's, or childhood disability benefits marries a person receiving any of these benefits or where a person receiving mother's or childhood disability benefits marries a person entitled to old-age or disability insurance benefits.

(8) *Reinstatement of rights to mother's insurance benefits*

The committee's bill would reinstate rights to mother's insurance benefits which were terminated by remarriage if the new husband dies before the marriage has lasted long enough for the wife to qualify for mother's benefits on his earnings.

G. COVERAGE

(1) Employment for nonprofit organization

Under present law when two-thirds of the employees of a religious, charitable, or other nonprofit organization desire coverage under the OASDI program and the organization files a certificate waiving its tax-exempt status, coverage may be effective on the first day of the calendar quarter in which the certificate is filed, or the first day of the succeeding calendar quarter. Because of a number of circumstances, some nonprofit organizations find it difficult to file the certificate promptly. Since present law makes no allowance for reasonable delays in filing waiver certificates, and since coverage can be effective no earlier than the quarter in which a certificate is filed, employees of these organizations are deprived of coverage for a period of time.

The committee's bill, like the House bill, makes provision for a reasonable period of retroactive coverage. Both bills include a provision under which organizations filing certificates after the enactment date of the bill and prior to 1960 could choose to be covered as of the beginning of 1956. Organizations that filed certificates after 1955 but before enactment could similarly choose to be covered retroactively for as far back as the beginning of 1956, provided they file a request for such coverage prior to 1960. In addition to these temporary provisions for coverage retroactive to the beginning of 1956, the bills include a permanent provision under which coverage could be retroactive for 1 year before the certificate is filed.

Coverage would also be made possible for employees of certain nonprofit organizations which under present law cannot secure the necessary concurrence of two-thirds of their employees because some of their employees are covered by a public retirement system and do not desire social-security coverage. For social-security coverage purposes, the employees of a nonprofit organization who are members of such a retirement system will be treated as a group separate from the employees who are not members.

(2) Retroactive coverage for certain employees of State and local governments

Under the present provisions of the Social Security Act, employment occurring before the execution of a State-Federal coverage agreement may, within limits specified in the law and at the option of the State, can be credited under old-age, survivors, and disability insurance. This retroactive coverage is available only for individuals who are still employees on the date the agreement providing coverage is approved by the Secretary of Health, Education, and Welfare. Both the committee-approved bill and the House bill would permit States to provide retroactive coverage, within the general time limits applying to State and local employment, for individuals who are employees on any date specified by a State which is (1) not earlier than the date the State submits its agreement or modification to the Secretary of Health, Education, and Welfare and (2) not later than the date the agreement is executed by the Secretary. If an individual is in the employ of the State or local government on the date specified by the State he would be covered for whatever retroactive period is provided for the group of which he is a member, even though his employment is terminated before the agreement is executed.

This provision would help to prevent hardships which can occur under present law in cases where an individual leaves the employ of a State or locality—because of death, a change of jobs, retirement, or for some other reason—during the period when a coverage agreement between the State and the Secretary of Health, Education, and Welfare is in the process of being negotiated or executed. At present, due to the time that may elapse during this period of negotiation, employees who had reason to expect they would get social-security coverage but whose employment is terminated before the agreement is executed lose the coverage that would otherwise have been provided. In some such situations, because of this loss of coverage, the employee has been unable to qualify for old-age insurance benefits when he retired. In other instances, the employee has died and his family has not been able to qualify for survivors benefits.

(3) *Addition of Massachusetts and Vermont to the States which may provide coverage through division of retirement systems*

The Social Security Amendments of 1956 included a provision permitting eight States (Florida, Georgia, New York, North Dakota, Pennsylvania, Tennessee, Washington, and Wisconsin) and the Territory of Hawaii to divide their retirement systems into two parts so as to obtain old-age, survivors, and disability insurance coverage, under the States' coverage agreements with the Department of Health, Education, and Welfare, for only those States and local government employees who desire such coverage, provided all future entrants into the retirement system are covered under old-age, survivors, and disability insurance. In 1957 this provision was extended to four additional States (California, Connecticut, Minnesota, and Rhode Island) and to all interstate instrumentalities.

Your committee's bill would extend this provision to Massachusetts and Vermont, which have expressly requested such extension.

(4) *Facilitating coverage under the provisions for division of State and local government retirement systems*

The bill would make two changes which would facilitate coverage of certain retirement system members under the provision permitting specified States to extend coverage to only those members who desire such coverage, provided all persons who later become members are covered. Under one of the changes, those persons not originally choosing coverage would have an additional opportunity to elect such coverage. The other change would provide for the coverage under this provision of persons who have an option to join a State or local retirement system but have not exercised that option.

Under present law, when a State or local government retirement system is divided to provide social-security coverage for those members who want coverage, the members who fail to choose coverage do not get a second chance to obtain it. Your committee believes that there is a need for legislation which would allow individuals not initially in the group desiring coverage to have a limited additional period of time to consider, or reconsider, whether they wish to come under old-age, survivors, and disability insurance. Problems have arisen in some instances because individuals who would have expressed a desire for coverage if they had an opportunity to do so did not have this opportunity for various reasons, such as absence from

work because of illness. In other cases, persons who indicated that they did not desire social-security coverage later changed their minds. Your committee's bill would afford an additional opportunity for obtaining social-security coverage to individuals who were included in the group of persons not desiring coverage. Under the bill, a State would be permitted to modify its coverage agreement with the Department of Health, Education, and Welfare at any time before 1960, or, if later, within 1 year after coverage is approved for the group in question, to transfer these people to the group desiring coverage. Such a transfer would be made only in the case of individuals who filed a request with the State before the date of approval by the Secretary of the modification proposing the transfer.

Under present law, only persons who are actually members of a State or local government retirement system may obtain coverage under the provision permitting specified States to provide coverage for only the members who want coverage. The committee's bill, like the House bill, would provide for the coverage under this provision of individuals who have an option to join the State or local system but who have not joined. Under both bills, when coverage is provided under the divided retirement system procedure by means of a coverage action that is approved after 1959, the State would be required to treat individuals having an option to join the State or local system in the same manner as members of the system. Thus, the State would be required to give these persons the same opportunity to obtain social-security coverage as is given to members, and all persons who later become eligible to join the State or local system would automatically be covered under social security, just as new members are covered.

The coverage under the divided-retirement-system provision of persons who have not exercised their option to join a system would be at the discretion of the State in the case of coverage actions that are completed before 1960. In the case of coverage actions which have already been completed, such persons could be covered under the provision of the bill which would afford individuals a second chance to join the group of persons desiring social-security coverage.

(5) Facilitate social security coverage of persons in positions under more than one retirement system

Under present law, State and local government employees in positions under retirement systems may be covered under old-age, survivors, and disability insurance only upon a favorable referendum vote by the members, or under the provisions which permit specified States to cover only those members of a system who desire coverage, provided all future members are covered. A person in a position covered under more than one State or local retirement system cannot be brought under social security unless all of the State and local retirement systems under which his position is covered take action to come under social security. Even if this action is taken, there are some circumstances under which he cannot be brought under social security. Moreover, a person who is a member of one State and local retirement system and, though not a member, has the option of joining another such system cannot be brought under social security in the absence of action by both systems.

As a result of the present restriction, it is often difficult for persons in positions covered by more than one State or local retirement

system to gain old-age, survivors, and disability insurance protection even when a retirement system group of which they are members comes under the program. The committee's bill, like the House bill, would permit these people to come under social security with a retirement-system coverage group without regard to what action, if any, the other retirement system that covers their positions takes on social security coverage. However, this provision would not apply to individuals who, on the date the State's coverage agreement is made applicable to a retirement system, are not actually members of such system (though their positions are covered by the system) and are members of another system; nor would the provision apply to persons in policemen's and firemen's positions in States where persons in such positions cannot be covered. The proposed change would be optional for the States with respect to retirement systems covered before 1959; beginning in 1959, States would be required to apply the changed procedure when they extend coverage to retirement system groups.

(6) Turpentine workers

The committee bill, like the House bill, would extend coverage to workers engaged in the production of turpentine and gum naval stores who are employed by the original producer of the crude gum. These workers would be covered under the present provisions applicable to other agricultural workers. Many of the people in this group are employed only temporarily or seasonally in the production of turpentine and gum naval stores so that they are likely to have already earned credits under the social security program in other work. Even those workers covered for the first time will, after a relatively short period of regular covered work, acquire survivors protection for their families, and after a somewhat longer period of covered work will acquire retirement and disability protection under the program.

(7) Coverage of partnership earnings in the year of partner's death

As a result of a change made in the Internal Revenue Code of 1954, a member of a partnership cannot get social security credit for his earnings from the partnership in the year of his death. The committee bill, like the House bill, provides that a deceased partner's distributive share of partnership income shall be included for social security purposes in computing his net earnings from self-employment for the year of his death. The distributive share of a partner who dies after the date of enactment of the bill would be, for social security purposes, mandatorily included in his net earnings from self-employment. The distributive share of a partner who died after 1955 and on or before the date of enactment may be so included upon the filing of an amended social security tax return. Although this amendment affects only a small number of people, it corrects an inequity in present law. The amendment will enable some farm operators, lawyers, and others who were brought under the program under the 1954 and 1956 amendments to acquire an insured status which they would otherwise be unable to attain. In the future the amendment will, in some cases, provide needed social security credits for persons who die while members of a partnership.

(8) *Social security credits for certain American citizens who served in the armed forces of allied countries*

Under present law, to assure that veterans who served in the Armed Forces of the United States have approximately the same status under old-age, survivors, and disability insurance as they might have had if military service had not interfered with their employment, wage credits of \$160 are provided for each month of their active service in the Armed Forces of the United States during World War II and the post-World War II period. Both the committee-approved bill and the House bill would make comparable provision for American citizens who served in the armed forces of countries which fought with the United States against our enemies during the World War II period from September 16, 1940, to July 24, 1947, inclusive.

Before the United States entered World War II a number of Americans joined the armed forces of countries traditionally friendly with the United States. These citizens either left employment covered by social security to enter service abroad or probably would have worked in covered employment had they not entered military service. The committee is concerned that they may have a gap in their social security coverage because of service with our allies during the time of war.

Both the committee bill and the House bill provide safeguards to assure that the military service wage credits will be given only to persons who could reasonably have been expected to be in covered employment had they not been in service. The wage credits would be provided only for American citizens who entered into service in the armed forces of a foreign country before the United States entered World War II, provided the foreign country was, on September 16, 1940, at war with a country which became an enemy of the United States during World War II.

H. MISCELLANEOUS PROVISIONS

(1) *Change in eligibility requirement for the lump-sum death payment*

Under present law, to qualify for the lump-sum death payment a spouse must have been "living with" the worker. The "living with" requirement is met if the spouse was living in the household with the worker or receiving contributions from him, or if the worker was under a court order to contribute to the spouse's support. The committee-approved bill, like the House bill, would change the requirement to one that the spouse must have been living in the same household with the worker. Since the purpose of the lump-sum death payment is to help with the expenses incidental to the death of the worker, it is appropriate for the payment to be made only to the spouse who was actually living in the same household with the worker since it can be assumed that she will take responsibility for those expenses. The widow who meets the requirement because her husband was contributing to her support, or because he was under court order to do so, cannot be presumed to have assumed the expenses incident to her husband's death. The spouse who was not living in the same household with the worker may receive the lump-sum death payment if she actually did pay the worker's burial expenses.

(2) *Authorization to charge for certain services provided by the Bureau of Old-Age and Survivors Insurance*

The law now authorizes the Bureau of Old-Age and Survivors Insurance to charge for furnishing information, but not for services, for purposes not directly related to the administration of the old-age and survivors insurance program. The committee-approved bill, like the House bill, would provide an authorization for the Bureau to charge for services such as forwarding letters to account numbers holders for health research purposes, which are unrelated to the program and therefore could not properly be provided at the expense of the trust funds, and provides for the charges to be deposited in the trust funds.

(3) *Description of offenses that constitute fraud*

The present provision in the law prescribing penalties for fraudulent actions does not take into account the major amendments adopted in 1954 and 1956, such as the amendments relating to disability and the application of the earnings test to noncovered work. The committee-approved bill, like the House bill, would make the penalty provision applicable in connection with willful failure to disclose information, as well as with respect to positive actions, in connection with uncovered as well as covered earnings, and in connection with suspensions, terminations, and misuse of benefits, and disability determinations, as well as applications for benefits.

(4) *Remove requirement in the law that attorney representing claimant before the Secretary file with the Secretary a certificate of his right to practice before a court*

Under present law only a qualified attorney may represent claimants. The attorney must file with the Secretary a certificate, from the presiding judge or clerk of a court before which he is admitted to practice, of his right to practice before that court. Inasmuch as a person who misrepresents himself as an attorney is subject to penalties outside the provisions of the Social Security Act, this provision should be eliminated. The committee-approved bill, like the House bill, provides statutory authority for the Secretary no longer to require the filing of a certificate by an attorney and would conform to long-standing administrative practice in other fields.

I. INCREASES IN CONTRIBUTION RATES

The committee-approved bill, like the House bill, increases the scheduled contribution rates on earnings paid by employers and employees by one-fourth percent above the rates now scheduled, with a corresponding increase for the self-employed, and provides that the future increases in the tax rate shall take place at 3-year, rather than 5-year intervals. The new schedule would be as follows:

Years	Rate for employee and employer	Rate for self employed
	Percent	Percent
1959.....	2½	3¾
1960-62 inclusive.....	3	4½
1963-65 inclusive.....	3½	5¼
1966-68 inclusive.....	4	6
1969 and later.....	4½	6¾

J. ACTUARIAL COST ESTIMATES FOR THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM

(1) *Financing policy*

The Congress has always carefully considered the cost aspects of the old-age, survivors, and disability insurance system when amendments to the program have been made. In connection with the 1950 amendments, the Congress was of the belief that the program should be completely self-supporting from contributions of covered individuals and employers. Accordingly, in that legislation, the provision permitting appropriations to the system from general revenues of the Treasury was repealed. This policy has been continued in subsequent amendments. Thus, the Congress has always very strongly believed that the tax schedule in the law should make the system self-supporting as nearly as can be foreseen and therefore actuarially sound.

The concept of actuarial soundness as it applies to the old-age, survivors, and disability insurance system differs considerably from this concept as applicable to private insurance although there are certain points of similarity—especially as concerns private pension plans. Thus, the concept of “unfunded accrued liability” does not by any means have the same significance for a social insurance system as it does for a plan established under private insurance principles. In a private insurance program, the insurance company or other administering institution must have sufficient funds on hand so that if operations are terminated, the plan will be in a position to pay off all the accrued liabilities. This, however, is not a necessary basis for a national compulsory social insurance system. It can reasonably be presumed that under Government auspices such a system will continue indefinitely into the future. The test of financial soundness then is not a question of sufficient funds on hand to pay off all accrued liabilities. Rather the test is whether the expected future income from tax contributions and from interest on invested assets will be sufficient to meet anticipated expenditures for benefits and administrative costs. Thus, it is quite proper to count both on receiving contributions from new entrants to the system in the future and on paying benefits to this group. These additional assets and liabilities must be considered to determine whether the system is estimated to be in actuarial balance.

Accordingly, it may be said that the old-age, survivors, and disability insurance program is actuarially sound if it is in actuarial balance by reason of the fact that future income from contributions and from interest earnings on the accumulated trust funds will over the long run support the disbursements for benefits and administrative expenses. Obviously, future experience may be expected to vary from the actuarial cost estimates made now. Nonetheless, the intent that the system be self-supporting (or actuarially sound) can be expressed in law by utilizing a contribution schedule that, according to the intermediate-cost estimate, results in the system being in balance or substantially close thereto.

The actuarial balance under the 1952 act¹ was estimated, at the time of enactment, to be virtually the same as in the estimates made at the time the 1950 act was enacted. (See table 1.) This was the case because of the rise in earnings levels in the 3 years preceding the enactment of the 1952 amendments being taken into consideration in the estimates for those amendments and this virtually offset the

¹ The term “1952 act” (and similar terms) is used in this section to designate the system as it existed after the enactment of the amendments of that year.

increased cost due to the benefit liberalizations made. New cost estimates made 2 years after the enactment of the 1952 amendments indicated that the level-premium cost (i. e., the average long-range cost, based on discounting at interest, relative to payroll) of the benefit disbursements and administrative expenses were somewhat more than 0.5 percent of payroll higher than the level-premium equivalent of the scheduled taxes (including allowance for interest on the existing trust fund).

The 1954 amendments contained an adjusted contribution schedule that met not only the increased cost of the benefit changes in the bill, but also reduced somewhat the aforementioned lack of actuarial balance. Accordingly, it may be said that under the 1954 act, the increase in the contribution schedule met all the additional cost of the benefit changes proposed and at the same time reduced substantially the "actuarial insufficiency" which the then current estimates had indicated in regard to the financing of the 1952 act.

The estimates for the 1954 act were revised in 1956 to take into account the rise in the earnings level that had occurred since 1951-52, which period had been used as the basis for the estimates made in 1954. Taking this factor into account reduced the lack of actuarial balance under the 1954 act to the point where, for all practical purposes, it was nonexistent; accordingly, the system was in approximate actuarial balance. The benefit changes made by the 1956 amendments were fully financed by the increased contribution income provided so that the actuarial balance of the system was unaffected, and the program thus remained actuarially sound.

New cost estimates have been made for the old-age, survivors, and disability insurance program taking into account recent experience and modified assumptions as to anticipated future trends. In the past 2 years, there has been a very considerable number of retirements from among the groups newly covered by the 1954 and 1956 amendments so that benefit expenditures have run appreciably higher than had been previously estimated. Moreover, the analyzed experience for the recent years of operation indicate that retirement rates have risen or, in other words, that the average retirement age has dropped significantly. This may be due in large part to the liberalizations of the retirement test made in recent years, under which aged persons are better able to effect a smoother transition from full employment to full retirement. These new cost estimates indicate that the program as it is under the provisions of the 1956 act is out of actuarial balance by over 0.4 percent of payroll.

The committee believes that not only should any liberalizations in benefit provisions be fully financed by appropriate changes in the tax schedule or through other methods, but also that the actuarial status of the system should be improved in similar manner so that the actuarial insufficiency is reduced to the point where it is virtually eliminated, namely below one-fourth of 1 percent of payroll, as has been the case generally in the previous legislation.

(2) Basic assumptions for cost estimates

Estimates of the future cost of the old-age, survivors, and disability insurance program are affected by many factors that are difficult to determine. Accordingly, the assumptions used in the actuarial cost estimates may differ widely and yet be reasonable. Benefit

payments may be expected to increase continuously for at least the next 50 to 70 years because of factors such as the aging of the population of the country and the slow but steady growth of the benefit roll that is inherent in any retirement program, public or private, which has been in operation for a relatively short period.

The cost estimates for the bill as reported by your committee are the same as those for the House-approved bill since no changes that are significant from an actuarial cost standpoint have been made. These estimates are given on a range basis so as to indicate the plausible variation in future costs depending upon the actual trend developing for the various cost factors. Both the low- and high-cost estimates are based on high economic assumptions, intended to represent close to full employment, with average annual earnings at about the level prevailing in 1956. In addition to the presentation of the cost estimates on a range basis, intermediate estimates developed directly from the low- and high-cost estimates (by averaging them) are shown so as to indicate the basis for the financing provisions.

In general, the costs are shown as a percentage of covered payroll. This is the best measure of the financial cost of the program. Dollar figures taken alone are misleading. For example, a higher earnings level will increase not only the outgo but also, and to a greater extent, the income of the system. The result is that the cost relative to payroll will decrease.

The cost estimates have been prepared on the basis of the same general assumptions and methodology as those contained in the Eighteenth Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund (H. Doc. No. 401, 85th Cong.).

It should be especially mentioned that the assumptions used in connection with the disability benefits are essentially the same as those used in the original cost estimates for these benefits when they were first incorporated in the law in 1956 (but with certain minor modifications of methodology that result in the cost being shown somewhat lower than originally estimated). The actual experience to date under the very strict definition of "disability" in the law has been significantly lower in cost than the intermediate-cost assumptions would indicate. Nevertheless, until somewhat more experience is available and can be analyzed, it is believed that these cost bases for the monthly disability benefits should be maintained. Disability incidence and termination rates can vary widely—much more so than mortality rates, which are a basic factor in the retirement and survivor benefit cost calculations.

The cost estimates are extended beyond the year 2000 since the aged population itself cannot mature by then. The reason for this is that the number of births in the 1930's was very low as compared with subsequent experience. As a result, there will be a dip in the relative proportion of the aged from 1995 to about 2010, which would tend to yield low benefit costs for that period. Accordingly, the year 2000 is by no means a typical ultimate year.

An important measure of long-range cost is the level-premium contribution rate required to support the system into perpetuity, based on discounting at interest. It is assumed that benefit payments and taxable payrolls remain level after the year 2050. If such a level

rate were adopted, relatively large accumulations in the trust fund would result, and in consequence there would be sizable eventual income from interest. Even though such a method of financing is not followed, this concept may nevertheless be used as a convenient measure of long-range costs. This is a valuable cost concept, especially in comparing various possible alternative plans and provisions, since it takes into account the heavy deferred benefit costs.

The estimates are based on level-earnings assumptions. This, however, does not mean that covered payrolls are assumed to be the same each year; rather, they rise steadily as the population at the working ages is estimated to increase. Thus, the total taxable payroll under the bill is estimated at about \$210 billion in 1960 and is estimated to increase to about \$240 billion in 1970, \$275 billion in 1980, \$365 billion in the year 2000, and then to almost \$500 billion eventually. If in the future the earnings level should be considerably above that which now prevails, and if the benefits for those on the roll are at some time adjusted upward so that the annual costs relative to payroll will remain the same as now estimated for the present act, then the increased dollar outgo resulting will offset the increased dollar income. This is an important reason for considering costs relative to payroll rather than in dollars.

The cost estimates have not taken into account the possibility of a rise in earnings levels, although such a rise has characterized the past history of this country. If such an assumption were used in the cost estimates, along with the unlikely assumption that the benefits, nevertheless, would not be changed, the cost relative to payroll would, of course, be lower. If benefits are adjusted to keep pace with rising earnings trends, the year-by-year costs as a percentage of payroll would be unaffected. In such case, however, this would not be true as to the level-premium cost—which would be higher, since under such circumstances, the relative importance of the interest receipts of the trust funds would gradually diminish with the passage of time. If earnings do consistently rise, thorough consideration will need to be given to the financing basis of the system because then the interest receipts of the trust funds will not meet as large a proportion of the benefit costs as would be anticipated if the earnings level had not risen.

An important element affecting old-age, survivors, and disability insurance costs arose through amendments made to the Railroad Retirement Act in 1951. These provide for a combination of railroad retirement compensation and social security covered earnings in determining benefits for those with less than 10 years of railroad service (and also for all survivor cases).

Financial interchange provisions are established so that the old-age and survivors insurance trust fund and the disability insurance trust fund are to be placed in the same financial position in which they would have been if there never had been a separate railroad retirement program. It is estimated that, over the long range, the net effect of these provisions will be a relatively small gain to the old-age, survivors, and disability insurance system since the reimbursements from the railroad retirement system will be somewhat larger than the net additional benefits paid on the basis of railroad earnings.

(3) *Results of intermediate-cost estimates*

The intermediate-cost estimates are developed from the low-cost and high-cost estimates by averaging them (using the dollar estimates and developing therefrom the corresponding estimates relative to payroll). The intermediate-cost estimate does not represent the most probable estimate, since it is impossible to develop any such figures. Rather, it has been set down as a convenient and readily available single set of figures to use for comparative purposes.

The Congress, in enacting the 1950 amendments and subsequent legislation, was of the belief that the old-age, survivors, and disability insurance program should be on a completely self-supporting basis or, in other words, actuarially sound. Therefore, a single estimate is necessary in the development of a tax schedule intended to make the system self-supporting. Any specific schedule will necessarily be somewhat different from what will actually be required to obtain exact balance between contributions and benefits. This procedure, however, does make the intention specific, even though in actual practice future changes in the tax schedule might be necessary. Likewise, exact self-support cannot be obtained from a specific set of integral or rounded fractional tax rates increasing in orderly intervals, but rather this principle of self-support should be aimed at as closely as possible.

The contribution schedules contained in the 1956 act and in the bill are as follows (in each case, one-fourth percent of the employer rate and of the employee rate, and three-eighths percent of the self-employed rate is used for monthly disability benefits):

Calendar year	Employee rate (same for employer)		Self-employed rate	
	1956 act	Bill	1956 act	Bill
	Percent	Percent	Percent	Percent
1958.....	2¼	2¼	3¾	3¾
1959.....	2¼	2½	3¾	3¾
1960 to 1962.....	2½	3	4¾	4½
1963 to 1964.....	2½	3½	4¾	5¼
1965.....	3¼	3½	4¾	5¼
1966 to 1968.....	3¼	4	4¾	6
1969.....	3¼	4½	4¾	6¼
1970 to 1974.....	3½	4½	5¾	6¾
1975 and after.....	4¼	4½	6¾	6¾

Under the bill, benefits would be computed from a table set forth in the law. At first glance, it would appear that an entirely new principle had been adopted from that prevailing in the previous laws which specified a definite benefit formula and minimum and maximum benefit provisions. Actually, however, this table is based on a definite formula and minimum and maximum benefit provisions, which are built into the table so that there is no change in the basic principle that has prevailed over the years. Certain approximations, however, have been made because of the necessary grouping involved in constructing a benefit table that, for facility of administration, is in terms of primary benefits rounded to the nearest dollar.

The benefit formula for the primary insurance amount under the 1954 act was 55 percent of the first \$110 of average monthly

wage, plus 20 percent of the next \$240 of such wage. The bill, by increasing benefits by 7 percent and by raising the maximum earnings base to \$4,800, thus changed this formula to 58.85 percent of the first \$110 of average monthly wage plus 21.40 percent of the next \$290 of such wage (except that in some cases for average monthly wages of under \$85, a slightly higher amount is payable so as to fit in with the increased minimum benefit). The minimum primary insurance amount (and the minimum benefit for a survivor family consisting of only 1 beneficiary) of \$30 a month established under the 1954 act is increased to \$33 by the bill.

The 1954 act also established certain maximum family benefits, namely, the lesser of \$200 or 80 percent of the average monthly wage, but with the exception that the latter maximum could not decrease the total family benefit below the larger of \$50 or 1½ times the primary insurance amount. Under the bill, the family maximum benefit provision has been changed so that it is the lesser of \$254 (which is twice the maximum possible primary insurance amount, namely, that for an average monthly wage of \$400) or 80 percent of average wage (as before), but with the exception that the latter maximum cannot reduce the total family benefit below the larger of 1½ times the primary insurance amount (as before) or the primary insurance amount plus \$20 (having the effect of setting this exception not lower than \$53). In actual application, the 80 percent maximum will generally yield somewhat more than the mathematical result of taking 80 percent of the individual's average wage since the benefit table provides for maximum family benefits on the basis of 80 percent of the upper end of the range of average wages that produce the rounded primary insurance amount. As the bill would actually work out, the maximum family benefit would be as shown below for various average monthly wages and primary insurance amounts:

Average monthly wage	Primary insurance amount	Maximum family benefit
\$67 or under.....	\$33-\$40	Primary insurance amount plus \$20.
\$67 to \$127.....	40- 68	1½ times primary insurance amount.
\$127 to \$319.....	68-109	80 percent of average wage.
\$320 to \$400.....	110-127	\$254.

NOTE.—As shown above, in 2 instances, either of 2 methods of determining the maximum family benefit can be used (of course, yielding the same result).

Table 1 shows that the bill would reduce the lack of actuarial balance of the old-age and survivors insurance system from 0.57 percent of payroll to 0.25 percent of payroll, or about the same level as was the case for the 1956 amendments at the time they were enacted. At the same time, the disability insurance system would have an actuarial surplus of 0.01 percent of payroll under the bill, as compared with 0.15 percent under the provisions of the 1956 act. The effect of the bill on the combined old-age, survivors, and disability insurance system would be to reduce the actuarial deficit from 0.42 percent of payroll to 0.24 percent, which is well within the margin of variation possible in actuarial cost estimates, and which is about the same as has generally prevailed in the past when the system has been in substantial actuarial balance. If the cost estimates had been based

on current earnings levels (instead of those for 1956), the lack of actuarial balance would have been shown as somewhat less than 0.24 percent of payroll.

Table 2 traces through the change in the actuarial balance of the system from its situation under the 1956 act (according to the latest estimate) to that under the bill, according to the major changes proposed.

It should be emphasized that in 1950 and in subsequent amendments the Congress did not recommend that the system be financed by a high, level tax rate in the future, but rather recommended an increasing schedule, which, of necessity, ultimately rises higher than the level-premium rate. Nonetheless, this graded tax schedule will produce a considerable excess of income over outgo for many years so that sizable trust funds will develop, although not as large as would arise under a level-premium tax rate. This fund will be invested in Government securities (just as is also the case for the trust funds of the civil-service retirement, railroad retirement, national service life insurance, and United States Government life-insurance systems). The resulting interest income will help to meet part of the higher benefit costs of the future.

The revised contribution schedule in the bill has a twofold effect on the financing of the system. First, there is a uniform one-half of 1 percent increase in the combined employer-employee rate for all future years beginning with 1959. Second, the subsequent increases in the contribution rate, which are scheduled at 5-year intervals in present law, are advanced to 3-year intervals. As shown in table 2, the first of these changes quite naturally has the effect of producing additional income equivalent to 0.50 percent of payroll on a level-premium basis. The other change in the tax schedule, namely accelerating the interval between increases has the level-premium effect of increasing income to the system by 0.19 percent of payroll.

Another change that would be made by the bill also has the effect of increasing the income to the system, namely, raising the maximum taxable and creditable earnings base from \$4,200 to \$4,800 a year. This change has the effect of increasing income by a gross amount equivalent to 0.55 percent of payroll on a level-premium basis, but this is partially offset by the additional benefits that will be paid on the higher earnings credited (namely, 0.32 percent of payroll on a level-premium basis). Accordingly, the net effect is equivalent additional income of 0.23 percent of payroll on a level-premium basis.

The level-premium cost of the old-age and survivors insurance benefits (without considering administrative expenses and the effect of interest earnings on the existing trust fund) under the 1956 act, according to the latest intermediate-cost estimate, is about 8.0 percent of payroll, while the corresponding figure for the bill is 8.4 percent. Similarly, the corresponding figures for the disability benefits are 0.35 percent for the 1956 act and 0.49 percent for the bill.

To summarize the changes in the actuarial balance of the system, from the provisions of the 1956 act to the provisions as they would be under the bill, the increased revenue to the program that would result from the changes in the tax schedule and from the net effect of the increase of the maximum earnings base would amount to 0.91 percent of payroll on a level-premium basis insofar as the old-age and survivors insurance part of the program is concerned. Correspondingly, the

total cost of the old-age and survivors insurance benefit changes in the bill would amount to 0.59 percent of payroll. Thus, there would be an excess of long-range income over outgo resulting from the provisions of the bill of 0.32 percent of payroll on a level-premium basis. Since under the 1956 act it is estimated that the actuarial deficit in the program is 0.57 percent of payroll, the net result of the bill would be to place the program in a position where it has an estimated actuarial deficit of 0.25 percent of payroll. This very substantial improvement in the financial basis of the program brings the anticipated deficit well within the range that will permit the program to be considered actuarially sound.

Table 3 presents the benefit costs under the bill for each of the various types of benefits.

The level-premium contribution rates equivalent to the graded schedules in the 1956 act and in the bill may be computed in the same manner as level-premium benefit costs. These are shown in table 1 for income and disbursements after 1957 (except for the original estimate for the 1956 act, which figures are based on operations after 1955). The figures for the net actuarial balance are also shown in table 1.

Old-age and survivors insurance benefit disbursements for the calendar year 1958 would be increased by less than \$1 million by the bill, while there would, of course, be no additional income to the fund during the year. In calendar year 1959, such benefit disbursements under the bill would total about \$9.4 billion, or an increase of about \$650 million over present law. At the same time, contribution income for old-age and survivors insurance for 1959 would amount to about \$8.6 billion under the bill, or \$1.1 billion more than under present law. Thus, the excess of benefit outgo over contribution income would be reduced from \$1.4 billion under present law to \$750 million under the bill. The decreases in the old-age and survivors insurance trust fund would not be as large as the figures just given because the interest receipts would exceed outgo for administrative expenses and transfers to the railroad retirement accounts.

In 1960, old-age and survivors insurance benefit disbursements under the bill would, according to the intermediate cost estimate, be \$10.0 billion, or an increase of \$700 million over the present law. At the same time, contribution income for old-age and survivors insurance for 1960 would be \$10.6 billion under the bill, or \$1.5 billion more than under present law. Accordingly, in 1960, there would be an excess of contribution income over benefit outgo of about \$600 million under the bill, whereas under present law there would be a deficit of about \$300 million. Under the bill, the excess of contribution income would be about \$500 million in 1961, about \$50 million in 1962, and about \$1.5 billion a year in 1963 and in 1964. On the other hand, under present law, during each year of the period 1961-64, there would be deficits of contribution income as compared with benefit outgo ranging up to as much as \$1 billion.

As to the disability insurance system, if the bill were to become law in August 1958, benefit disbursements for the calendar year 1958 would be increased by about \$18 million, while there would, of course, be no additional income to the trust fund during the year. In calendar year 1959, such benefit disbursements under the bill would total about \$430 million, or an increase of about \$200 million over

present law. At the same time, contribution income for disability insurance for 1959 would amount to about \$980 million, or only a small increase over present law (solely because of raising the taxable earnings base, since there is no change made in the amount of contributions assignable to this program). Nonetheless, in 1959 there would be an excess of contribution income over benefit outgo of about \$500 million. Similarly, in 1960 and the years immediately following, contribution income would be well in excess of benefit outgo—by as much as \$300 million in 1965 and, of course, somewhat larger amounts in the earlier years.

Table 4 gives the estimated operation of the old-age and survivors insurance trust fund under the bill for the long-range future, based on the intermediate-cost estimate. It will, of course, be recognized that the figures for the next two or three decades are the most reliable (under the assumption of level-earnings trends in the future) since the populations concerned—both covered workers and beneficiaries—are already born. As the estimates proceed further into the future, there is, of course, much more uncertainty—if for no reason other than the relative difficulty in predicting future birth trends, but it is desirable and necessary nonetheless to consider these long-range possibilities under a social-insurance program that is intended to operate in perpetuity.

In every year after 1959, for almost the next 30 years, contribution income is estimated to exceed old-age and survivors insurance benefit disbursements. Even after the benefit outgo curve rises ahead of the contribution income curve in 1985, the trust fund will nonetheless continue to increase because of the effect of interest earnings (which more than meet the administrative expense disbursements and any financial interchanges with the railroad retirement program). As a result, this trust fund is estimated to grow steadily, reaching \$50 billion in 1970, \$99 billion in 1980, and \$163 billion at the end of this century. In the very far distant future; namely, in about the year 2030, the trust fund is estimated to reach a maximum of about \$295 billion, and then decrease slowly. Nevertheless, even 90 years from now, this estimate would show a trust fund of about \$200 billion. The fact that the trust fund would not become exhausted until somewhat more than a century hence, indicates that the proposed tax schedule is not quite self-supporting although it is, for all practical purposes, sufficiently close so that the system may be said to be actuarially sound. This general situation was also true for the 1950 act and for subsequent amendments, according to the estimates made when they were being considered.

On the other hand, the disability insurance trust fund grows steadily. (See table 5.) In 1970, it is shown as being \$5.7 billion, while in 1980 and 2000, the corresponding figures are \$6.8 billion and \$13.2 billion, respectively. There is an excess of contribution income over benefit disbursements for every year up to about 1975, and even thereafter the trust fund continues to grow because of its interest earnings. In fact, this trust fund is never shown to decline in any future year, which is to be expected since the level-premium cost of the disability benefits according to the intermediate-cost estimate is slightly lower than the level-premium income of one-half of 1 percent of payroll.

(4) *Results of cost estimates on range basis*

As indicated previously in connection with table 1, the excess of (1) the level-premium contribution rate equivalent to the graded schedule in the law over (2) the level-premium cost of benefit payments and administrative expenses (after appropriate adjustment for the effect of interest earnings on the existing trust fund) is used to indicate the actuarial balance of the system. A negative figure indicates the lack of actuarial balance; a positive figure indicates more than sufficient financing (according to the estimate). The following table shows these figures for the bill according to the low-cost, high-cost, and intermediate-cost estimates for the old-age and survivors insurance program and for the disability insurance program (computed as of the beginning of 1958):

[Percent]

Item	Low-cost	High-cost	Intermediate-cost
Old-age and survivors insurance			
Contributions.....	8.05	7.98	8.02
Benefit cost ¹	7.29	9.42	8.27
Net difference.....	.78	-1.44	-.25
Disability insurance			
Contributions.....	0.50	0.50	0.50
Benefit cost ¹33	.67	.49
Net difference.....	.17	-.17	.01

¹ Including adjustments (a) to reflect the lower contribution rate for the self-employed as compared with the combined employer-employee rate, (b) for the interest earnings on the existing trust fund, and (c) for administrative expense costs.

Table 6 shows the estimated operations of the old-age and survivors insurance trust fund for the low-cost and high-cost estimates, while table 7 gives corresponding figures for the disability insurance trust fund. Under the low-cost estimate, the old-age and survivors insurance trust fund builds up quite rapidly and in the year 2000 is shown as being about \$280 billion and is then growing at a rate of about \$14 billion a year. Likewise, the disability insurance trust fund grows steadily under the low-cost estimate, reaching about \$45 billion in the year 2000, at which time its annual rate of growth is about \$2 billion. For both trust funds, after 1959, benefit disbursements do not exceed contribution income in any year in the foreseeable future.

On the other hand, under the high-cost estimate, the old-age and survivors insurance trust fund builds up to a maximum of about \$85 billion in about 25 years, but decreases thereafter until it is exhausted in the year 2010. Under this estimate, benefit disbursements from the old-age and survivors insurance trust fund are smaller than contribution income during all years before 1980, except 1959 and 1962 (in the latter year a relatively small deficit would be shown). As to the disability insurance trust fund, in the early years of operation, contribution income materially exceeds outgo, and this is so until 1965. Accordingly, the disability insurance trust fund, as

shown by this estimate, would be about \$3 billion in 1965 and would then slowly decrease until being exhausted in 1976.

These results are consistent and reasonable, since the system on an intermediate-cost estimate basis is intended to be approximately self-supporting, as indicated previously. Accordingly, a low-cost estimate should show that the system is more than self-supporting, whereas a high-cost estimate should show that a deficiency would arise later on. In actual practice, under the philosophy in the 1950 and subsequent acts, as set forth in the committee reports therefor, the tax schedule would be adjusted in future years so that neither of the developments of the trust funds shown in tables 6 and 7 would ever eventuate. Thus, if experience followed the low-cost estimate, and if the benefit provisions were not changed, the contribution rates would probably be adjusted downward—or perhaps would not be increased in future years according to schedule. On the other hand, if the experience followed the high-cost estimate, the contribution rates would have to be raised above those scheduled. At any rate, the high-cost estimate does indicate that under the tax schedule adopted, there would be ample funds to meet benefit disbursements for several decades, even under relatively high-cost experience.

Table 8 shows the estimated costs of the old-age and survivors benefits and of monthly disability benefits under the bill as a percentage of payroll through the year 2050 and also the level-premium cost of the 2 programs for the low-cost, high-cost, and intermediate-cost estimates (as was previously shown in tables 1 and 3 for the intermediate-cost estimate).

(5) Summary of actuarial cost estimates

The old-age, survivors, and disability insurance system, as modified by the bill, has a benefit cost that is very closely in balance with contribution income. This also was the case for the 1950 act and subsequent amendments at the time they were enacted. In fact, the system as modified by the bill is significantly closer to actuarial balance, according to the intermediate-cost estimate, than is the present law. The system as modified by the bill, and the system as it was modified by the previous amendments, has been shown to be not quite self-supporting under the intermediate-cost estimate. There is very close to an exact balance, especially considering that a range of error is necessarily present in the long-range actuarial cost estimates and that rounded tax rates are used in actual practice. Accordingly, the old-age, survivors, and disability insurance program, as it would be amended by this bill, is actuarially sound. In fact, the actuarial status of the program is very much improved over that of present law since the cost of the liberalized benefits is more than met by the increased contributions that are scheduled (with such rise going fully into effect almost immediately upon the inauguration of the new benefit provisions).

The disability insurance portion of the program—established under the 1956 act—when considered separately, shows a small favorable actuarial balance because the contribution rate allocated is slightly in excess of the cost for the disability benefits, based on the intermediate-cost estimate. Considering the variability of cost estimates for disability benefits, this small actuarial excess is not significant.

TABLE 1.—Actuarial balance of old-age, survivors, and disability insurance program under various acts for various estimates on an intermediate-cost basis

[Percent]

Legislation	Date of estimate	Level-premium equivalent ¹		
		Benefit cost	Contributions	Actuarial balance ²
Old age, survivors, and disability insurance³				
1950 act.....	1950	6.05	6.95	-0.10
1952 act.....	1952	5.85	5.75	-.10
1952 act.....	1954	6.62	6.05	-.57
1954 act.....	1954	7.50	7.12	-.38
1954 act.....	1956	7.45	7.29	-.16
1956 act.....	1956	7.85	7.72	-.13
1956 act.....	1958	8.15	7.83	-.42
1958 bill (House).....	1958	8.76	8.52	-.24
Old-age and survivors insurance⁴				
1956 act.....	1956	7.43	7.23	-0.20
1956 act.....	1958	7.90	7.35	-.57
1958 bill (House).....	1958	8.27	8.02	-.25
Disability insurance⁵				
1956 act.....	1956	0.42	0.46	+0.07
1956 act.....	1958	.35	.50	+.15
1958 bill (House).....	1958	.49	.50	+.01

¹ The disability insurance program was inaugurated in the 1956 act so that all figures for previous legislation are for the old-age and survivors insurance program only.

² Expressed as a percentage of taxable payroll.

Including adjustments: (a) to reflect the lower contribution rate for the self-employed as compared with the combined employer-employee rate, (b) for the interest earnings on the existing trust fund, and (c) for administrative expense costs.

³ A negative figure indicates the extent of lack of actuarial balance. A positive figure indicates more than sufficient financing, according to the particular estimate.

TABLE 2.—Changes in estimated level-premium cost of benefit payments as percentage of taxable payroll, by type of change, intermediate-cost estimate at 3 percent interest, 1956 act and bill

Item	Old-age and survivors insurance	Disability insurance
	Percent	Percent
Present lack of balance (-) or surplus (+).....	-0.57	+0.15
Increase of ½-percent in tax schedule.....	+ .50	
Acceleration of tax schedule (3-year rises).....	+ .19	
Increased income from higher earnings base.....	+ .52	+ .03
Additional benefit cost from higher earnings base.....	- .30	- .02
Increase of benefit level by 7 percent (or \$3, if more).....	- .57	- .03
Supplementary benefits for disability beneficiaries.....		- .06
Elimination of disability benefit offset provision.....		- .03
Modification of insured status requirements.....		- .03
Liberalizing retirement test.....	- .01	
Paying parent's benefits in all cases.....	- .01	
Lack of balance (-) or surplus (+) under bill.....	- .25	+ .01

TABLE 3.—Estimated level-premium cost of benefit payments, administrative expenses, and interest earnings on existing trust fund under bill as percentage of taxable payroll,¹ by type of benefit, intermediate-cost estimate at 3 percent interest

Item	Old-age and survivors insurance	Disability insurance
	<i>Percent</i>	<i>Percent</i>
Primary benefits.....	5.92	0.43
Wife's benefits.....	.57	.03
Widow's benefits.....	1.23	(²)
Parent's benefits.....	.02	(²)
Child's benefits.....	.43	.03
Mother's benefits.....	.11	(²)
Lump-sum death payments.....	.12	(²)
Total benefits.....	8.40	.49
Administrative expenses.....	.09	.01
Interest on existing trust fund ³	-.22	-.01
Net total level-premium cost.....	8.27	.49

¹ Including adjustment to reflect the lower contribution rate for the self-employed as compared with the combined employer-employee rate.
² This type of benefit not payable under this program.
³ This item is taken as an offset to the benefit and administrative expense costs.

TABLE 4.—Progress of old-age and survivors insurance trust fund under bill, high-employment assumptions, intermediate-cost estimate at 3 percent interest

(In millions)

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial inter-change ¹	Interest on fund ²	Balance in fund ³
Actual data						
1951.....	\$3,367	\$1,885	\$81	-----	\$417	\$15,540
1952.....	3,819	2,194	88	-----	365	17,442
1953.....	3,945	3,006	88	-----	414	18,707
1954.....	5,163	3,670	92	-----	468	20,576
1955.....	5,713	4,998	119	-----	461	21,663
1956.....	6,172	5,715	132	-----	531	22,519
1957.....	6,826	7,347	162	-----	557	22,393
Estimated data						
1958.....	\$7,297	\$8,318	\$156	-\$124	\$565	\$21,656
1959.....	8,632	9,400	161	-219	570	21,079
1960.....	10,621	10,027	166	-196	593	21,905
1961.....	11,106	10,618	169	-195	637	22,666
1962.....	11,256	11,207	172	-199	675	23,019
1963.....	13,124	11,678	175	-156	708	24,843
1964.....	13,652	12,016	178	-156	765	26,909
1965.....	13,830	12,333	181	-160	824	28,891
1970.....	19,404	15,030	201	-70	1,410	50,480
1975.....	20,880	17,766	222	-59	2,190	76,606
1980.....	22,301	20,874	246	12	2,862	98,880
2000.....	29,695	29,672	332	192	4,773	163,813
2020.....	36,124	40,716	426	192	8,368	285,941

¹ A positive figure indicates payment to the trust fund from the railroad retirement account, and a negative figure indicates the reverse.
² At 3 percent, except 2.6 percent in 1958, 2.7 percent in 1959, 2.8 percent in 1960, and 2.9 percent in 1961.
³ Not including amounts in the railroad retirement account to the credit of the old-age and survivors insurance trust fund. In millions of dollars, these amounted to \$377 for 1953, \$284 for 1954, \$163 for 1955, \$60 for 1956, and nothing for 1957 and thereafter.
⁴ This figure is artificially high because reimbursements from the disability insurance trust fund, called by the law had not been made in calendar year 1957. These amounted to about \$14 million.

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TABLE 5.—Progress of disability insurance trust fund under bill, high-employment assumptions, intermediate-cost estimate at 3 percent interest

(In millions)

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial interchange ¹	Interest on fund ²	Balance in fund
Actual data						
1957.....	\$702	\$57	\$3	-----	\$7	\$649
Estimated data						
1958.....	\$914	\$263	\$19	-----	\$25	\$1,306
1959.....	980	431	21	\$10	42	1,887
1960.....	991	492	23	-20	59	2,402
1961.....	1,004	555	23	-23	76	2,881
1962.....	1,018	613	24	-26	92	3,327
1963.....	1,032	675	24	-28	104	3,737
1964.....	1,046	736	25	-31	116	4,107
1965.....	1,059	798	25	-34	126	4,437
1970.....	1,141	1,052	27	-34	165	5,686
1975.....	1,227	1,249	30	-31	187	6,392
1980.....	1,311	1,380	30	-22	201	6,844
2000.....	1,745	1,649	40	-2	383	13,194
2020.....	2,125	2,330	51	1	521	17,764

¹ A positive figure indicates payment to the trust fund from the railroad retirement account, and a negative figure indicates the reverse.

² At 3 percent, except 2.6 percent in 1958, 2.7 percent in 1959, 2.8 percent in 1960, and 2.9 percent in 1961.

³ This figure is artificially low because reimbursements to the old-age and survivors insurance trust fund, called for by the law, had not been made in calendar year 1957. These amounted to about \$14 million.

TABLE 6.—Estimated progress of old-age and survivors insurance trust fund under bill, high-employment assumptions, low-cost and high-cost estimates at 3 percent interest¹

(In millions)

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial interchange ¹	Interest on fund ²	Balance in fund
Low cost estimate						
1965.....	\$13,866	\$12,055	\$107	-\$145	\$887	\$31,205
1970.....	19,458	14,663	186	-49	1,546	55,376
1975.....	21,072	17,217	206	-32	2,446	85,781
1980.....	22,773	19,965	228	39	3,334	115,772
2000.....	32,137	26,835	310	218	8,082	280,066
High-cost estimate						
1965.....	\$13,794	\$12,609	\$195	-\$176	\$762	\$26,576
1970.....	19,351	15,398	216	-91	1,274	45,584
1975.....	20,683	18,315	239	-85	1,934	67,430
1980.....	21,829	21,782	263	-14	2,391	81,988
2000.....	27,263	32,511	384	167	1,465	³ 47,559

¹ A positive figure indicates payment to the trust fund from the railroad retirement account, and a negative figure indicates the reverse.

² At 3 percent, except 2.6 percent in 1963, 2.7 percent in 1959, 2.8 percent in 1960, and 2.9 percent in 1961.

³ Fund exhausted in 2010.

TABLE 7.—Estimated progress of disability insurance trust fund under bill, high-employment assumptions, low-cost and high-cost estimates at 3 percent interest

(In millions)

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial interchange ¹	Interest on fund ²	Balance in fund
Low-cost estimate						
1965.....	\$1,063	\$535	\$22	-\$32	\$164	\$5,876
1970.....	1,144	699	23	-32	259	9,099
1975.....	1,239	834	25	-29	360	12,527
1980.....	1,339	930	27	-20	474	16,449
2000.....	1,889	1,110	36	-----	1,310	45,372
High-cost estimate						
1965.....	\$1,056	\$1,059	\$28	-\$35	\$88	\$2,098
1970.....	1,138	1,407	30	-35	71	2,272
1975.....	1,216	1,666	33	-33	15	258
1980.....	1,283	1,828	35	-24	(³)	(³)
2000.....	1,602	2,189	44	-4	(³)	(³)

¹ A positive figure indicates payment to the trust fund from the railroad retirement account, and a negative figure indicates the reverse.

² At 3 percent, except 2.6 percent in 1958, 2.7 percent in 1959, 2.8 percent in 1960, and 2.9 percent in 1961.

³ Fund exhausted in 1976.

TABLE 8.—Estimated cost of benefits of old-age, survivors, and disability insurance system as percent of payroll¹, under bill

(In percent)

Calendar year	Low-cost estimate	High-cost estimate	Intermediate-cost estimate ²
Old-age and survivors insurance benefits			
1970.....	6.47	6.84	6.66
1980.....	7.46	8.40	7.96
1990.....	7.83	9.91	8.82
2000.....	7.06	10.06	8.44
2025.....	7.96	13.23	10.15
2050.....	10.08	15.09	12.02
Level-premium cost ³	7.29	9.42	8.27
Disability insurance benefits			
1970.....	0.32	0.63	0.48
1980.....	.36	.72	.53
1990.....	.30	.64	.46
2000.....	.30	.68	.47
2025.....	.37	.81	.55
2050.....	.43	.87	.60
Level-premium cost ³33	.67	.49

¹ Taking into account lower contribution rate for the self-employed, as compared with combined employer-employee rate.

² Based on the average of the dollar costs under the low-cost and high-cost estimates.

³ Level-premium contribution rate, at 3-percent interest rate, for benefits after 1957, taking into account interest on the Dec. 31, 1957, trust fund future administrative expenses, and the lower contribution rates payable by the self-employed.

IV. DISCUSSION OF PUBLIC ASSISTANCE AND MATERNAL AND CHILD WELFARE PROVISIONS

A. PUBLIC ASSISTANCE PROVISIONS

(1) *General*

The bill would amend those provisions of the Social Security Act relating to old-age assistance (title I), aid to dependent children (title IV), aid to the blind (title X), and aid to the permanently and totally disabled (title XIV), so as to:

(1) Change the formula determining the Federal share of assistance payments to provide an average maximum on State expenditures for assistance in which there can be Federal sharing, including assistance in the form of medical care and as money payments, and make a portion of the Federal contribution related to the per capita income of the States;

(2) Extend the benefits of the four titles to Guam, with a dollar limitation on the total Federal grant;

(3) Increase the dollar limitation on the total Federal grant to Puerto Rico and the Virgin Islands;

(4) Extend for an additional 2 years the special matching provisions for certain State aid-to-blind programs.

(2) *Explanation of committee amendments to public assistance provisions*

In view of testimony by the Secretary of Health, Education, and Welfare that the administration is strongly opposed to increases in the Federal share of public assistance payments, a number of changes in the House bill have been made to minimize these objections:

(1) The maximum on matchable payments has been reduced from \$66 to \$65 for the aged, blind, and disabled, and from \$33 to \$30 for recipients of aid to dependent children. This is estimated to effect a saving of \$39 million annually, reducing the annual cost of the provisions from \$288 million to \$249 million.

(2) The effective date has been deferred from October 1, 1958, to January 1, 1959, reducing the cost in fiscal 1959 to about \$125 million.

The committee also provided for an Advisory Council on Public Assistance to study the proper Federal role and matching formulas for these programs, similar to the existing Council on Social Security Financing which would report its findings and recommendations by January 1, 1960.

The provisions of the House bill that would have repealed section 9 of the act of April 19, 1950, amended, relating to additional Federal sharing under titles I, IV, and X in assistance provided to Navaho and Hopi Indians has been eliminated.

(3) *Federal matching formula*

Under the old-age assistance, aid to the permanently and totally disabled, aid to the blind, and aid to dependent children titles of the Social Security Act, the Federal Government participates in State expenditures made to needy individuals in the form of money payments, and in behalf of an individual in the form of medical care or other forms of remedial care recognized under State law. The law provides a maximum on State expenditures in which the Federal Gov-

ernment can participate, separately stated for money payments to the individual for assistance and medical care on his behalf. For money payments made to the individual the present maximum, in old-age assistance, aid to the blind, and aid to the permanently and totally disabled is \$60 a month; for aid to dependent children, the present maximum is \$32 a month for the first dependent child in the home, \$23 for each additional child in the home, and \$32 a month for the relative caring for the dependent child or children. For medical care costs paid in behalf of a needy person to vendors of medical care (doctors, hospital, etc.), the Federal Government participates in expenditures up to a total determined by multiplying \$6 a month times the number of adults receiving assistance in a particular State, and \$3 a month by the number of children receiving assistance. The Federal share of the payments made which are within the maximums described above, is for old-age assistance, aid to the blind, and aid to the permanently and totally disabled, four-fifths of the first \$30 of the average assistance payment, and one-half of the remainder up to a maximum of \$60, and in the aid to dependent children, fourteen-seventeenths of the first \$17 of the average assistance payment made under the program, and one-half of the remainder up to the maximum of \$32 or \$23. For medical care, the Federal share of payments made within the maximums of \$6 and \$3 is one-half, or \$3 and \$1.50.

Under the committee's bill, the method of determining the Federal share of State expenditures would be changed in two respects:

(1) The maximums on the payment made to the recipient and on the vendor expenditures made in his behalf in the form of medical or remedial care in which the Federal Government will participate would be combined into one maximum and on the basis of the average payment to all recipients in a State which maximum is applicable to the entire assistance expenditure, including both money payments to the needy recipients and medical care in their behalf. For old-age assistance, aid to the blind, and aid to the permanently and totally disabled, this maximum would be \$65 a month. In aid to dependent children, the maximum would be \$30 a month for each individual receiving assistance.

(2) The Federal share would be determined in part by the relative fiscal ability of the State as measured by average State per capita income.

The Federal share of assistance expenditures for the aged, blind, and disabled would be four-fifths of the first \$30 of the average monthly assistance expenditure (as at present). For needy dependent children, the Federal share would be changed from fourteen-seventeenths of the first \$17 of the average monthly assistance expenditures for individuals receiving aid to five-sixths of the first \$18 of such expenditures.

Federal participation in the assistance expenditures made above these maximums but within the overall limits determined by multiplying by \$65 the number of persons receiving old-age assistance, aid to the blind, and aid to the permanently and totally disabled each month; and by \$30 the number of persons receiving aid to dependent children each month would be increased above the present 50-50 matching for the lower income States. Federal participation in such payments would be 50 percent for States whose per capita income was equal to

or above the average per capita income for the United States, and would range upward to 70 percent for States whose per capita income is below the national average. The bill directs that the Secretary of the Department of Health, Education, and Welfare, between July 1 and August 31 of each even numbered year, shall promulgate the Federal percentage for each State on the basis of average per capita income of each State and of the continental United States, for the three most recent calendar years for which satisfactory data are available from the Department of Commerce. Such promulgation shall be used in determining the Federal share of State assistance expenditures for the succeeding 2 years. Special provision is made in the bill for the Secretary to promulgate a percentage as soon as possible after the enactment of this act, which shall be used for the 11 quarters in the period beginning October 1, 1958, through June 30, 1961.

The change to an average maximum holds many advantages for the States in simplification of administrative procedures by eliminating some detailed recordkeeping and by enabling the States, with Federal participation, to meet more adequately the unusual needs of individuals. This is difficult to do under the present law, inasmuch as the Federal maximums are stated in terms of payments to an individual. The combining of the Federal maximum on assistance paid as money payments to the individual and medical care in his behalf also is advantageous. This change will enable a State to decide to what extent it wishes to pay for medical care received by the needy through the method of making a payment in his behalf to the vendor of the medical care or giving him money so that he can purchase his own medical care, without being influenced by consideration of Federal financial sharing. The bill will make it clear that the Federal Government will be able to participate financially in State expenditures for medical care in those instances in which the recipient was eligible at the time the medical care was authorized, but who subsequently became ineligible for such reasons as death prior to the payment of the bill.

Under the bill, each State would receive additional Federal funds which would enable the States to increase the payments to individuals receiving aid as needed or to give assistance to additional needy people. The revised formula in the bill for determining the Federal share of assistance will be of particular assistance to States with limited fiscal resources and will enable these States to make more nearly adequate assistance payments. This will help to more nearly balance the level of assistance made available to needy people in the various parts of the country.

Estimated increase¹ in Federal funds by States under proposal in committee bill

State (in order of per capita income, 1954-56)	All programs combined		State (in order of per capita income, 1954-56)	All programs combined	
	Total annual increase	Monthly increase per recipient		Total annual increase	Monthly increase per recipient
United States total.	Thousands \$249,512	\$3.94	Minnesota.....	Thousands 5,305	\$5.33
12 highest States.....	40,593	1.98	Kansas.....	2,259	3.32
27 middle States.....	106,801	4.47	Florida.....	8,548	4.14
12 lowest States.....	102,118	5.40	Arizona.....	2,938	5.96
Delaware.....	306	3.05	Iowa.....	6,333	7.68
Connecticut.....	1,091	2.82	Texas.....	14,117	3.46
Nevada.....	205	2.84	Nebraska.....	2,192	6.05
New Jersey.....	1,281	1.94	Maine.....	2,015	8.40
District of Columbia.....	957	4.22	Virginia.....	3,229	4.52
California.....	4,331	.76	Utah.....	1,299	4.87
New York.....	8,207	1.85	Vermont.....	1,050	7.96
Illinois.....	5,526	2.15	Idaho.....	1,624	9.10
Michigan.....	6,519	3.50	Oklahoma.....	21,489	10.29
Massachusetts.....	3,027	1.81	New Mexico.....	3,802	7.72
Ohio.....	7,412	3.35	Louisiana.....	23,536	7.85
Maryland.....	1,731	3.12	Georgia.....	20,706	9.43
Washington.....	2,718	2.40	South Dakota.....	2,610	10.26
Rhode Island.....	1,136	3.75	North Dakota.....	1,650	7.74
Pennsylvania.....	6,908	2.99	West Virginia.....	8,558	7.08
Indiana.....	2,947	3.48	Tennessee.....	10,333	6.32
Oregon.....	1,349	3.19	Kentucky.....	7,401	4.27
Wyoming.....	199	2.93	North Carolina.....	7,127	3.80
Montana.....	1,125	5.26	Alabama.....	6,690	2.36
Missouri.....	5,582	2.11	South Carolina.....	2,967	3.09
Colorado.....	2,692	2.72	Arkansas.....	9,666	8.65
Wisconsin.....	4,718	5.51	Mississippi.....	874	.47
New Hampshire.....	532	4.44	Alaska.....	217	2.77
			Hawaii.....	387	2.37

¹ Assuming States continue to spend as much per recipient per month from State and local funds as under present formula. Based on estimates by the States of recipients and expenditures for fiscal year 1959.

(4) Approval of certain State plans for aid to the blind

The bill provides for an additional 2-year extension of section 344 (b) of the Social Security Act, relating to aid to the blind programs in Pennsylvania and Missouri.

(5) Technical amendment

The Social Security Amendments of 1956 emphasized the importance of helping recipients attain self-care and required that State plans provide a description of the services the States agencies make available to recipients of public assistance. The language requiring this description was omitted from the amendments to title I in 1956. This technical amendment is added.

(6) Guam, Puerto Rico, and the Virgin Islands

The bill would amend the definition of "State" in the general provisions (title XI) so as to include Guam and thus extend the old-age assistance, aid to dependent children, aid to the blind, and aid to the permanently and totally disabled programs to that island possession. Federal sharing in expenditures for public assistance in Guam would be on a 50-50 basis, the same as now in effect for Puerto Rico and the Virgin Islands. The limitation of the total amount of Federal grants for public assistance in Guam would be \$400,000. There are many points of comparability between Guam and the Virgin Islands, and Puerto Rico, both of which jurisdictions have public-assistance programs with Federal participation. Such programs as

public health, vocational educational, vocational rehabilitation, and employment services have already been extended to Guam.

The bill also increases the dollar amount of the authorization for both Puerto Rico and the Virgin Islands. Both of these territories have made very substantial fiscal effort to support their programs. The present formula for the Federal financing of public assistance for Puerto Rico and the Virgin Islands provides relatively less Federal funds than the formula in effect for other jurisdictions. In order to enable these territories to have more adequate financing of their public-assistance programs within the limits of the special formula applicable to them the bill increases the authorization for Puerto Rico from \$5,312,500 to \$8,500,000 and for the Virgin Islands from \$200,000 to \$300,000.

The bill continues the 50 percent matching for Puerto Rico and the Virgin Islands. For the aged, blind, and disabled, the former maximum of \$30 on money payments and \$6 on medical care vendor payments are combined into an average maximum of \$35. For aid to dependent children, the former maximums of \$18 and \$12 per recipient plus the \$6 and \$3 vendor payment medical care maximums are combined into a single average of \$18. The new formulas are extended to Guam.

B. MATERNAL AND CHILD WELFARE PROVISIONS

Your committee's bill would—

(1) Raise the ceilings on the amounts authorized for annual appropriations for maternal and child health services, crippled children's services, and child welfare services under title V of the Social Security Act; and

(2) Improve the child welfare provisions of the present law by removing inequities which now exist in extending these services as between children in urban areas and children in rural areas, and by liberalizing certain other provisions which have caused problems.

Testimony established the need for expanding these three programs.

In order to make possible in the immediate future more assistance to the States in extending and improving these important services for children, the bill provides an increase of \$5 million in the amounts authorized for annual appropriation for each of these programs as follows:

	Current Au- thorization	Recom- mended
Maternal and child health services.....	\$16, 500, 000	\$21, 500, 000
Crippled children's services.....	15, 000, 000	20, 000, 000
Child welfare services.....	12, 000, 000	17, 000, 000

The present law also limits the use of child welfare services funds to predominantly rural areas and other areas of special need. Three out of five children in the Nation now live in urban areas. Many families have shifted in the last decade from farms and small towns to cities where services have not expanded to meet their needs. In the light of these developments, the present law would be amended so as to make child welfare services generally available not only in rural

areas but also in urban areas and to give equal consideration to children in urban areas as to children in rural areas.

The bill also includes a new formula for the allotment of these funds whereby the allotment will be related directly to the total child population under 21 and inversely to the per capita income of the State. In order to assure that present services to children in rural areas are not reduced because of this change, the bill also includes a provision for a base allotment. The bill provides that if the amount allotted under the new formula is less than the State's base allotment, the amount shall be increased to the base allotment and the necessary adjustment made by reducing the allotments of other States. The base allotment is the amount which would have been allotted to the State for the particular year in which the appropriation is made, under the provisions of section 521 of the law in effect prior to the enactment of the 1958 amendments as applied to an appropriation of \$12 million (the amount currently authorized and which has been appropriated for the fiscal year ending June 30, 1959). The formula used for computing this base allotment would be, therefore, the same as in the present law, using rural child population statistics which subsequently become available and represent the current statistics for the year in which the appropriation is made.

The bill also makes several other improvements in the child welfare provisions of the law. One of these would establish a new provision authorizing reallocation of these funds, thereby enabling full utilization of funds appropriated for child welfare services.

Another provision liberalizes the present provisions concerning the use of these funds for the return of runaway children. The age limit of children who may be returned through these funds would be raised from 16 to 18 and the States would be authorized to use these funds for maintenance of runaway children, for a period not exceeding 15 days, pending their return. A matching provision has been added in order that the financial provisions for these grants are in the future consistent with those of other Federal grant programs.

The need for additional super grades in Social Security Administration and for increase in salary of Commissioner

For many years this committee has worked with officials and technical staff of the Social Security Administration in connection with the analysis legislation and the development of proposals for such legislation. The committee has been impressed with the high caliber and outstanding ability of the staff and with their diligence and devotion to the task which the committee has assigned to them. The committee is quite concerned over the fact the Social Security Administration, with over 23,000 employees, has one of the lowest incidences of supergrades of any comparable Federal agency. For example, the Bureau of Old-Age and Survivors Insurance with over 22,000 employees has only 3 supergrades. There are many agencies in the Government with only a fraction of this number of employees with more supergrades. The committee is aware that the Social Security Administration has grown rapidly and that this, together with numerical limitation provided by law, is the basic reason for its small number of supergrade positions. The committee wishes to call this to the attention of the executive branch as well as the appropriate congressional committees.

V. SECTION-BY-SECTION ANALYSIS

The first section of the bill contains a short title, the Social Security Amendments of 1958. The remainder of the bill is divided into seven titles as follows:

Title I—Increase in benefits under title II of the Social Security Act.

Title II—Amendments relating to disability freeze and disability insurance benefits.

Title III—Provisions relating to eligibility of claimants for social security benefits, and miscellaneous provisions.

Title IV—Amendments to the Internal Revenue Code of 1954.

Title V—Amendments relating to public assistance.

Title VI—Maternal and child welfare.

Title VII—Miscellaneous provisions.

TITLE I—INCREASE IN BENEFITS UNDER TITLE II OF THE SOCIAL SECURITY ACT

SEC. 101. INCREASE IN BENEFIT AMOUNTS

Section 101 of the bill contains provisions for effectuating the benefit increases that the bill would provide, including provisions for determining the new primary insurance amounts for both present and future beneficiaries through a benefit table and provisions to adjust minimum benefits for a sole survivor and maximum benefit amounts for families to the higher rates.

Primary insurance amount

Subsection (a) of section 215 of the Social Security Act, as amended by section 101 (a) of the bill, sets forth a table to effectuate the benefit increases provided by the bill for people who are on the benefit rolls before January 1, 1959, and to determine the benefit amounts of people who will come on the benefit rolls after December 31, 1958. The new primary insurance amounts, shown in column IV of the table, are stated in whole dollars only. (The primary insurance amount is the amount payable to the retired or disabled worker and the amount on which all other benefits are based.) The amounts in the table were computed by increasing the primary insurance amounts of present law by 7 percent and rounding the resulting amounts to the nearest whole dollar (with some minor adjustments to provide a smooth progression of dollar values), with a minimum increase of \$3.

The primary insurance amounts that would be provided by the table range from a minimum of \$33 for people whose average monthly wage is \$54 or less to a maximum of \$127 for people who will have the new maximum average monthly wage of \$400 that will become possible in the future with the \$4,800 annual earnings base that the bill would provide. The primary insurance amounts of retired workers who are now on the benefit rolls at the \$30 minimum would be raised to \$33. Retired workers who are now at the maximum primary insurance amount of \$108.50 would be raised to \$116.

The amended section 215 (a) also provides the method for computing primary insurance amounts through the use of the table.

The subsection provides that a person's primary insurance amount shall be the largest amount for which he can qualify under conditions set forth in the following subsections of the new section 215:

(1) Section 215 (b), which provides for computation of an average monthly wage based on earnings after 1950 only, with up to 5 years of lowest earnings excluded. This is the way in which benefits will be computed for most future beneficiaries. If this method is used, the worker's primary insurance amount is the amount in column IV of the table on the same line on which his average monthly wage appears in column III.

(2) Section 215 (c), which provides for determination of a primary insurance amount under the provisions of present law. The new primary insurance amount of a person for whom this method is used is the amount in column IV of the table on the same line on which his present-law primary insurance amount appears in column II. Basically, this is the method that will be used for people who are already on the benefit rolls, or who die, before January 1, 1959.

(3) Section 215 (d), which provides for determination of a primary insurance benefit under the rules generally applicable before the Social Security Act Amendments of 1950, with an average monthly wage computed over the period beginning with 1937 after dropping out up to 5 years of lowest earnings. Generally this method will be used for future beneficiaries who have not had significant earnings after 1950. If this method is used, the worker's primary insurance amount is the amount in column IV of the table on the same line on which appears his primary insurance benefit in column I of the table.

Under paragraph (4) of the new section 215 (a), a person who was entitled to a disability insurance benefit in the month before the month in which he became entitled to an old-age insurance benefit would have a primary insurance amount equal to the amount of his disability insurance benefit if that was larger than any other amount for which he could qualify. (See sec. 101 (h) of the bill, discussed below, for transitional conversion from disability benefit to primary insurance amount.)

Average monthly wage

Section 101 (b) of the bill amends section 215 (b) of the Social Security Act (relating to the computation of the average monthly wage) to make that section applicable solely to benefits determined under column III of the table. It further provides that the amended section 215 (b) could be used to determine the average monthly wage only of people with at least 6 quarters of coverage after 1950 who, after December 1958, either (1) become entitled to old-age insurance benefits or disability insurance benefits, or (2) die without becoming entitled to such benefits, or (3) file an application for a "work" recomputation under section 215 (f) (2) (A) of the Social Security Act and meet the conditions for such a recomputation as specified in such section 215 (f) (2) (A), or (4) die and in the month of death meet the conditions for such a "work" recomputation as specified in section 215 (f) (2) (A), or (5) file an application for a recomputation, under section 102 (f) (2) (B) of the Social Security Amendments of 1954, to drop up to 5 years of low earnings, and qualify for such a "dropout"

recomputation under such section 102 (f) (2) (B). The provision described in (5) does not appear in the House bill. It is a technical change required because of the changes made in section 101 (c), mentioned below.

Primary insurance amount under 1954 act

Section 101 (c) of the bill amends section 215 (c) of the Social Security Act to provide that people who became entitled to old-age or disability insurance benefits prior to the effective date of the bill, or who died prior to that effective date, would have their primary insurance amount computed under the provisions of the present law; this primary insurance amount would appear in column II of the table and would be converted to the new amount on the same line in column IV of the table. Section 101 (c) of the committee-approved bill differs slightly from that in the House bill as a result of certain technical and clarifying changes.

Primary insurance benefit under 1939 act

Section 101 (d) of the bill amends section 215 (d) of the Social Security Act, which relates to provisions for computing primary insurance benefits under the general provisions of the law as in effect prior to the Social Security Act Amendments of 1950. An individual who had his benefit computed by this method would have his primary insurance benefit, shown in column I of the table, converted to the primary insurance amount on the same line in column IV of the table.

The primary insurance benefit is used in present law to determine primary insurance amounts mainly in those cases where the worker's earnings in years before 1951 were more substantial than his earnings after 1950, and it would be so used under the bill. The primary insurance benefit computation would be applicable to people who have at least one quarter of coverage before 1951, provided that they meet the conditions which permit the computation of an individual's average monthly wage under the proposed section 215 (b) (except the requirement of 6 quarters of coverage after 1950). As under present law, this method of computation would not be available to people who attained age 22 after 1950 and had at least 6 quarters of coverage after 1950.

Minimum survivors or dependents benefits

Section 101 (e) of the bill amends section 202 (m) of the Social Security Act to raise from \$30 to \$33 (the first figure in column IV of the table in the new sec. 215 (a) of the Social Security Act) the minimum benefit payable to a sole survivor beneficiary.

Maximum benefits

Section 101 (f) of the bill amends section 203 (a) of the Social Security Act (relating to the total amount of benefits payable to a family on the basis of a single earnings record) to provide that the total of the benefits payable on the basis of a single earnings record may not exceed the amount appearing in column V of the benefit table (provided in sec. 101 of the bill) on the line on which, in column IV of the table, the primary insurance amount appears. The amended subsection also makes the limitation applicable to the total of the benefits payable on the earnings of disability insurance benefits.

Under present law, family benefits totaling \$50 or less are not subject to any maximum limitation. If the family benefits total more than \$50, they are limited to the largest of the following: \$50; 1½ times the worker's primary insurance amount; and 80 percent of his average monthly wage. In no event can the total be more than \$200. For the purposes of the table, the \$50 minimum of present law was increased to \$53 and the \$200 maximum was increased to \$254. The maximum family benefit amounts between \$60 and \$254 were established as the greater of (a) 1½ times the primary insurance amount, and (b) 80 percent of the upper average-monthly-wage amount in each bracket. The only exceptions to this method are at the very lowest levels, where the maximum amounts are set at \$1 intervals from the \$53 minimum to \$60 in order to effect a smooth progression of maximum family benefit amounts.

In the House bill the maximum limitation on family benefits at primary insurance amounts from \$69 to \$109 was set at 80 percent of the average of the upper and lower average-monthly-wage amounts in the applicable line in column IV of the table. Under the House bill, the maximum amount of family benefits payable in future cases where the worker's average monthly wage is above the midpoint of the range would have been smaller than that family could have received under the present law. The committee approved bill avoids this anomalous result by applying the 80-percent-of-average-monthly-wage limitation, at the levels where it applies, to the largest figure in column IV on each line.

Paragraph (1) of the amended section 203 (a) continues in the benefit table the effect of the provisions of present law for reducing family benefits in cases where (but for the provisions of sec. 202 (k) (2) (a) of the act, which limits the benefit payments of a child entitled to more than one benefit to the amount payable on the earnings record yielding the largest amount) a child would be entitled to benefits on the basis of the wages and self-employment income of more than one insured individual. In that case, the maximum amount of benefits payable to the family would be the sum of the maximum amounts payable on the earnings records of all the insured individuals on whose earnings records family members could be entitled to benefits. In no event, though, could the total family benefits exceed the largest amount of maximum family benefit payable (\$254).

Paragraph (2) of the amended subsection provides a saving clause to assure an increase in family benefits for people already on the benefit rolls when the bill becomes effective. In the absence of such a provision, some families now on the benefit rolls could receive little or no increase in benefits because their benefits are already at or near the maximum payable to the family as provided in the benefit table. The maximum family benefit in such cases would be the larger of (a) the maximum amount permitted under column V of the table, and (b) the maximum amount permitted under present law plus the increase made by section 101 (a) of the bill in the primary insurance amount of the insured individual on whose wages and self-employment income such family benefits are based.

Paragraph (3) of the amended subsection makes special provision relating to family benefits based on the earnings record of an indi-

vidual for whom a period of disability was established if the period began before the effective date of the bill and continued beyond that date until he became entitled to disability insurance benefits or old-age insurance benefits or until he died. The purpose of this provision is to assure that the family of such a person, regardless of when the family goes on the benefit rolls, will receive an increase in benefits as a result of the enactment of this bill. The family of a disabled person will be in approximately the same position, with regard to maximum family benefits payable, as the family already receiving benefits based on the earnings of a worker who died or became entitled as of the time the period of disability began. This provision is needed for this purpose only at levels of primary insurance amount at which maximum family benefits are in effect limited to 80 percent of the worker's average monthly wage—\$68 or over in column IV of the benefit table—and its application is limited to those levels of primary insurance amount. In no case could the provision raise the total of benefits payable to a family to more than the overall family maximum (\$254).

Whenever a reduction in family benefits is made under this subsection, each benefit, except the old-age insurance benefit and the disability insurance benefit, would be proportionately decreased. In any case in which benefits were reduced pursuant to the provisions of this subsection, the reduction would be made after any other deductions under section 203 of the Social Security Act (such as deductions on account of earnings) and any deductions under section 222 (b) of that act (relating to refusal of a disability insurance beneficiary to accept rehabilitation services).

Effective date

Section 101 (g) of the bill provides that the amendments made by section 101 shall be effective for monthly benefits beginning with January 1959, and for lump-sum death payments where death occurs after December 31, 1958.

Transitional conversion from disability insurance benefit to primary insurance amount

Section 101 (h) of the bill is a special transitional provision which will apply to an individual who was entitled to a disability insurance benefit for December 1958 and who died or became entitled to old-age insurance benefits in January 1959. Under the general rule in section 215 (a) (4), as set out in section 101 (a) of the bill, an individual entitled to a disability insurance benefit in the month before he dies or becomes entitled to old-age insurance benefits will have as his primary insurance amount (for retirement or survivor benefits) the amount in column IV of the table that is equal to his disability insurance benefit, if that is the largest amount to which he could become entitled. In the situation outlined above, the individual's disability insurance benefit, since it was derived from a primary insurance amount determined under the present law, does not have any direct tie in with column IV of the table, which contains the new benefit amounts. Thus, the general rule cannot be applied to this individual. Instead, section 101 (h) of the bill provides that his primary insurance amount shall

be the amount in column IV of the table on the same line on which in column II appears his present primary insurance amount. (This primary insurance amount in col. II is equal to his disability insurance benefit under present law.)

Saving provision

Section 101 (i) of the bill is a saving clause which would prevent benefits from being reduced because certain provisions of present law are not applicable to benefits for months after the effective date. Where benefits are payable retroactively for months before the effective date, based on a computation or recomputation of benefits for which application is filed after that date, the primary insurance amount on which the benefits for these months are based will be computed under the provisions of present law. If the amount so computed is larger than the amount as computed under section 215 as amended by the bill, this larger amount will be the individual's primary insurance amount for months after the effective date. If such primary insurance amount is not a multiple of a dollar, it will be rounded to the next higher dollar.

SECTION 102.—INCREASE IN WAGE BASE FROM \$4,200 TO \$4,800

Definition of wages

Section 102 (a) of the bill amends paragraph (2) of section 209 (a) of the Social Security Act (relating to the definition of "wages") to make the new \$4,800 earnings base applicable to wages after 1958.

Definition of self-employment income

Section 102 (b) of the bill amends paragraph (1) of section 211 (b) of the Social Security Act (relating to the definition of "self-employment income") to make the new \$4,800 earnings base applicable for taxable years ending after 1958.

Quarter and quarter of coverage

Section 102 (c) of the bill amends clauses (ii) and (iii) of section 213 (a) (2) (B) of the Social Security Act (relating to the definition of "quarter of coverage") to provide that, for calendar years after 1958, an individual shall be credited with a quarter of coverage for each quarter of the year if his wages for that year equal \$4,800 (rather than \$4,200 as in present law). He would also be credited with a quarter of coverage for each quarter of a taxable year ending after 1958 in which the sum of his wages and self-employment income equal \$4,800 (rather than \$4,200).

Average monthly wage

Subsection 102 (d) of the bill amends section 215 (e) of the Social Security Act (relating to the amount of annual earnings that can be counted in computing an individual's average monthly wage) so as to increase from \$4,200 to \$4,800 the maximum amount of annual earnings that may be counted in the computation of old-age, survivors, and disability insurance benefits, effective for calendar years after 1958, and to conform a reference to subsection 215 (d) to the changes made in that subsection by the bill.

**TITLE II—AMENDMENTS RELATING TO DISABILITY FREEZE AND
DISABILITY INSURANCE BENEFITS****SECTION 201. APPLICATION FOR DISABILITY
DETERMINATION**

Section 201 of the bill amends section 216 (i) (2) of the Social Security Act, which defines the term "period of disability," to effect a clarifying change. The amendment makes it clear that the disabled person must file an application while under the disability with respect to which he seeks to secure a "disability freeze."

Section 201 further amends section 216 (i) (2) of the act to provide that a period of disability may begin as early as the first day of the 18-month period which ends with the day before the day on which an individual files application for a disability determination. Section 216 (i) (2) of the Social Security Act now provides that a period of disability may begin no earlier than the first day of the 1-year period which ends with the day before the day on which the individual files application. This amendment is (under sec. 207 of the bill) effective with respect to applications for disability determinations filed after June 1961. Applications for a disability determination filed on or before June 30, 1961, are governed by section 216 (i) (4) of the Social Security Act, amended by section 203 of the bill.

**SECTION 202. RETROACTIVE PAYMENT OF DISABILITY
INSURANCE BENEFITS**

Section 202 (a) of the bill amends section 223 (b) of the Social Security Act to provide that an individual who would have been entitled to a disability insurance benefit for any month after June 1957 had he filed application therefor prior to the end of such month shall be entitled to such benefit for such month if he files application therefor prior to the end of the 12th month immediately succeeding such month. Under the existing law, applications filed prior to January 1958 were effective as far back as July 1, 1957, if the applicant was eligible. No benefits are now payable for months ending prior to the filing of an application where the application is filed after 1957.

Section 202 (b) of the bill amends section 223 (c) (3) of the Social Security Act, which defines the term "waiting period" for purposes of disability-insurance benefits, to provide that a waiting period may begin as early as the 1st day of the 18th month before the month in which an application for disability-insurance benefits is filed. The amendment complements the amendment in subsection (a). Section 223 (c) (3) of the act now provides that a waiting period may begin no earlier than the 1st day of the 6th month before the month in which an application is filed.

**SECTION 203. RETROACTIVE EFFECT OF APPLICATIONS
FOR DISABILITY DETERMINATION**

Section 203 of the bill amends paragraph (4) of section 216 (i) of the Social Security Act to extend for 3 years (through June 30, 1961) the time within which disabled workers can file applications on the basis of which the beginning of a period of disability would be established as early as the actual onset of disablement (provided

the other requirements of the law are met). It also eliminates a provision of this paragraph (requiring the applicant to be alive on July 1, 1955) which by virtue of the effective date applicable to this section would no longer be necessary.

SECTION 204. INSURED STATUS REQUIREMENTS

Period of disability

Section 204 (a) of the bill amends section 216 (i) (3) of the Social Security Act in two respects. It would remove the requirement that, in order for a period of disability to begin with respect to any quarter, an individual have 6 quarters of coverage during the 13-quarter period ending with such quarter. The second amendment would add a new requirement that an individual be fully insured. This new requirement will be satisfied with respect to any quarter if the individual would have been fully insured in such quarter had he attained retirement age and filed application for old-age insurance benefits on the first day of such quarter. Substantially the same requirement is already contained in section 223 (relating to disability-insurance benefits). This amendment is the same as that in the House bill except that a provision has been added to provide that a person for whom a period of disability could begin prior to 1951 need not be fully insured in order to meet the requirements for the freeze.

Disability insurance benefits

Section 204 (b) amends section 223 (c) (1) (A) of the act to remove the requirement that, in order to be insured for disability-insurance benefits in any month, an individual must be currently insured (as defined in sec. 214 of the act). This is in effect the same as the first amendment described above for the disability freeze.

SECTION 205. BENEFITS FOR THE DEPENDENTS OF DISABILITY INSURANCE BENEFICIARIES AND ELIMINATION OF THE OFFSET PROVISIONS

Payments from disability insurance trust fund

Section 205 (a) of the bill amends section 201 (h) of the Social Security Act to provide that the payment of monthly benefits of individuals entitled thereto on the basis of the wages and self-employment income of any individual entitled to disability-insurance benefits shall be made from the Federal disability insurance trust fund.

Wife's insurance benefits

Paragraph (1) of section 205 of the bill amends section 202 (b) of the act to provide that the wife of an individual entitled to disability-insurance benefits shall be entitled to wife's insurance benefits if she otherwise meets the existing requirements applicable to the wife of an individual entitled to old-age insurance benefits.

Paragraph (2) of subsection (b) amends paragraph (1) of section 202 (b) of the act to provide that the entitlement of a wife of a disability-insurance beneficiary shall terminate if her husband's entitlement to disability-insurance benefits ceases before he has attained retirement age.

Husband's insurance benefits

Paragraph (1) of section 205 (c) of the bill amends section 202 (c) (1) (C) of the act. Under this section of present law, a husband of an individual entitled to old-age insurance benefits, in order to be entitled to husband's insurance benefits, must have been receiving at least one-half of his support from such individual at the time she became entitled to such benefits. Under the amendment, the husband of an individual entitled to old-age insurance benefits or disability-insurance benefits will meet this support requirement in case such individual had a period of disability which did not end prior to her entitlement to such benefits, if he was receiving at least one-half of his support from such individual either at the beginning of her period of disability or at the time she became entitled to such benefits. Proof of such support must be filed within 2 years after the month in which she filed application with respect to such period of disability or 2 years after she became entitled to such benefits, depending on whether the support was claimed as of the beginning of the period of disability or the time she became entitled to old-age or disability-insurance benefits.

Paragraph (2) of section 205 (c) further amends section 202 (c) of the act to provide that the husband of a currently insured individual entitled to disability-insurance benefits shall be entitled to husband's insurance benefits if he otherwise meets the requirements applicable to the husband of an individual entitled to old-age insurance benefits.

Paragraph (3) of section 205 (c) amends section 202 (c) (1) of the act to provide that a husband's entitlement to husband's insurance benefits based on his wife's entitlement to disability-insurance benefits shall terminate in the event she ceases, before she becomes entitled to old-age insurance benefits, to be entitled to disability-insurance benefits.

Child's insurance benefits

Section 205 (d) of the bill amends section 202 (d) (1) of the act to provide monthly benefits for the child of a disability insurance beneficiary. The amendment also adds, as a time at which the dependency of a child on an individual is determined in certain cases, the beginning of a period of disability. If the parent has had a period of disability which did not end before he became entitled to old-age or disability insurance benefits or died, the dependency of the child may be determined as of the beginning of such period, at the time the parent became entitled to such benefits, or at the time of his death. Under the revised section 202 (d) (1) of the act, the benefits payable to the child of a disability insurance beneficiary would terminate if this parent's entitlement to disability benefits ceases before the parent attains retirement age or dies. The other bases for terminating the child's insurance benefits in existing law (e. g., death, attainment of age 18 when not under a disability, etc.) would also apply.

Widower's insurance benefits

Section 205 (e) of the bill amends section 202 (f) (1) (D) of the act. Under this section of present law, in order to be entitled to widower's insurance benefits, the widower of an individual who died a fully and currently insured individual must have been receiving

one-half of his support from such individual at the time of her death or at the time she became entitled to old-age insurance benefits. Under this amendment, if the woman worker had a period of disability which did not end before her death or before she became entitled to old-age or disability insurance benefits, the support requirement would be met if the widower was receiving at least one-half of his support from her at the time her period of disability began, or at the time of her death, or at the time she became entitled to old-age or disability insurance benefits. Proof of support must be filed within 2 years after the month in which she filed application with respect to her period of disability, or 2 years after the date of her entitlement or death, depending on the time as of which the support is claimed.

Mother's insurance benefits

Section 205 (f) of the bill amends section 202 (g) (1) (F) of the act to provide that, in the case of a former wife divorced, the requirement that she be receiving at least one half of her support from her deceased former husband may be met, if he had a period of disability which did not end prior to his death, either at the time such period began or at the time of his death.

Parent's insurance benefits

Section 205 (g) of the bill amends section 202 (h) (1) (B) of the act to provide that the requirement that a parent be receiving at least one-half of his support from the deceased individual may be met, if such individual had a period of disability which did not end prior to his death, either at the time such period began or at the time of the individual's death. Proof of such support must be filed within 2 years after such period began or two years after the date of such death, depending on the time as of which the support is claimed.

Simultaneous entitlement to benefits

Section 205 (h) of the bill amends section 202 (k) of the Act to make it applicable in the case of receipt by an individual of both disability insurance benefits and other benefits. The amended section would provide that whenever an individual is entitled to more than one monthly benefit (other than an old-age or disability insurance benefit) he shall be entitled to only the largest of such monthly benefits. If the individual is entitled to a disability insurance benefit for any month and to any other monthly insurance benefit for such month, such other benefit, after any reduction under section 202 (q) (relating to actuarial reduction of benefits in the case of certain female beneficiaries) and any reduction under section 203 (a) (relating to maximum benefits), shall be reduced, but not below zero, by an amount equal to the disability insurance benefit.

Adjustment of benefits of female beneficiary

Section 205 (i) of the bill amends section 202 (q) of the act (relating to actuarial reduction of benefits of female beneficiaries who receive wife's or old-age insurance benefits prior to age 65). This section now provides for redetermination of the amount of these benefits when the beneficiary becomes 65 to eliminate future reductions on account of months before 65 when her benefits were subject to reductions. The amendment would also provide for eliminating future reductions on account of the months for which she was no longer en-

titled to her benefits because her husband's disability ended or for which her benefits were suspended because of his refusal, without good cause, to accept available vocational rehabilitation.

Deduction provision

Section 205 (j) of the bill amends section 203 (c) of the act to make it clear that it applies only to benefits based on the record of an old-age insurance beneficiary. This section of the law provides for deductions from dependents benefits on account of earnings of the old-age insurance beneficiary.

Circumstances under which deductions not required

Section 205 (k) of the bill amends section 203 (h) of the act, which deals with cases in which deductions, which would otherwise be made from the benefits of a member of a household, are not made because the total of the benefits to all members of the household would remain the same. The amendment takes account of the repeal of section 224 (by sec. 206 of the bill) which relates to reduction of benefits based on disability in cases in which benefits under certain other programs are payable to the same beneficiary on account of disability.

Currently insured individual

Section 205 (l) of the bill amends section 214 (b) of the act to include, in the definition of "currently insured individual," an individual entitled to disability insurance benefits who has not less than 6 quarters of coverage during the 13-quarter period ending with the quarter in which he most recently became entitled to disability insurance benefits. Any quarter any part of which was included in a period of disability would not be counted as a part of the 13-quarter period unless such quarter was a quarter of coverage. This definition now relates only to cases of individuals who die or have become entitled to old-age insurance benefits.

Rounding of benefits

Section 205 (m) of the bill amends section 215 (g) of the act, which relates to the rounding of benefit amounts (to multiples of \$0.10) to take account of the repeal of section 224 (relating to the reduction of benefits based on disability).

Deduction on account of refusal to accept rehabilitation services

Section 205 (n) of the bill amends section 222 (b) of the act to provide that deductions shall be made from the benefits of a wife, husband, or child, entitled on the basis of the earnings record of a worker entitled to disability insurance benefits, for any month in which the disabled worker refuses, without good cause, to accept rehabilitation services and he suffers deductions from his benefits on account of the refusal.

Suspension of benefits based on disability

Section 205 (o) of the bill amends section 225 of the act to provide that whenever the benefits of a disability insurance beneficiary are suspended for any month, pending a determination as to whether or not his disability has ceased, the benefits to which his dependents are entitled on the basis of his earnings record shall also be suspended for such month.

SECTION 206. REPEAL OF REDUCTION OF BENEFITS BASED ON DISABILITY

Section 206 of the bill repeals section 224 of the Social Security Act, which requires that the disability insurance benefit, and the child's insurance benefit, of a disabled child who has attained age 18, be reduced by the amount of any other periodic Federal benefit (except compensation paid to a veteran by the Veterans' Administration for his service-connected disability, a reduction which was eliminated last year) or State workmen's compensation benefit paid on account of disability. The repeal of section 224 is effective with respect to benefits for the month in which the bill is enacted and succeeding months.

SECTION 207. EFFECTIVE DATES

Section 207 (a) provides effective dates for the amendments made by title II of the bill.

The amendments relating to applications for a disability determination (sec. 201 of the bill) would apply with respect to applications filed after June 1961.

The amendments relating to the retroactive payment of disability-insurance benefits (sect. 202 of the bill) would apply with respect to applications filed after December 1957.

The amendments relating to the retroactive effect of applications for disability determinations (sec. 203 of the bill) would apply with respect to applications filed after June 1958.

The amendments relating to the insured status requirements for a disability freeze and for disability insurance benefits (sec. 204 of the bill) would apply with respect to (1) applications for disability-insurance benefits or for a disability determination filed on or after the date of enactment of the bill, and (2) applications for such benefits or for such a determination filed after 1957 and prior to date of enactment of the bill if notice to the applicant of the decision of the Secretary of Health, Education, and Welfare with regard to the application has not been given on or prior to the date of enactment of the bill. No benefits for the month in which the bill is enacted or for any prior month would be payable or increased by reason of these amendments. Redetermination of the amount of monthly benefits to exclude periods of disability established by virtue of these amendments would not be prevented by the limitations placed on benefit recomputations by section 215 (f) (1) of the law.

The amendments relating to benefits for the dependents of disability insurance beneficiaries (sec. 205 of the bill) would apply with respect to monthly benefits under title II of the Social Security Act for months after the month in which the bill is enacted, but only if application for such benefits is filed on or after the date of enactment of the bill. The provision relating to repeal of reduction of benefits based on disability (sec. 206 of the bill) would apply with respect to monthly benefits under title II of the Social Security Act for the month in which the bill is enacted and succeeding months.

Section 207 (b) of the bill provides that in the case of an individual who would not be entitled to monthly benefits under section 202 of the act as a husband, widower, former wife divorced, or parent except

for the enactment of section 205 of the bill, the requirement that such an individual file proof of support within a 2-year period shall not apply if such proof is filed within 2 years after the month in which the bill is enacted.

TITLE III—PROVISIONS RELATING TO ELIGIBILITY OF CLAIMANTS FOR SOCIAL SECURITY BENEFITS, AND MISCELLANEOUS PROVISIONS

SECTION 301. ELIGIBILITY OF SPOUSE FOR DEPENDENTS OR SURVIVORS BENEFITS

Husband's insurance benefits

Section 301 (a) (1) amends section 202 (c) of the Social Security Act by making inapplicable in certain cases the requirement for husband's insurance benefits that the wife be currently insured and that the husband be dependent on her—cases in which the husband was actually or potentially entitled to widower's, parent's, or (disabled) child's insurance benefits in the month before his marriage to the person on the basis of whose earnings he is claiming husband's insurance benefits.

Section 301 (a) (2) amends the definition of "husband" in section 216 (f) of the Social Security Act to include a man who in the month prior to the month of his marriage to an individual was actually or potentially entitled to widower's, parent's, or (disabled) child's insurance benefits. Under existing law, he must be married to her for at least 3 years or be the father of her son or daughter.

Widow's insurance benefits

Section 301 (b) (1) amends subparagraph (E) of section 202 (e) (3) of the Social Security Act to provide for reinstating widow's benefits, which were terminated because the widow remarried, in cases where the widow's husband dies within 1 year after the remarriage and he was not fully insured. Present law permits reinstatement of widow's benefits only if the new husband dies within 1 year and she does not qualify as his widow.

Section 301 (b) (2) amends the definition of "widow" in section 216 (c) of the Social Security Act by including a woman whose deceased husband had legally adopted her son or daughter while she was married to him and while the son or daughter was under age 18 and a woman who, in the month before the month of her marriage to the person on the basis of whose earnings she is claiming benefits, was actually or potentially entitled to widow's, parent's, or (disabled) child's insurance benefits.

Widower's insurance benefits

Section 301 (c) (1) amends section 202 (f) of the Social Security Act by making inapplicable in certain cases the requirement for widower's insurance benefits that the deceased wife have been a currently insured person and that the widower have been dependent on her—cases in which he was actually or potentially entitled to parent's, widower's, or (disabled) child's insurance benefits in the month prior to his marriage to her.

Section 301 (c) (2) amends the definition of "widower" in section 216 (g) of the Social Security Act to include a man whose son or

daughter was adopted by the deceased wife while he was married to her and while the son or daughter was under age 18. Also included would be a man who, in the month before his marriage to the person on the basis of whose earnings he is claiming benefits, was actually or potentially entitled to widower's, parent's, or (disabled) child's insurance benefits.

Definition of "wife"

Section 301 (d) amends the definition of "wife" in section 216 (b) of the Social Security Act to include a woman who, in the month prior to the month of her marriage to the individual on whose record benefits are claimed, was actually or potentially entitled to widow's, parent's, or (disabled) child's insurance benefits.

Definition of "former wife divorced"

Section 301 (e) amends the definition of "former wife divorced" in section 216 (d) of the Social Security Act to include a woman whose husband legally adopted her son or daughter while she was married to him and while the child was under age 18.

Effective date

Section 301 (f) provides that the amendments made by section 301 shall apply with respect to monthly benefits for months following the month in which the amendments are enacted, but only if an application for the benefits is filed on or after the date of enactment.

SECTION 302. ELIGIBILITY OF CHILD FOR DEPENDENTS OR SURVIVORS BENEFITS

Definition of "child"

Section 302 (a) amends the definition of "child" in section 216 (e) of the Social Security Act to include the legally adopted child of a retired person without compliance with the requirement in present law that the child have been adopted for at least 3 years. It further provides that a child who was living as a member of a deceased person's household would be considered the adopted child of the deceased person if, at the time that person died, the child was not receiving regular contributions toward his support from someone other than the deceased or his spouse or from a welfare organization furnishing services or assistance for children, and if the surviving spouse legally adopts the child within 2 years after that person dies.

Effective date

Section 302 (b) provides that the amendment made by section 302 shall apply with respect to monthly benefits beginning after the date of enactment of the bill, but only if an application for the benefits is filed on or after that date.

SECTION 303. ELIGIBILITY OF REMARRIED WIDOWS FOR MOTHER'S INSURANCE BENEFITS

Section 303 adds a new paragraph (3) to section 202 (g) of the Social Security Act to provide that, where mother's benefits were terminated because of the remarriage of a widow or former wife

divorced, they shall be reinstated if the remarriage is ended within 1 year by the husband's death and if she cannot become entitled to mother's insurance benefits on his earnings when he dies. The House bill would have reinstated the mother's benefits if her new husband died within 1 year and if she was not his "widow" as defined in the law. The committee changed this provision because in most cases the widow would have been the "widow" of the new husband as defined in the law but could not receive mother's insurance benefits on his earnings because she could not meet another requirement for entitlement to mother's insurance benefits—that she have her second husband's child in her care. Benefits under this section would not be payable earlier than the month in which the husband dies, the 12th month before the month in which an application is filed to reinstate the earlier benefits, or the month after the month in which these amendments are enacted, whichever is the latest.

SECTION 304. ELIGIBILITY FOR PARENT'S INSURANCE BENEFITS

Provisions relating to eligibility

Section 304 (a) amends section 202 (h) (1) of the Social Security Act by removing the bar to payment of parent's insurance benefits where a widow or child actually or potentially entitled to benefits survives a deceased worker. The amendment is made effective for months following the month in which the bill is enacted, but only if an application for benefits is filed on or after the date of enactment.

Deaths before effective date

Section 304 (b) is a saving clause to provide that benefits for persons who are on the benefit rolls when the amendment made by subsection (a) becomes effective shall not be reduced, through the operation of the provisions which limit the amount of the benefits which may be paid on the basis of a single earnings record (sec. 203 (a) of the Social Security Act), because of a parent's entitlement which results from the provisions of this section of the bill.

Proof of support in cases of deaths before effective date

Section 304 (c) extends, for 2 years after the month in which this bill is enacted, the period in which a parent may file proof of support by the deceased son or daughter in order to qualify for such benefits in cases in which parents are entitled to benefits by reason of the amendments made by this section.

SECTION 305. ELIGIBILITY FOR LUMP-SUM DEATH PAYMENTS

Requirement that surviving spouse be a member of deceased's household

Section 202 (i) of present law provides that a spouse may receive a lump-sum death payment on the death of the worker if he or she was "living with" the worker at the time of death. The term "living with" is defined to mean that the spouse was living in the same household with the worker, or that the spouse was receiving regular con-

tributions from the worker, or that the worker was under a court order to contribute to the spouse's support.

Section 305 (a) amends section 202 (i) to delete this provision and substitutes a requirement that the spouse be living in the same household with the worker at the time of death.

Section 305 (b) removes the definition of "living with" from section 216 (h) of the Social Security Act since it is no longer required for any purpose.

Effective date

The amendments made by section 305 are made effective for lump-sum payments based on the earnings of workers who die after the month of enactment.

SECTION 306. ELIGIBILITY OF DISABLED PERSONS FOR CHILD'S INSURANCE BENEFITS

Provisions relating to dependency

Section 306 (a) amends section 202 (d) of the Social Security Act to provide that the dependency of a disabled child who is over 18 (a condition of his eligibility for benefits) shall be determined in the manner provided in present law for the child who is under age 18. This would eliminate the special, additional, requirement that the disabled child over 18 be receiving at least half his support from the worker in order to be deemed dependent on him.

Effective date

The amendment is made effective for monthly benefits for months after the month in which this bill is enacted, but only if an application for such benefits is filed on or after the date of enactment of the bill.

SECTION 307. ELIMINATION OF MARRIAGE AS BASIS FOR TERMINATING CERTAIN SURVIVORS BENEFITS

Child's insurance benefits

Section 307 (a) amends section 202 (d) of the Social Security Act to provide that a (disabled) child's insurance benefits shall not be terminated because of marriage if the (disabled) child marries a person entitled to old-age insurance benefits, disability insurance benefits, widow's insurance benefits, widower's insurance benefits, (disabled) child's insurance benefits, mother's insurance benefits, or parent's insurance benefits. In the case of such child's marriage to a man entitled to disability insurance benefits or (disabled) child's insurance benefits, her benefits will end when her spouse is no longer entitled to his benefits unless the spouse dies or, in case he was entitled to disability insurance benefits, he becomes entitled to an old-age insurance benefit.

Widow's insurance benefits

Section 307 (b) amends section 202 (e) of the Social Security Act to provide that a widow's insurance benefits shall not be terminated by reason of her remarriage if the remarriage is to a person entitled to widower's, parent's, or (disabled) child's insurance benefits. In case

of her remarriage to an individual entitled to (disabled) child's insurance benefits, her entitlement will end if he ceases to be under a disability.

Widower's insurance benefits

Section 307 (c) amends section 202 (f) of the Social Security Act to provide that a widower's insurance benefits shall not be terminated because of his remarriage if the remarriage is to a person entitled to widow's, mother's, parent's, or (disabled) child's insurance benefits.

Mother's insurance benefits

Section 307 (d) amends section 202 (g) of the Social Security Act to provide that a mother's insurance benefits shall not be terminated by reason of her remarriage if the remarriage is to a person entitled to old-age, disability, widower's, parent's, or (disabled) child's insurance benefits. In case of her remarriage to a man entitled to disability insurance benefits or (disabled) child's insurance benefits, her benefits will end when her spouse is no longer entitled to his benefits unless the spouse dies, or, in case he was entitled to disability insurance benefits, he becomes entitled to an old-age insurance benefit.

Parent's insurance benefits

Section 307 (e) amends section 202 (h) of the Social Security Act to provide that a parent's insurance benefits shall not be terminated because of remarriage if the remarriage is to a person entitled to widow's, widower's, mother's, parent's or (disabled) child's insurance benefits. In case the remarriage is to a male individual entitled to (disabled) child's insurance benefits, the female parent's entitlement will end if her new husband ceases to be under a disability.

Deduction provisions

Section 307 (f) amends section 203 (c) of the Social Security Act by redesignating the present subsection (c) as paragraph (1) of subsection (c) and adding a new paragraph (2) to provide for deductions from a (disabled) child's or mother's insurance benefits for any month in which the person entitled thereto is married to someone entitled to an old-age insurance benefit who incurs deductions from his old-age insurance benefits because of his earnings.

Deductions on account of refusal to accept rehabilitation services

Section 307 (g) amends section 222 (b) of the Social Security Act to provide for deductions from a (disabled) child's or mother's insurance benefits for any month in which the person entitled thereto is married to someone entitled to disability insurance benefits who incurs deductions, for such month, for refusal to accept rehabilitation services.

Effective date

Section 307 (h) provides that the amendments made by section 307 (other than the amendments to the deduction provisions made by subsections (f) and (g)) shall be effective for months following the month in which this bill is enacted. In the case of benefits terminated before enactment which would not have been terminated had this bill been in effect, however, the amendments will be effective only if an application for such benefits is filed after the month in which the bill

is enacted. The amendment made by subsection (f) applies to benefits for months in any taxable year of the working spouse beginning after the month in which this bill is enacted; the amendment made by subsection (g) applies to benefits for months after such month of enactment in which deductions are incurred by the spouse for refusal to accept rehabilitation services.

SECTION 308. AMOUNT WHICH MAY BE EARNED WITHOUT LOSS OF BENEFITS

Section 308 of the bill makes several changes in section 203 of the Social Security Act, which relates to imposition of deductions from old-age and survivors insurance benefits on account of earnings over the exempt amount or occurrence of other events.

Section 308 (a) of the bill amends section 203 (e) (2) of the act to change the order of charging earnings in excess of the exempt amount (\$1,200 for a full taxable year) to months of the taxable year. Excess earnings are to be charged (at the rate of \$80 per month) to the first month of the taxable year and then to each succeeding month, instead of (as under existing law) to the last month and then to each preceding month.

Section 308 (b) of the bill amends section 203 (e) (3) (A) of the act to make a conforming change.

Section 308 (c) of the bill amends sections 203 (e) (2) (D) and 203 (e) (3) (B) (ii) of the act to increase from \$80 to \$100 the amount of wages that a beneficiary may earn in a month without having benefits withheld even if excess earnings are charged to such month as indicated above, provided he does not perform substantial services in self-employment in such month. (This change does not affect the provision, described above, which requires that earnings in excess of the exempt amount be charged to the months of the year in units of \$80.)

Section 308 (d) of the bill amends section 203 (g) (1) of the act to provide that a beneficiary who has had his benefits suspended under the earnings test for all months (of a taxable year) in which he is under 72, does not have to file an annual report of earnings with the Secretary for that year. It further provides that the beneficiary (or his survivors) has a period of 3 years, 3 months, and 15 days after the close of the year in which to file information that benefits are due for any month in the year; if this is not done, no benefits may be paid for such month.

Section 308 (e) makes a conforming change in section 203 (1) of the act, which relates to good cause for failure to make required reports. Section 308 (f) of the bill makes the amendments made by the section effective for taxable years beginning after the month of enactment.

SECTION 309. REPRESENTATION OF CLAIMANTS BEFORE SECRETARY OF HEALTH, EDUCATION, AND WELFARE

Section 309 of the bill amends section 206 of the Social Security Act to eliminate the requirement that an attorney desiring to represent claimants before the Secretary must, as a matter of course, file a certificate of his right to practice.

SECTION 310. OFFENSES UNDER TITLE II OF THE SOCIAL SECURITY ACT

Section 310 amends section 208 of the Social Security Act, which is designed to protect the old-age and survivors system against fraud.

The present section 208 specifically applies to the making of false statements (such as tax returns, tax claims, and the like) about covered earnings for the purpose of obtaining or increasing benefits; and to the making of false statements, affidavits, or documents in connection with an application for benefits, regardless of whether made by the applicant or some other person. Section 310 of the bill amends section 208 to make the penalty provision clearly applicable in connection with willful failure to disclose material information as well as positive action; in connection with noncovered as well as covered earnings; and in connection with suspensions, terminations, and misuse of benefits, and disability determinations, as well as in connection with applications for benefits. The penalty provision would thereby be clarified and brought up to date to take account of major amendments to the program adopted in 1954 and 1956, such as the provisions on disability and the application of the earnings test to noncovered work.

SECTION 311. EXTENSION OF COVERAGE IN CONNECTION WITH GUM RESIN PRODUCTS

Section 311 (a) of the bill amends section 210 (a) (1) of the Social Security Act by removing the specific exclusion from employment of service performed in connection with the production or harvesting of crude gum (oleoresin) from a living tree or the processing of such crude gum into gum, spirits of turpentine, and gum resin, if such processing is carried on by the original producer of the crude gum. Subsection (b) provides that the amendment made by subsection (a) shall apply to service performed after 1958.

SECTION 312. EMPLOYMENT FOR NONPROFIT ORGANIZATIONS

Section 312 (a) of the bill amends section 210 (a) (8) (B) of the Social Security Act to make the exclusion from employment now provided by section 210 (a) (8) (B) conform to the changes that section 405 of the bill makes in section 3121 (k) of the Internal Revenue Code of 1954. Subsection (b) provides that the amendment made by subsection (a) shall be effective with respect to certificates filed under section 3121 (k) of the Internal Revenue Code after the date of enactment.

SECTION 313. PARTNER'S TAXABLE YEAR ENDING AS RESULT OF DEATH

Section 313 (a) of the bill provides for the crediting of a deceased partner with a share of the partnership's earnings or loss, for social-security purposes, for the year of his death. A detailed discussion of this amendment appears in the explanation (in this report) of section 403 (a) of the bill.

Section 313 (b) of the bill provides that the amendment made by subsection (a) shall apply with respect to individuals who die after the date of enactment of the bill; and with respect to individuals who die after 1955 and on or before the date of enactment, but only if the requirements of section 403 (b) (2) of the bill are met.

SECTION 314. GRATUITOUS WAGE CREDITS FOR AMERICAN CITIZENS WHO SERVED IN ARMED FORCES OF ALLIED COUNTRIES

General rule

Section 314 (a) of the bill amends section 217 of the Social Security Act to extend the noncontributory wage credits, provided under section 217 of the act, to certain American citizens who, prior to December 9, 1941, entered the active military or naval service of countries that, on September 16, 1940, were at war with a country with which the United States was at war during World War II. Wage credits of \$160 would be provided for each month of such service performed after September 15, 1940, and before July 25, 1947. To qualify for such wage credits, an individual must either have been a United States citizen throughout the period of his active service or have lost his United States citizenship solely because of his entrance into such active service. He must have resided in the United States for at least 4 years during the 5-year period ending on the day of his entrance into such active service and must have been domiciled in the United States on such day. Separation from such active service must either have been (1) through discharge under conditions other than dishonorable after active service of at least 90 days or by reason of an injury incurred or aggravated in line of duty, or (2) through death in such service.

Paragraph (2) of the new subsection provides that the parent of an individual to whom paragraph (1) applies shall have 2 years after the date of enactment of the bill, or after the date of the death of such individual, whichever is later, in which to file proof of support as required in section 202 (h) of the Social Security Act.

Reimbursement to disability insurance trust fund

Section 314 (b) of the bill makes a technical change in section 217 (g) of the Social Security Act, which authorizes appropriations to reimburse the "trust fund" for costs arising out of the granting of non-contributory wage credits under such section 217. The term "trust fund" is changed to "trust funds," in recognition of the creation of the separate Federal disability insurance trust fund by the 1956 amendments.

Effective date

Paragraph (1) of section 314 (c) of the bill provides that the amendment made by section 314 (a) shall apply only with respect to monthly benefits under sections 202 and 223 of the Social Security Act for months after the month in which the bill is enacted, to lump-sum death payments under section 202 of the act in the case of deaths occurring after the month in which the bill is enacted, and to periods of disability under section 216 (i) of the act in the case of applications

for a disability determination filed after the month in which the bill is enacted.

Paragraph (2) of section 314 (c) of the bill provides that the primary insurance amount of an individual to whom the amendment made by section 314 (a) of the bill is applicable shall be recomputed to reflect, in any benefit to which such individual (or his survivors) may already be entitled, the wage credits provided by the amendment made by section 314 (a) of the bill.

SECTION 315. POSITIONS COVERED BY STATE AND LOCAL RETIREMENT SYSTEMS

Division of retirement systems

Paragraph (1) of section 315 (a) of the bill divides section 218 (d) (6) of the act into a number of subparagraphs, and modifies the provisions of such section which permit social security coverage to be extended to only those members of a State or local retirement system who desire such coverage. These provisions are modified in three ways.

First, Massachusetts and Vermont are added to the list of States to which such provisions apply.

Second, the provisions (for extending coverage to only those members of a retirement system who desire such coverage) are modified by the addition of a new subparagraph (E) which makes coverage available, under these provisions, for persons who have an option to join a State or local system but who have not chosen to become members of the system. If the modification providing coverage under the divided retirement system procedure is approved after 1959, individuals having an option to join the State or local system would have to be treated in the same manner as members of the system; the State would have no option as to the treatment of such individuals. However, if the modification is approved before 1960, the State would have the option as to whether these persons would be given an opportunity, under the divided retirement system provision, of securing coverage. In the case of coverage actions which have been completed (whether before or after enactment date) coverage could be made available by the State, if it so desired, to persons having an option to join a State or local system under the procedure (described below) provided for in a new subparagraph (F).

Third, the provisions for covering only those members of a State or local retirement system who desire such coverage would be modified by the addition of a subparagraph (F). This new subparagraph would give individuals who are in the group of persons which did not desire social security coverage another chance to obtain coverage. The State could transfer these persons to the group of persons desiring coverage if a modification providing for such coverage is mailed, or otherwise delivered, to the Secretary before 1960, or, if later, within 1 year after coverage was approved for the group which elected in favor of coverage. Coverage could be provided under this procedure only for those persons who filed a request therefor with the State before the date of approval by the Secretary of the modification providing for the coverage of the additional persons.

Paragraph (2) of section 315 (a) of the bill amends section 218 (d) (7) of the act (providing a simplified procedure for social

security coverage under the provisions of sec. 218 (d) (6), which relate to extension of coverage to those persons under State or local retirement systems desiring such coverage) to take account of the rearrangement of section 218 (d) (6).

Paragraph (3) of section 315 (a) of the bill amends section 218 (k) (2) of the act, which makes applicable to interstate instrumentalities the provisions of section 218 (d) (6) which permit the extension of Social Security coverage to only those persons under State or local retirement systems who desire such coverage. Paragraph (3) makes applicable to interstate instrumentalities the provisions of paragraph (1) of the bill which relate to the coverage of an individual who is not a member of a State or local retirement system but is eligible to become a member of such system. Paragraph (3) further amends section 218 (k) (2) of the act to take into account the rearrangement of section 218 (d) (6) of the corresponding provision of prior law.

Coverage under other retirement systems

Section 315 (b) amends section 218 (d) of the act by adding a new paragraph (8) to facilitate coverage for persons in positions which are covered under more than one State or local retirement system. Subparagraph (A) of the new paragraph provides that if, after December 31, 1958, an agreement is made applicable to service in positions covered by a State or local retirement system, service performed by an individual in a position covered by such a system may not be excluded from the agreement because the position is also covered under another retirement system. Subparagraph (B) of the new paragraph provides that subparagraph (A) shall not apply to services performed by an individual in a position covered under a retirement system if such individual, on the day the agreement is made applicable to service performed in positions covered by such retirement system, is not a member of such system but is a member of another system. Subparagraph (C) provides that in cases where, prior to 1959, an agreement is made applicable to service in positions covered by any retirement system, the State may modify the agreement to make subparagraphs (A) and (B) applicable to such system. Thus, in the case of retirement systems brought under coverage before 1959, the operation of subparagraphs (A) and (B) would be at the option of the State; in the case of retirement systems brought under coverage after 1958 subparagraphs (A) and (B) would apply automatically. The new subparagraph (D) states that nothing in the paragraph authorizes the application of an agreement to services in any policeman's or fireman's position in those States where such coverage is not specifically authorized in the act.

Retroactive coverage for certain State and local government employees

Section 315 (c) of the bill amends section 218 (f) of the act by adding a new paragraph (2) to make retroactive coverage available under State agreements to certain persons whose employment with the State or locality may be terminated before the agreement or modification extending coverage to the individual's position is executed. Under present law only persons who are employed on the date the coverage agreement or modification is executed may obtain

retroactive coverage. Under the new paragraph the State could obtain retroactive coverage for all persons employed by the State or locality on a date specified by the State. The date specified could not be earlier than the date the State submits the modification. If no date is specified by the State, retroactive coverage would be available only for individuals who are still employees on the date the modification is approved by the Secretary. The new provision would be effective for agreements or modifications executed after the enactment date.

TITLE IV—AMENDMENTS TO THE INTERNAL REVENUE CODE OF 1954

SECTION 401. CHANGES IN TAX SCHEDULES

Self-employment income tax

Section 401 (a) amends section 1401 of the Internal Revenue Code of 1954 to increase the social-security tax rate on self-employment income. Under present law the taxes on self-employment income are as follows:

Taxable years beginning after:	Tax rate (percent)
1956-----	3 $\frac{3}{8}$
1959-----	4 $\frac{1}{8}$
1964-----	4 $\frac{7}{8}$
1969-----	5 $\frac{5}{8}$
1974-----	6 $\frac{3}{8}$

The tax rates provided by the bill are as follows:

Taxable years beginning after:	Tax rate (percent)
1958-----	3 $\frac{3}{4}$
1959-----	4 $\frac{1}{2}$
1962-----	5 $\frac{1}{4}$
1965-----	6
1968-----	6 $\frac{3}{4}$

Tax on employees and employers

Sections 401 (b) and 401 (c) amend section 3101 and section 3111, respectively, of the Internal Revenue Code of 1954 to increase the social security tax rate on wages for both employees and employers. Under present law the tax rates are as follows:

Calendar years:	Tax rate, employer and employee, each (percent)
1957-59 inclusive-----	2 $\frac{1}{4}$
1960-64 inclusive-----	2 $\frac{3}{4}$
1965-69 inclusive-----	3 $\frac{1}{4}$
1970-74 inclusive-----	3 $\frac{3}{4}$
1975 and after-----	4 $\frac{1}{4}$

The tax rates provided by the bill are as follows:

Calendar years:	Tax rate, employer and employee, each (percent)
1959-----	2 $\frac{1}{2}$
1960-62 inclusive-----	3
1963-65 (inclusive)-----	3 $\frac{1}{2}$
1966-68 inclusive-----	4
1969 and after-----	4 $\frac{1}{2}$

Effective dates

Section 401 (d) provides that the amendment made by section 401 (a) of the bill, shall apply with respect to taxable years which

begin after December 31, 1958, and that the amendments made by subsections (b) and (c) of section 401 of the bill shall apply with respect to remuneration paid after December 31, 1958.

SECTION 402. INCREASE IN TAX BASE

Definition of self-employment income

Section 402 (a) of the bill amends section 1402 (b) (1) of the code by increasing the limitation on self-employment income subject to the self-employment tax (for taxable years ending after 1958) from \$4,200 to \$4,800.

Definition of wages

Section 402 (b) of the bill amends section 3121 (a) of the code, relating to the definition of the term "wages" for purposes of the Federal Insurance Contributions Act. Section 3121 (a) (1) of existing law provides that the term "wages" does not include that part of the remuneration paid within any calendar year by an employer to an employee which exceeds the first \$4,200 of such remuneration (exclusive of remuneration excepted from wages by the succeeding paragraphs of sec. 3121 (a)) paid within such calendar year by such employer to such employee for employment. The amendment would increase the amount of the limitation from \$4,200 to \$4,800 but otherwise would make no change in the provisions of section 3121 (a).

Federal service

Section 402 (c) of the bill amends section 3122 of the code, relating to Federal service, so as to conform the provisions of such section to the increase made by the bill in the limitation on wages from \$4,200 to \$4,800.

Special refunds of employee tax

Section 402 (d) of the bill amends section 6413 (c) of the code, relating to special refunds of employee tax paid on aggregate wages in excess of \$4,200 received by an employee from more than 1 employer during a calendar year, so as to conform (for calendar years after 1958) the special refund provisions to the increase made by the bill in the limitation on wages from \$4,200 to \$4,800.

Effective date

Under section 402 (e), the amendments made by subsections (b) and (c) of section 402 are made applicable only with respect to remuneration paid after 1958.

SECTION 403. PARTNER'S TAXABLE YEAR ENDING AS THE RESULT OF DEATH

Section 403 of the bill amends section 1402 of the Internal Revenue Code of 1954 by adding a subsection (f), relating to the computation of the "net earnings from self-employment" of a partner whose taxable year ends, because of his death, within the taxable year of the partnership.

General rule

Under section 1402 (a) of the 1954 Code the distributive share of partnership income which the partner is required to include in computing his net earnings from self-employment is based on the ordinary income or loss of the partnership for the taxable year of the partnership ending within or with the partner's taxable year. If the partner's taxable year ends, because of his death, on any day other than the last day of the partnership's taxable year, the partner's final taxable year would not include any part of the ordinary income or loss of the partnership for its current taxable year because such current taxable year does not end within the partner's last taxable year. Thus, for such partner's last taxable year no amount of his distributive share of the partnership income or loss for the current partnership taxable year would be included in his net earnings from self-employment.

The new section 1402 (f) provides that if, as a result of a partner's death, his taxable year ends within (but not with) the taxable year of the partnership there will be included in computing such partner's net earnings from self-employment for the taxable year ending with his death so much of the deceased partner's distributive share of the partnership's ordinary income or loss for the partnership taxable year as is not attributable to an interest in the partnership during any period beginning on the first day of the first calendar month following the month in which the partner died.

Under paragraph (1) of new section 1402 (f) the ordinary income or loss of the partnership is treated as if it had been realized or sustained ratably over the partnership taxable year for purposes of determining under new section 1402 (f) the deceased partner's distributive share which is attributable to any interest in the partnership during any period on or after the first day of the first calendar month following the month in which such partner died.

Under paragraph (2) of section 1402 (f) the term "deceased partner's distributive share" is defined, for purposes of the new subsection, to include the share of his estate or of any other person succeeding, by reason of the death of the partner, to rights with respect to his partnership interest. The "deceased partner's distributive share" does not include any share attributable to a partnership interest which was not held by the deceased partner prior to his death. Thus, if a deceased partner's estate should increase its interest in the partnership the amount of the distributive share attributable to such additional interest acquired by the estate would not be included in computing the "deceased partner's distributive share" of the partnership's ordinary income or loss for the partnership taxable year.

Effective date

Subsection (b) of section 403 of the bill contains the effective date provision applicable to new section 1402 (f). The new section 1402 (f) applies with respect to individuals who die after the date of the enactment of this bill. It will also apply to an individual who died after 1955 and on or before the date of the enactment of this bill if (1) there is filed before January 1, 1960, a self-employment tax return (or amended return) for the taxable year ending as a result of the individual's death, and (2) where the return is filed solely for the

purpose of reporting net earnings from self-employment resulting from the new section 1402 (f), the return is accompanied by the amount of self-employment tax attributable to such net earnings. In a case in which new section 1402 (f) does apply to an individual who died after 1955 and on or before the date of the enactment of this bill, no interest or penalty is to be assessed or collected on the amount of any self-employment tax due solely by reason of the operation of new section 1402 (f).

SECTION 404. SERVICE IN CONNECTION WITH GUM RESIN PRODUCTS

Removal of exclusion from definition of employment

Section 404 (a) of the bill amends section 3121 (b) (1) of the code, relating to the exclusion from employment of certain types of agricultural labor. Section 3121 (b) (1), as amended by the bill, retains the exclusion contained in subparagraph (B) of section 3121 (b) (1) of existing law. However, the amendment removes the exclusion contained in existing section 3121 (b) (1) (A) applicable to service performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended. Under the amendment services referred to in the preceding sentence will be covered under the Federal Insurance Contributions Act on the same basis as other agricultural labor.

Effective date

Under section 404 (b) of the bill, the amendment made by section 404 (a) is made effective with respect to service performed after 1958.

SECTION 405. NONPROFIT ORGANIZATIONS WAIVER CERTIFICATES

General rule

Section 405 (a) of the bill amends section 3121 (k) (1) of the Internal Revenue Code of 1954, relating to waivers of tax exemption which may be filed by certain religious, charitable, etc., organizations. Under present law, such an organization may file a certificate waiving exemption from tax under chapter 21 of such code only if two-thirds or more of its employees concur in the filing of such certificate, and such certificate is accompanied by a list containing the signature, address, and social security account number (if any) of each employee who concurs in the filing of such certificate. Such list may be amended, pursuant to existing law, by the filing of a supplemental list at any time before the expiration of 24 months following the first calendar quarter for which the certificate is effective or at any time before January 1, 1959, whichever is later. The certificate becomes effective, under present law, for the calendar quarter in which filed or the following calendar quarter, whichever is specified in the certificate, except that in the case of employees concurring on a supplemental list filed after the first month following the first calendar quarter for which the certificate is in effect, the certificate becomes effective with respect to services performed by such employees in the calendar quarter following the calendar quarter in which the supplemental list is filed.

Section 405 (a) of the bill amends section 3121 (k) (1) of the code so as to provide that a certificate filed by an organization pursuant to that section shall become effective for the calendar quarter in which filed, for the following calendar quarter, or for any calendar quarter preceding the calendar quarter in which the certificate is filed, whichever is specified in the certificate by the organization, except that, in the case of a certificate filed before January 1, 1960, the certificate may not be made effective earlier than January 1, 1956. An organization that has filed a certificate prior to enactment of the bill but after 1955 may request that the certificate be made effective for any calendar quarter preceding the calendar quarter for which it originally was effective, but not earlier than January 1, 1956. In the case of a certificate filed after 1959, the certificate may not be made effective for a calendar quarter earlier than the fourth calendar quarter preceding the calendar quarter in which the certificate is filed. Furthermore, in the case of employees concurring on a supplemental list filed after the first month following the calendar quarter in which the certificate is filed, the certificate is effective with respect to services performed by such employees in the calendar quarter in which the supplemental list is filed. In addition, section 405 (a) of the bill amends section 3121 (k) (1) of the code so as to provide that an organization described in section 3121 (k) (1) which employs individuals who are in positions covered by a pension, annuity, retirement, or similar fund or system established by a State or political subdivision thereof, and which employs individuals who are not in such positions, shall separate its employees who are in such positions and its employees who are not in such positions into 2 groups for purposes of section 3121 (k) (1) of the code. One group shall consist of employees who are members, or are eligible to become members, of such fund or system; and the other group shall consist of all remaining employees.

A waiver may be filed with respect to the employees in either group, or separate waivers may be filed with respect to the employees in the two groups, provided two-thirds or more of the employees in the particular group concur in the filing of the certificate. Section 405 (a) of the bill also amends section 3121 (k) (1) of the code so as to provide that, in the case of any certificate filed pursuant to section 3121 (k) (1) which is effective earlier than the calendar quarter in which it is filed, all returns and taxes for the earlier calendar quarters shall be due on the last day of the first calendar month following the calendar quarter in which the certificate is filed. The statutory period for assessment of such taxes shall not be less than 3 years from such due date.

Conforming amendment

Section 405 (b) of the bill amends section 3121 (b) (8) (B) of the Internal Revenue Code of 1954, which, in effect, provides an exemption from the tax under chapter 21 of the code in respect of services performed for certain religious, charitable, etc., organizations. The amendment made by section 405 (b) of the bill is a conforming amendment made necessary by reason of the new subparagraph (E) contained in the amendment of section 3121 (k) (1) of the code made by section 405 (a) of the bill.

Under present law, services performed as an employee of such an organization are excepted from employment (and the remuneration

therefor is thus exempt from tax) under chapter 21 unless the employee's signature appears on the list of employees concurring in the filing of a certificate under section 3121 (k) (1) of the code (relating to waivers of tax exemption which may be filed by such an organization) and such services are performed on or after the date on which the certificate became effective with respect to such employee, or unless the employee entered the employ of the organization after the calendar quarter in which the certificate was filed.

Section 405 (b) of the bill amends section 3121 (b) (8) (B) so as to add a new provision in respect of employees of an organization which, under the new section 3121 (k) (1) (E) of the code, is required to divide its employees into 2 groups for purposes of section 3121 (k) (1) (see the discussion in this report of the amendments made by sec. 405 (a) of the bill). Pursuant to this new provision, services performed as a member of such a group by an individual who became a member of that group after the calendar quarter in which a certificate under section 3121 (k) (1) was filed with respect to such group shall not be excepted from employment under section 3121 (b) (8) (B) of the code. However, a member of one such group with respect to which a certificate is in effect who becomes a member of the other group shall not, as to his services as a member of such other group, be covered by the certificate filed with respect to the first group.

Effective date

Pursuant to section 405 (c) of the bill, the amendments made by sections 405 (a) and 405 (b) of the bill are effective only with respect to certificates under section 3121 (k) (1) of the code which are filed after the date of enactment of the bill.

SECTION 406. EXEMPTION OF UNEMPLOYMENT BENEFITS FROM LEVY

Section 406 of the bill amends section 6334 (a) of the code, relating to enumeration of property exempt from levy, by adding a paragraph (4) dealing with unemployment benefits. Pursuant to such paragraph (4), amounts payable to an individual under an unemployment compensation law of the United States, of any State or Territory, or of the District of Columbia or of the Commonwealth of Puerto Rico, with respect to the unemployment of such individual, including any portion of the amount which is payable with respect to dependents, are expressly exempted from levy for the collection of any tax imposed by the Internal Revenue Code of 1954.

TITLE V—AMENDMENTS RELATING TO PUBLIC ASSISTANCE

Sections 3 (a), 1003 (a), and 1403 (a) of the Social Security Act now provide for paying to each State with a plan approved under titles I, X, and XIV, respectively, four-fifths of the first \$30 of the average monthly money payment per recipient, plus one-half of the remainder of such average payment, but excluding that part of any payment to any individual for any month in excess of \$60. With respect to assistance expenditures for medical care or any other type of remedial care in behalf of recipients, the Federal payment is one-half within an average monthly expenditure of \$6 per recipient.

SECTION 501. OLD-AGE ASSISTANCE

Section 501 of the bill would amend section 3 (a) of the Social Security Act so as to provide for an average monthly maximum of \$65 on the amount of State expenditures for old-age assistance in which the Federal Government would share, and to relate a portion of the Federal contribution to the fiscal ability of the State. The Federal payment would be four-fifths of the first \$30 of the average monthly payment per recipient, including assistance in the form of money payments and in the form of medical or any other remedial care, plus an amount that would be equal to the Federal percentage of the remainder (determined for each State as set out in sec. 505 of the bill), but excluding that part of the average monthly payment per recipient in excess of \$65.

The number of recipients to be used in determining the Federal payment with respect to any month would be the number who received cash payments for that month, plus the number with respect to whom expenditures were made in such month as old-age assistance in the form of medical care. In determining the latter number, individuals who were eligible when the care was provided would be counted even though not eligible when the medical bill was paid.

SECTIONS 503 AND 504. AID TO THE BLIND AND TOTALLY DISABLED

Sections 503 and 504 amend sections 1003 (a) and 1403 (a) of the Social Security Act relating to aid to the blind and aid to the permanently and totally disabled, respectively, so as to provide a similar formula for the programs of assistance for the blind and disabled.

SECTION 502. AID TO DEPENDENT CHILDREN

Section 403 (a) of the Social Security Act now provides for paying to each State with a plan approved under title IV, fourteen-seventenths of the first \$17 of the average monthly payment per recipient plus one-half the remainder of such average payment, but excluding that part of any payment with respect to the first dependent child in the home and the adult caretaker in excess of \$32 each, and with respect to each of the other dependent children in the home in excess of \$23. With respect to assistance expenditures for medical care or any other type of remedial care in behalf of recipients of aid to dependent children, the Federal payment is one-half within an average monthly expenditure of \$3 per dependent child, and with respect to the adult caretaker within an average monthly expenditure of \$6.

Section 502 of the bill would amend section 403 (a) of the Social Security Act so as to provide for an average monthly maximum of \$30 on the amount of State expenditures for aid to dependent children in which the Federal Government would share, and to relate a portion of the Federal contribution to the fiscal ability of the State. The Federal payment would be five-sixths of the first \$18 of the average monthly payment per recipient, including assistance in the form of

money payments and in the form of medical or any other type of remedial care, plus an amount that would be equal to the Federal percentage of the remainder (determined for each State as set out in sec. 505 of the bill), but excluding that part of the average monthly payment per recipient in excess of \$30.

The number of recipients for purposes of determining the maximum Federal share with respect to any month would be determined in the manner described above for old-age assistance.

SECTION 505. FEDERAL MATCHING PERCENTAGE

Section 505 would amend subsection (a) of section 1101 of the Social Security Act by adding a new paragraph defining the Federal percentage of State expenditures under titles I, IV, X, and XIV. The Federal percentage for any State (other than Puerto Rico, the Virgin Islands, and Guam) would be derived by relating the State's per capita income to the national per capita income. For a State with a per capita income equal to or above the national per capita income, the Federal percentage would be 50 percent. Where a State's per capita income was less than the per capita income of the Nation, the Federal percentage would be more than 50 percent. The bill provides that the Federal percentage shall in no case be less than 50 percent or more than 70 percent. The Federal percentage for Alaska and Hawaii is specified to be 50 percent.

The Federal percentage would be promulgated each even-numbered year, based on data of the Department of Commerce on per capita income for the 3 most recent calendar years for which satisfactory data are available, and would be conclusive for 8 successive quarters beginning July 1 after such promulgation. Provision is made for a promulgation to be made as soon as possible after enactment of the bill and such promulgation would be conclusive for each of the 10 quarters in the period from January 1, 1959, through June 30, 1961.

SECTION 506. EXTENSION TO GUAM

Section 506 amends the term "State" when used in titles I, IV, V, VII, X, and XIV to include Guam, thus making Federal grants-in-aid under these titles available to Guam.

SECTION 507. INCREASE IN LIMITATIONS ON PUBLIC-ASSISTANCE PAYMENTS TO PUERTO RICO AND VIRGIN ISLANDS

Section 507 amends section 1108 of the Social Security Act to increase the limitation on the total annual Federal payments for public assistance under title I, IV, X, and XIV to Puerto Rico from \$5,312,500 to \$8,500,000. The limitation with respect to the Virgin Islands would be increased from \$200,000 to \$300,000. Section 1108 is also amended to establish a limitation of \$400,000 on such payments to Guam to which Federal grants are made available under section 506 of the bill.

SECTION 508. MATERNAL AND CHILD-CARE GRANTS FOR GUAM

Section 508 provides that, until such time as the Congress may by appropriation or other law provide, the Secretary shall, in place of the uniform grant of \$60,000 now authorized for each State for each of the 3 grant programs under title V, allot such smaller amounts to Guam as he may deem appropriate.

SECTION 509. TEMPORARY EXTENSION OF CERTAIN SPECIAL PROVISIONS RELATING TO STATE PLANS FOR AID TO THE BLIND

Section 509 would amend section 344 (b) of the Social Security Act Amendments of 1950, as amended, so as to extend from June 30, 1959, through June 30, 1961, the special provisions relating to the approval of certain State plans for aid to the blind under title X.

SECTION 510. SPECIAL PROVISION FOR CERTAIN INDIANS REPEALED

Section 510 of the bill repeals section 9 of the Act of April 19, 1950, as amended, relating to additional Federal sharing under titles I, IV, and X in assistance provided to Navajo and Hopi Indians residing on reservations.

SECTION 511. TECHNICAL AMENDMENT

Section 511 of the bill would make a technical amendment in section 2 (a) (11) of the Social Security Act to make clear that in the description in the State plan of services relating to self-care there shall be included a description of the steps taken to assure, in the provision of such services, maximum utilization of other agencies providing similar or related services.

SECTION 512. EFFECTIVE DATES

Section 512 specifies the effective dates for certain amendments made by title V of the bill. The sections of the bill relating to the formula for Federal matching of State public-assistance expenditures (secs. 501, 502, 503, 504, and 505) are effective for months after September 1958.

The amendments relating to the extension of titles I, IV, X, and XIV of the Social Security Act to Guam in section 506 would become effective for the months after September 1958.

The amendments relating to the extension of title V of the Social Security Act to Guam and to the allocation to Guam of Federal funds under that title, made by sections 506 and 508, respectively, of the bill, would become effective for fiscal years ending after June 30, 1959.

The amendments made by section 507 relating to the limitation on Federal public-assistance grants to Puerto Rico, the Virgin Islands, and Guam, would become effective for fiscal years ending after June 30, 1958.

The technical amendment made by section 511 of the bill would become effective October 1, 1958.

TITLE VI—MATERNAL AND CHILD WELFARE

SECTION 601. CHILD WELFARE SERVICES

Section 601 amends the present provisions of part 3, title V of the Social Security Act as follows:

1. It increases the amount authorized for annual appropriation for grants to the States for child-welfare services from the present \$12 million to \$17 million.

2. It removes the present provisions of the law with respect to the use of Federal child-welfare funds in predominantly rural areas or other areas of special need.

3. It changes the formula for allotment of Federal child-welfare funds. The present law provides for a uniform grant of \$40,000 to each State, with the remainder allotted on the basis of the proportion that the rural child population under 18 years of age of each State bears to the total rural population of the United States under such age. The bill provides that the sums appropriated for each fiscal year shall be allotted by the Secretary for use by cooperating State public-welfare agencies which have plans developed jointly by the State agency and the Secretary as follows: To each State, he shall allot such portion of \$60,000 as the amount appropriated bears to the amount authorized to be appropriated, and he shall allot to each State an amount which bears the same ratio to the remainder of the sums appropriated for such year as the product of (1) the population of such State under the age of 21 and (2) the allotment percentage of such State bears to the sum of the corresponding products of all the States. The allotment percentage for any State would be 100 percent less the State percentage; and the State percentage would be that percentage which bears the same ratio to 50 percent as the per capita income of such State bears to the per capita income of the continental United States (excluding Alaska); except that (a) the allotment percentage shall in no case be less than 30 percent or more than 70 percent, and (b) the allotment percentage shall be 50 percent in the case of Alaska and 70 percent in the case of Puerto Rico, the Virgin Islands, and Guam.

The bill also provides that if the amount so allotted is less than the State's base allotment, the amount shall be increased to such base allotment, and the total of the increases thereby required shall be derived by proportionately reducing the allotments of the other States, but with such adjustments as may be necessary to prevent the allotment of any State from being reduced to less than its base allotment. The base allotment of any State for any fiscal year is defined as the amount which would be allotted to such State for such year under the provisions of section 521 of the law as in effect prior to the enactment of the Social Security Amendments of 1958, as applied to an appropriation of \$12 million.

4. It adds new sections on payments to the States and on the Federal share. The bill provides that the Secretary shall from time to time pay to each State with a plan developed jointly by the State agency and the Secretary, an amount equal to the Federal share. For the fiscal year ending June 30, 1960, and each year thereafter, the Federal share for any State shall be 100 percent less that per-

centage which bears the same ratio to 50 percent as the per capita income of such State bears to the per capita income of the continental United States (excluding Alaska), except that (1) in no case shall the Federal share be less than $33\frac{1}{3}$ percent or more than $66\frac{2}{3}$ percent, and (2) the Federal share shall be 50 percent in the case of Alaska and $66\frac{2}{3}$ percent in the case of Puerto Rico, the Virgin Islands, and Guam. For the fiscal year ending June 30, 1959, the Federal share shall be determined pursuant to the provisions of section 521 as in effect prior to the enactment of the Social Security Amendments of 1958.

The bill provides that the Federal share and the allotment percentage for each State shall be promulgated by the Secretary between July 1 and August 31 of each even-numbered year, on the basis of the average per capita income of each State and of the continental United States (excluding Alaska) for the 3 most recent calendar years for which satisfactory data are available from the Department of Commerce. Such promulgation shall be conclusive for each of the 2 fiscal years in the period beginning July 1 next succeeding such promulgation, provided that the Secretary shall promulgate such Federal shares and allotment percentages as soon as possible after the enactment of the Social Security Amendments of 1958, which promulgation shall be conclusive until July 1, 1961.

5. It modifies the provisions of the present law with respect to the use of Federal child-welfare funds for the return of runaway children. The bill provides that these funds may be used for paying the costs of returning any runaway child who has not attained the age of 18 to his own community in another State, and of maintaining such child until such return (for a period not exceeding 15 days), in cases in which such costs cannot be met by the parents of such child or by any person, agency, or institution legally responsible for the support of such child. The present law provides that these funds may be used for paying the cost of returning any runaway child who has not attained the age of 16 to his own community in another State in cases in which such return is in the interest of the child and the cost thereof cannot otherwise be met.

6. It adds a new section to authorize reallocation of Federal child welfare funds. This section provides that the amount of any allotment to a State for any fiscal year which the State certifies to the Secretary will not be required for carrying out the State plan shall be available for reallocation from time to time, on such dates as the Secretary may fix, to other States which the Secretary determines (1) have need in carrying out their State plans so developed for sums in excess of those previously allotted to them, and (2) will be able to use such excess amounts during such fiscal year. Such reallocations shall be made on the basis of the State plans, after taking into consideration the population under the age of 21, and the per capita income of each such State as compared with the population under the age of 21, and the per capita income of all such States with respect to which such a determination by the Secretary has been made. Any amount so reallocated to a State shall be deemed part of its annual allotment.

SECTION 602. MATERNAL AND CHILD HEALTH

Section 602 amends the present provisions of part 1, title V of the Social Security Act by increasing the amount authorized for annual appropriation for grants to the States for maternal and child health services from the present \$16.5 million to \$21.5 million. The bill also increases correspondingly the amounts specified in subsections (a) and (b) of section 502 of the present law (for allotment in accordance with the provisions of each such subsection) so that they continue to represent, respectively, one-half of the amount authorized to be appropriated, namely, \$10,750,000. With respect to the uniform grant of \$60,000 to each State, now provided under section 502 (a) of the law, the bill provides that the Secretary shall allot this amount to each State each year even though the amount appropriated for such year is less than \$21,500,000.

SECTION 603. CRIPPLED CHILDREN'S SERVICES

Section 603 amends the present provisions of part 2, title V of the Social Security Act by increasing the amount authorized for annual appropriation for grants to the States for crippled children's services from the present \$15 million to \$20 million. The bill also increases correspondingly the amounts specified in subsections (a) and (b) of section 512 of the present law (for allotment in accordance with the provisions of each such subsection) so that they continue to represent, respectively, one-half of the amount authorized to be appropriated, namely, \$10 million. With respect to the uniform grant of \$60,000 to each State, now provided under section 512 (a) of the law, the bill provides that the Secretary shall allot this amount to each State each year even though the amount appropriated for such year is less than \$20 million.

TITLE VII—MISCELLANEOUS PROVISIONS

SECTION 701. FURNISHING OF SERVICES BY DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Section 1106 (b) of the Social Security Act now authorizes the furnishing, and charging therefor, to persons requesting it, of information permitted under applicable regulations; it does not provide for furnishing of services and the imposition of charges therefor where the Secretary of Health, Education, and Welfare deems such charging appropriate. Section 701 of the bill amends section 1106 (b) to provide for furnishing services, and for collecting, and depositing in the old-age and survivors insurance and disability insurance trust funds, of appropriate charges for such services. Such services will not be provided, however, where they would unduly interfere with the administration of the old-age and survivors insurance program.

SECTION 702. MEANING OF TERM "SECRETARY"

Section 702 of the bill provides that the term "Secretary," as used in the provisions of the Social Security Act, set forth in the bill, means the Secretary of Health, Education, and Welfare where the context does not otherwise require.

SECTION 703. AMENDMENT PRESERVING RELATIONSHIP BETWEEN RAILROAD RETIREMENT AND OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

Section 703 amends section 1 (q) of the Railroad Retirement Act so as to provide that references in the Railroad Retirement Act to the "Social Security Act" and to the "Social Security Act, as amended," are references to the Social Security Act as amended in 1958 (that is, as amended by all acts amending the Social Security Act during and preceding 1958).

SECTION 704. ADVISORY COUNCIL ON PUBLIC ASSISTANCE

This section would provide for an Advisory Council on Public Assistance for the purpose of reviewing the status of the public assistance program in relation to the old-age, survivors, and disability insurance program, the fiscal capacities of the States and the Federal Government, and any other factors bearing on the amount and proportion of the Federal and States' shares in the program. The Council would be appointed by the Secretary of Health, Education, and Welfare and be composed of the Commissioner of Social Security, as Chairman, and 12 other members representing employers and employees (in equal numbers), persons concerned with the administration and financing of State and Federal programs, and other persons with appropriate special knowledge or qualifications, and the public. The Council would report its findings and recommendations not later than January 1, 1960, to the Secretary and the Congress.

CORDON RULE

In the opinion of the committee, it is necessary to dispense with the requirements of subsection 4 of rule XXIX of the Standing Rules of the Senate in order to expedite the business of the Senate in connection with this report.

