Calendar No. 236

93d Congress, 1st Session

Senate Report No. 93-249

CONTINUATION OF EXISTING TEMPORARY INCREASE IN THE PUBLIC DEBT LIMIT

REPORT

OF THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

TO ACCOMPANY

H.R. 8410

TO CONTINUE THE EXISTING TEMPORARY INCREASE IN THE PUBLIC DEBT LIMIT THROUGH NOVEMBER 30, 1973, AND FOR OTHER PURPOSES

(Together With Supplemental Views)

COMMITTEE ON FINANCE
UNITED STATES SENATE
RUSSELL B. LONG, *Chairman*

JUNE 25, 1973.—Ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE
97-558 O WASHINGTON . 1973

CONTENTS

TABLES

Calendar No. 236

93D CONGRESS
1st Session

SENATE

REPORT
No. 93-249

CONTINUATION OF EXISTING TEMPORARY INCREASE IN PUBLIC DEBT LIMIT

JUNE 25, 1973.—Ordered to be printed

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

REPORT

together with

SUPPLEMENTAL VIEWS

[To accompany H.R. 8410]

The Committee on Finance, to which was referred the bill (H.R. 8410) to continue the existing temporary increase in the public debt limit through November 30, 1973, and for other purposes having considered the same, reports favorably thereon with an amendment and recommends that the bill (as amended) do pass.

I. SUMMARY OF THE BILL

The Committee approved the provisions of the House bill without change. However, the Committee added a series of provisions to the bill. The House provisions, which were accepted without change, are summarized below. A summary of the Committee amendment follows this material.

Provisions of House Bill

Extension of temporary debt limit.—The permanent debt limitation under present law is $400 billion. Present law also provides for a temporary additional limitation of $65 billion, providing for an overall public debt limit of $465 billion, effective through June 30, 1973.

H.R. 8410 provides for continuation of the present debt limitation level of $465 billion. This is accomplished by extending the current temporary debt limit of $65 billion from June 30, 1973, through November 30, 1973. No change is made in the permanent debt limit.

Modification of limitation on outstanding long-term bonds.—The bill also modifies the $10 billion limitation on outstanding long-term bonds which have an interest rate greater than 4¼ percent. Under present law, the $10 billion limit on the issuance of these bonds applies to all holdings of them, whether or not the holders are the public or government accounts. H.R. 8410 provides that this limit is not to apply to holdings of these bonds by government accounts. The purpose is to provide the Treasury Department with the opportunity to issue this limited amount of long-term bonds to the public at higher interest rates without having this amount decreased by the bonds with the higher rate held by government trust funds or agencies. However, a large portion of the government holdings are those of trust funds, and other law already specifies in most of these cases that the interest rate paid to them is to be the average market yield on marketable U.S. securities. Thus, in the case of these government holdings the general interest rate limitation on long-term bonds merely has the effect of shifting the holdings of these funds into shorter term obligations without appreciably affecting the interest rate paid. The bill, however, retains the present $10 billion limit on public holding of these bonds with rates above 4¼ percent, because the Committee does not favor generally higher interest rates and does not want the rates on government bonds to have the effect of encouraging higher interest rates.

Refund check-bonds.—In the Revenue Act of 1971, new withholding tables on wage and salary income were provided in order to reduce the serious amount of underwithholding that had been taking place. However, as a result of the change, there was a shift in the opposite direction, and very large amounts of overwithholding occurred. In part, this appears to have resulted from the fact that taxpayers did not file new withholding forms to correct the overwithholding and apparently preferred to be overwithheld. In the present inflationary economic situation, the Committee agrees with the House that it is desirable to find a way to encourage taxpayers to save the funds that they will be paid in tax refunds. The bill provides for a refund check-bond which automatically will become the equivalent of a series E bond, generally drawing interest from January 1, if the taxpayer does not cash it before the time specified for Series E bonds (presently this would be July 1, in the case of calendar year taxpayers). This provision is to be available to the Treasury Department for use in connection with returns filed on or after January 1, 1974.

Committee Amendment

The Committee amendment includes provisions which would, among other things, increase social security benefits; increase Supplemental Security Income payments; postpone social services regulations of the Department of Health, Education, and Welfare; assure that aged, blind and disabled persons now receiving cash assistance or eligible for Medicaid are protected against a reduction in benefits or loss of Medicaid eligibility when the new SSI program goes into effect next January; and limit expenditures to $268.7 billion in fiscal year 1974, and also provide procedures for limiting impoundments.

Social Security Benefit Increase

Cost of living increase moved up to January, 1974.—Under present law, Social Security benefits rise automatically as the cost of living rises. However, the first cost of living increase would not become effective until January, 1975. The Committee amendment would provide for a cost-of-living social security benefit increase effective January, 1974. The across-the-board increase, geared to the increase in the cost of living between June, 1972 (when the cost-of-living increase was voted into law) and June, 1973, will be an estimated 5.6 percent. Under the Committee amendment, nearly 30 million social security beneficiaries will receive an estimated additional $3.2 billion in benefits.

Supplemental Security Income Program

Increase in payment level.—The Social Security Amendments of 1972 established a new Federal Supplemental Security Income program under which the Federal Government will guarantee aged, blind and disabled persons a monthly income of $130 for an individual and $195 for a couple. The Committee bill would increase these amounts to $140 for an individual and $210 for a couple.

Covering "essential persons".—The SSI program bases the amount of assistance only on eligible persons and eligible spouses (who must also be over 65, blind, or disabled). Current state programs for the aged, blind, and disabled may also take into account the needs of "essential persons," primarily the spouses (themselves under age 65) of aged assistance recipients. The Committee amendment would extend eligibility for Supplemental Security Income payments to persons currently considered "essential persons" under State programs of aid to aged, blind, and disabled. Thus an aged person whose spouse under 65 is currently on public assistance would be guaranteed a monthly income of $210 under the Federal Supplemental Security Income program beginning January 1974.

State supplementation required.—Under another Committee provision States would be required, in order to receive Federal Medicaid matching funds in calendar year 1974, to supplement Federal SSI payments in 1974 to current recipients of aid to the aged, blind and disabled to assure that their entitlement to payments will not be reduced.

Preference for present State and local employees.—The Committee bill contains a provision under which the Secretary of HEW, in hiring Federal employees for the new SSI program, would provide a preference in employment to qualified present State and local employees who will be displaced when the new SSI Program goes into effect.

Determination of blindness.—The Committee bill contains a provision permitting optometrists to determine blindness under the SSI program.

Pass-Along of Benefit Increase to AFDC Recipients

To assure that recipients of Aid to Families with Dependent Children who are also social security beneficiaries receive the benefit of the social security increase, the Committee amendment would require States, in determining need for AFDC, to disregard 5 percent of social security income when the beneficiaries begin receiving the cost-of-living benefit increase.

Social Services Regulations Postponed

On May 1, 1973, the Department of Health, Education, and Welfare issued regulations on social service programs funded under the Social Security Act, with the regulations scheduled to become effective July 1, 1973. The Committee amendment would delay the effective date of the regulations until January 1, 1974. This delay will permit the Congress time to deal with the substantive issues associated with social services and to approve legislation as appropriate.

Medicaid Amendments

Protecting Medicaid recipients from loss of eligibility.—If no other action is taken, several types of cases will face the loss of eligibility for Federally shared Medicaid coverage either when the SSI program becomes effective next January or upon the termination in October 1974 of a savings clause related to the 20 percent social security benefit increase enacted in 1972. The Committee amendment would protect these cases from loss of Medicaid eligibility and would extend the savings clause related to the 20 percent benefit increase. The types of cases are described below.

1. *"Essential persons".*—In order for the spouse of an SSI recipient to be eligible for SSI, he or she must also be aged, blind, or disabled. Current State programs for the aged, blind, and disabled may also take into account the needs of "essential persons", primarily the spouses (themselves under age 65) of aged assistance recipients, making the spouses eligible for Medicaid also. A provision included in the Committee bill would provide that any individual eligible for Medicaid as an essential person in December, 1973 would continue to be eligible for Medicaid as long as he continues to meet the requirements under which he was eligible for Medicaid under the State plan in December, 1973.

2. *Persons in medical institutions.*—In some States, persons are not eligible for a cash assistance payment or do not receive a cash assistance payment because they are inpatients in institutions. A "grandfather clause" in the Committee amendment would provide that individuals in medical institutions in December, 1973 who would have been eligible for assistance except for the fact that they were inpatients (or whose special needs as inpatients make them eligible for assistance) be permitted to retain their Medicaid eligibility to the extent of a continuing need for care for the condition or conditions for which they were institutionalized.

3. *Blind and disabled medically needy persons.*—Under present law, blind and disabled persons who receive cash assistance in December, 1973 will continue to be eligible to receive assistance regardless of whether or not they meet the new Federal definition of blindness or disability. However, the law does not provide continued Medicaid eligibility for those blind and disabled persons who do not meet the new definitions and who are currently eligible for medical assistance but not cash assistance (the medically indigent). An amendment to the Medicaid program included in the Committee bill would cover this group of blind and disabled persons.

4. *Extension of 1972 savings clause.*—Last year's social security bill contained a savings clause continuing Medicaid eligibility for persons going off assistance because of the 20 percent social security benefit increase. This savings clause, presently scheduled to expire October, 1974 would, under a provision in the Committee bill, be extended to June 30, 1975.

Repeal of section 225 of P.L. 92–603.—Under section 225 of P.L. 92–603, Federal financial participation in reimbursement for skilled nursing home care would not be available to the extent that the cost exceeded 105 percent of the prior year's level of payment. The Committee bill would repeal this section.

Extension of Project Grant Authority Under the Maternal and Child Health Program

Under present law, of the funds appropriated for the Maternal and Child Health program, 50 percent is allocated to States on a formula basis, 40 percent is available for special project grants, and 10 percent is available for training and research projects. Under present law, the project grant authorization would terminate on July 1, 1973, and those funds would be available under the State formula grants—thus making 90 percent of the total money authorized available on a formula basis.

The Committee bill includes a provision extending the authorization for project grants until June 30, 1974; after that date, 90 percent of the Maternal and Child Health funds would be allocated on the formula basis. However, the Committee amendment provides (1) an additional authorization so that no State would be eligible for less funds after June 30, 1974 than the total amount allocated to a State in formula and project grants in FY 1973, and (2) that States would be required to make appropriate arrangements for the continuation of services to the population in areas previously served under project grants. Under a special provision, in fiscal year 1974 an additional authorization would result in each State being eligible to receive the greater of (1) the total of fiscal year 1973 project and formula grants, or (2) the sum of such amounts as the State would have otherwise been entitled to if the project grants had not been extended during fiscal year 1974.

Expenditure Limitation and Impoundment Procedures

The Committee bill also includes an amendment limiting fiscal year 1974 expenditures to $268.7 billion and providing for impoundment control procedures. The language of the Committee amendment is similar to the text of S. 373, which passed the Senate in May of this year. The amendment limiting expenditures in fiscal year 1974 provides a procedure for allocating, on a pro-rata basis, reductions resulting from this ceiling by functional classification, with exceptions for certain categories which are clearly uncontrollable. The impoundment control procedures in general provide that to the extent impoundments are not provided for by the Anti-Deficiency Act (as determined by the Comptroller General), they are not to be permitted unless approved by the Congress within 60 days after the President presents a special message on the impoundment.

II. GENERAL EXPLANATION OF THE BILL AS PASSED BY THE HOUSE

A. Extension of the Public Debt Limitation

(Sec. 1 of the bill)

Present Law

The combined permanent and temporary limitation on the public debt is $465 billion, effective through June 30, 1973. The limitation was approved by Congress and enacted on October 27, 1972, and it is expected to be sufficient to meet the requirements of the Federal Government for that period. The public debt subject to limit outstanding on June 19, 1973, was $456.3 billion. The Secretary of the Treasury, in his testimony before the committee on June 21, 1973, indicated that he expected the outstanding debt on June 30, 1973, to be $455 billion, with a cash balance of $6 billion.

TABLE 1.—STATUTORY DEBT LIMITATIONS, FISCAL YEARS 1947 TO DATE, AND A PROPOSED LIMITATION IN FISCAL YEAR 1974

[In billions of dollars]

Fiscal year	Statutory debt limitation		
	Permanent	Temporary additional	Total
1947–54	275		275
1955 through Aug. 27	275		275
1955: Aug. 28 through June 30	275	6	281
1956	275	6	281
1957	275	3	278
1958 through Feb. 25	275		275
1958: Feb. 26 through June 30	275	5	280
1959 through Sept. 1	275	5	280
1959: Sept. 2 through June 29	283	5	288
1959: June 30	285	5	290
1960	285	10	295
1961	285	8	293
1962 through Mar. 12	285	13	298
1962: Mar. 13 through June 30	285	15	300
1963 through Mar. 31	285	23	308
1963: Apr. 1 through May 28	285	20	305
1963: May 29 through June 30	285	22	307
1964 through Nov. 30	285	24	309
1964: Dec. 1 through June 28	285	30	315
1964: June 29 and 30	285	39	324
1965	285	39	324
1966	285	43	328
1967 through Mar. 1	285	45	330
1967: Mar. 2 through June 30	285	51	336
1968[1]	358		358
1969 through Apr. 6[1]	358	7	365
1969 after Apr. 6[1]	358		358
1970 through June 30[1]	365	12	377
1971 through June 30[1]	380	15	395
1972 through June 30[1]	400	50	450
1973 through Oct. 31[1]	400	50	450
1973 through June 30[1]	400	65	465
Proposed:			
From June 30, 1973, through Nov. 30, 1973[1]	400	65	465
After Nov. 30, 1973[1]	400		400

[1] Includes FNMA participation certificates issued in fiscal year 1968.

Current Budget Outlook

The administration presented budget estimates in January and more recently in the committee's public hearings on June 21. In

January 1973, the administration estimated that the deficit in the unified budget for fiscal year 1973 would be $24.8 billion. On a Federal funds basis, the deficit for fiscal year 1973 was estimated at that time at $34.1 billion. The difference of $9.3 billion in these two budget deficits represented the anticipated surplus in the trust funds. For fiscal year 1974, the administration in January estimated a deficit in the unified budget of $12.7 billion and a deficit on the Federal funds basis of $27.8 billion. A surplus of $15.1 billion in the trust funds accounted for the difference between the two deficits. These extimates are shown in table 2.

TABLE 2.—CHANGE IN BUDGET SURPLUS OR DEFICIT BY FUND GROUP

[In fiscal years and billions of dollars]

		1973			1974		
	1972 actual	January estimate	Current estimate	Change	January estimate	Current estimate	Change
Federal funds	−29.1	−34.1	−27.9	6.2	−27.8	−18.8	9
Trust funds	5.9	9.3	10.1	.8	15.1	16.1	1
Unified budget	−23.2	−24.8	−17.8	7.0	−12.7	−2.7	10

Note: Detail may not add to totals because of rounding.
Source: Office of Management and Budget, June 1, 1973.

In the hearings on June 21, 1973, the administration presented revised estimates of receipts for both fiscal years 1973 and 1974. Estimates of unified budget outlays (expenditures and net lending) for both fiscal years remained as they were in the January budget, but offsetting changes occured in Federal and trust fund outlays and intragovernmental transactions with respect to fiscal year 1974.

In June, the administration estimated that unified budget receipts in fiscal year 1973 would increase by $7 billion to $232.0 billion, bringing about a decline in the estimated unified budget deficit from $24.8 billion to $17.8 billion. On a Federal funds basis, the administration presently estimates that the deficit will be $27.9 billion, a decline of $6.2 billion from the level previously estimated. These estimates show that the trust fund surplus will increase from $9.3 billion to $10.1 billion.

The revised estimates for fiscal year 1974 also show an appreciable increase. These estimates increase receipts on the unified budget basis from $256.0 billion to $266.0 billion, an increase of $10 billion which results in a comparable $10 billion decrease in the estimated deficit in the unified budget for 1974 and reduces the deficit to an estimated level of $2.7 billion. Revised estimates on the Federal funds basis show an estimated budget deficit of $18.8 billion, a decline of $9 billion from the estimate in January. Federal funds receipts presently are estimated at $181.0 billion, an increase of $9.7 billion over the January estimate, and Federal funds outlays estimates have been raised by $700 billion. The trust funds presently are estimated to produce a surplus of $16.1 billion, $1 billion more than the estimate in January. The June estimates of receipts and the changes in estimated budget deficits are also summarized in table 3.

The staff of the Joint Committee on Internal Revenue Taxation has prepared estimates of receipts for fiscal years 1973 and 1974, which are shown in table 3 with the most recent comparable administration

estimates. These estimates do not differ greatly from the recent estimates presented by the Treasury. The chief difference lies in an estimate of corporate income tax receipts for fiscal year 1974 which is $1 billion below the administration estimate. For fiscal year 1973, the staff unified budget receipts estimate of $231.4 billion is $570 million below the administration estimate. On a Federal funds basis, the staff estimate of $160.7 billion is $200 million below the administration estimate. For fiscal year 1974, the staff estimate of receipts of $265.2 billion on the unified budget basis is $800 million below the administration estimate, and the staff Federal funds estimate of receipts is $179.9 billion, which is $1.1 billion below the administration estimate. Table 4 shows receipts by major receipt classifications as estimated by the administration and the Joint Committee staff.

TABLE 3.—RECEIPTS AND OUTLAYS IN THE BUDGET, ACTUAL FOR FISCAL YEAR 1972 AND JUNE 1 ESTIMATES FOR FISCAL YEARS 1973 AND 1974 [1] INCLUDING PROPOSED LEGISLATION

[In billions of dollars]

		1973 estimates		1974 estimates	
	1972 actual	Joint committee staff	Administration	Joint committee staff	Administration
Unified budget:					
Receipts	208.6	231.4	232.0	265.2	266.0
Outlays	231.9	249.8	249.8	268.7	268.7
Deficit	23.2	18.4	17.8	3.5	2.7
Federal funds:					
Receipts	148.8	160.7	160.9	179.9	181.0
Outlays	178.0	188.8	188.8	199.8	199.8
Deficit	29.1	28.1	27.9	19.9	18.8

[1] The joint committee staff has made estimates only for budget receipts. The outlay estimates are those of the administration.

TABLE 4.—UNIFIED BUDGET RECEIPTS: ACTUAL FOR FISCAL YEAR 1972 AND JUNE 1 ESTIMATES FOR FISCAL YEARS 1973 AND 1974 INCLUDING PROPOSED LEGISLATION

[In millions of dollars]

		Estimates for 1973		Estimates for 1974	
	1972 actual	Joint Committee Staff	Administration	Joint Committee Staff	Administration
Individual income taxes	94,737	102,700	103,000	[1] 116,200	[1] 116,000
Corporation income taxes	32,166	36,200	36,000	40,500	41,500
Social insurance taxes and contributions	53,914	64,600	64,700	[2] 79,000	[2] 78,600
Excise taxes	15,477	16,000	16,100	16,700	16,800
Estate and gift taxes	5,436	4,900	5,000	5,300	5,400
Customs duties	3,287	3,100	3,200	3,300	3,500
Miscellaneous receipts	3,633	3,930	3,900	[3] 4,200	[3] 4,200
Total	208,649	231,430	232,000	265,200	266,000

[1] Reflects $600,000,000 decrease under proposed legislation.
[2] Reflects $612,000,000 increase under proposed legislation.
[3] Reflects $228,000,000 increase under proposed legislation.

Administration Proposal

The administration originally requested an increase in the combined permanent and temporary limitation on the public debt to $485 billion for the fiscal year 1974. The estimate is based on the projections of receipts which have been summarized in the preceding section and on the assumption that budget outlays will be kept within the $268.7

billion target presented by the administration in the January budget recommendations. Treasury Department estimates of the outstanding public debt subject to limitation in fiscal year 1974 at the end of each month are shown in Table 5. These estimates assume a constant operating cash balance of $6 billion and a $3 billion margin for contingencies.

The tabulations show that for the remainder of calendar year 1973, the highest public debt projections are $470 billion at the end of the months of August and November. These projections include the estimated $6 billion operating cash balance and the $3 billion contingency margins. In the first 6 months of calendar year 1974, the administration estimates that the outstanding debt at the end of each month will be $470 billion or more. The highest level is estimated at $482 billion at the end of May.

TABLE 5.—ESTIMATED PUBLIC DEBT SUBJECT TO LIMITATION, FISCAL YEAR 1974 BASED ON ESTIMATED BUDGET OUTLAYS OF $268,700,000,000 AND RECEIPTS OF $266,000,000,000

[In billions of dollars]

	Operating cash balance	Estimated public debt subject to limitation	Estimated public debt subject to limitation with $3 billion margin for contingencies
1973:			
June 30	6	455	458
July 31	6	461	464
Aug. 31	6	467	470
Sept. 30	6	460	463
Oct. 31	6	464	467
Nov. 30	6	467	470
Dec. 31	6	466	469
1974:			
Jan. 31	6	467	470
Feb. 28	6	470	473
Mar. 31	6	474	477
Apr. 30	6	470	473
May 31	6	479	482
June 30	6	472	475

Source: Treasury Department, June 21, 1973.

Basis for Committee Action

In the 4 months that have passed since the budget proposals were submitted to Congress at the end of January, the economy of the United States has been subject to unusual and rapid change for such a short span of time. There has been a sharp rise in all prices which is reflected in both the consumer and wholesale price indexes. In food prices particularly the rate of change has been large, outdistancing all other price increases.

Although deficits in the U.S. balance of merchandise trade have decreased somewhat in recent months (April shows a surplus and the deficit in the balance on goods and services was eliminated in the first quarter, nevertheless there has been a renewal of speculative action against the dollar in the foreign currency markets. A strong and sustained selling of dollars in exchange for currencies in Europe and Japan induced the European countries and Japan in February to free the dollar in the foreign exchange market and to permit it to float and seek its own level in the world money markets. At the same time, the

President requested Congress to adjust the definition of the par value of the dollar in terms of gold by an amount which effectively reduced the value of the dollar by 10 percent.

Estimates of the performance of the American economy during 1973 also were subjected to sharp revisions. The revisions reflected, in part, the economic events described above. In addition, other significant changes in economic behavior affected the level of activity in the first quarter of 1973. As a result, gross national product increased by $43 billion over the fourth quarter of 1972 (in current prices and seasonally adjusted annual rates). Substantial increases also took place in each of the major sectors of the economy. The $27.9 billion increase in consumption expenditures was unusually large. Within the consumption sector, there was an increase of about $10 billion in purchases of durable goods and $12 billion in purchases of nondurable goods. More typically, quarterly increases in these sectors are $3 billion in durable goods and $6 billion in nondurable goods.

Most economists who make projections of the economy's performance have been compelled to make substantial adjustments in their estimates of the gross national product for 1973 since publication of the first quarter estimates. The administration, for example, increased its January estimate of $1,267 billion by $16 billion to its current estimate of $1,283 billion. Other projections for the same period generally reflect increases of approximately the same size. The rapid increase during the first quarter reflected an 8 percent annual rate of increase in real output and a 6.6 percent increase in prices (the deflator for gross national product). While it is generally believed that the economy cannot sustain an 8 percent increase in real output for more than a short period of time, uncertainty exists as to the rate of slow down during the rest of 1973 and in 1974.

The figures presented by the Treasury Department, as shown on table 5, indicate that up through November 30, the Treasury Department does not expect a month-end debt in excess of $467 billion. While this is $2 billion above the debt limitation allowable, it takes into account a $6 billion operating cash balance. With a balance only $2 billion less than this, the Treasury Department's figures indicate that the $465 billion limit is sufficient. While Congress frequently provides an extra $3 billion margin for contingencies, when a debt extension is made for a relatively long period of time, this should not be necessary for this short period immediately ahead. In any event, should the present debt limitation appear inadequate, Congress can reconsider the limitation before the November 30 deadline.

After carefully weighing all of these considerations, the committee concluded that its most prudent course was to extend the present $465 billion public debt limitation through November 30 of this year. The committee believes that the present limitation provides the administration with sufficient margin to meet financing needs during this period and that later in this session Congress will be in a better position to provide an appropriate limitation for the remainder of the fiscal year.

B. Exception from Interest Rate Ceiling on Bonds

(Sec. 2 of the bill)

Under present law, the Federal Government may not pay interest in excess of a 4¼ percent annual rate of interest on public debt obligations with a period to maturity longer than 7 years from the date of issue.[1] An exception in this limitation was provided 2 years ago when the Treasury Department was authorized to issue such bonds at an annual interest rate greater than 4¼ percent on a total of no more than $10 billion of outstanding bonds.

The administration originally requested the elimination of the 4¼ percent ceiling on all bonds issued by the Federal Government.

The administration in making this request pointed out that the $10 billion authority, granted 2 years ago to exceed the 4¼ percent interest rate limitation, had been used responsibly by the Treasury Department to make some improvement in the structure of the public debt. It was pointed out by the Treasury that in today's market it is not possible to sell Government bonds at an interest rate no higher than 4¼ percent. As a result, the Treasury Department, except to the extent permitted to do so by the $10 billion limitation, has had to issue only obligations with a period to maturity of not more than 7 years on which the interest rate limitation does not apply. The effect of this has been to shorten the average maturity of the privately held debt to the very low term of 3 years.

Short maturities tend to have a disturbing effect on the market because of the frequency with which it is necessary to go back into the market for refinancing. Although the Treasury Department follows debt management policies which minimize any disturbing impact, longer maturities would nevertheless be desirable.

The Treasury Department pointed out that it had used the exception to the 4¼-percent interest rate ceiling on seven occasions. The coupon interest rates in these cases varied from 6⅛ percent to 7 percent. On these seven occasions, a total of $8.4 billion of medium- and long-term bonds with maturities, at time of issue, ranging from 9 years–9 months to 25 years were issued. The Treasury pointed out that these sales, compared with the much larger corporate and State and municipal offerings, represent only a minor fraction of long-term security offerings. The Treasury Department indicated that in its view the success of these offerings reflected a demand on the part of investors for moderate amounts of the highest quality long-term securities which can only be satisfied through Treasury issues. It pointed out that this demand was unsatisfied between 1965 and 1971 when the Treasury Department was unable to offer new bonds because of the 4¼-percent ceiling.

The Treasury Department indicates that the difficulty with the exception to the 4¼-percent ceiling is that a significant portion of the offerings were taken on original issue by the Federal Reserve System and Government accounts and that additional amounts were acquired by them subsequently in the market. As a result, private holders currently have a total of only $4.5 billion as against $3.9 billion held by Government accounts and the Federal Reserve. The Treasury Department indicates that the dilemma it faced was that of allowing

[1] An exception to this limitation is provided for Series E and H bonds which may be held only by individuals. These bonds have their own limitation which at the present time is 5½ percent.

government accounts to obtain a reasonable amount of new long-term securities without dissipating the small amount of authority it had to issue bonds which should be largely reserved for improving the structure of the privately held Federal debt.

The committee agreed with the House that the dilemma faced by the Treasury Department could be met by not counting, within the $10 billion exception, bonds held by Government accounts and the Federal Reserve System. This will free the $10 billion limitation for use in lengthening the average maturity of the debt held by the public without impairing the right of governmental accounts to acquire public debt at the most favorable interest rates. The committee believes that no limitation is needed for Government accounts generally since in many cases Government accounts are restricted as to the interest rate they may receive. For example, the interest rate for the bonds held by the OASI trust fund is required to be the average market yield on the marketable public debt.

For the reasons indicated above, the committee agreed with the House to amend the provision which permits the Treasury Department to issue $10 billion in bonds with maturities of more than 7 years at interest rates greater than 4¼ percent. It is provided that no interest rate limitation is to apply to bonds held by Government accounts and that the $10 billion exception is to apply to bonds held by the public. The limitation in any case applies with respect to a new issue of bonds as of the time the bonds are issued. However, bonds bearing an interest rate of more than 4¼ percent may not be sold by a Government account to the public at any time that this would result in such bonds held by the public exceeding $10 billion.

Bonds held by the public are for this purpose considered to be any bonds not held by Government accounts. Government accounts in this case include only holdings by the Federal Reserve banks or an agency of the Federal Government which is wholly or partially owned by the Federal Government. For example, holdings of the social insurance trust funds or of the Federal Deposit Insurance Corporation are classified as being in Government accounts, while holdings of the Federal home loan banks or of the Federal National Mortgage Association are classified as being in the public holdings, since the Federal Government has no investment in these entities.

C. Income Tax Refund Bond for Individuals

(Sec. 3 of the bill)

In the Revenue Act of 1971, the Congress approved new withholding rates for withholding of individual income taxes on wages and salaries in order to eliminate serious underwithholding. The major source of this underwithholding was the way in which the low-income allowance had been incorporated into the withholding structure. This resulted in a married couple, where both spouses work, receiving two low-income allowances for withholding purposes while they were entitled to only one when they filed their tax return. Consequently, they had too little tax withheld; the same problem occurred for an individual who worked for more than one employer at the same time. A second source of underwithholding was that the top withholding rates were not high enough.

The Revenue Act of 1971 corrected this second source of underwithholding by increasing the top withholding rates. The act corrected the first source of underwithholding by adopting a "special withholding allowance" which a married taxpayer whose spouse was not employed (or a single person with only one employer) must claim on the withholding certificate (W–4) filed with his employer in order for the low-income allowance to be taken into account fully for withholding purposes.

These actions corrected the serious underwithholding which previously existed but also had the effect of significantly increasing the overwithholding in the case of other taxpayers. A major reason for the overwithholding apparently was the preference by many individuals to continue high overwithholding. Many employees did not file a new withholding certificate to claim this special withholding allowance and consequently were overwithheld. In addition, taxpayers did not take full advantage of the provision for reducing the overwithholding resulting from the higher withholding rates and large itemized deductions by claiming additional allowances on the withholding certificate.

The intent was to make withholding as accurate a reflection of individual income tax liability as possible. However, with the renewal of inflationary pressures the increased overwithholding became a helpful restraint by reducing the amount of funds available for spending in the private sector and also by reducing the budget deficit below what it otherwise would have been. Moreover, individuals apparently preferred to use overwithholding as a means of saving.

In view of these factors, the committee concluded that it would be wise to encourage individual taxpayers who are overwithheld to invest these funds in Government bonds. In order to simplify this procedure, the committee in this bill gives the Treasury Department the authority to issue what are called "check-bonds" for tax refunds. If the individuals hold the check for 6 months or longer from its issue date, the check is to become a bond having the same general characteristics as a Series E bond. These refund bonds are to draw interest from January 1 of the year of issue in the case of calendar year taxpayers. The interest rate and the redemption procedures will be the same as on Series E United States Savings Bonds. Given the present interest periods for Series E bonds, this means that in the case of a calendar year taxpayer no interest will be paid on any refund check-bond that is redeemed before July 1 of the year of issue. This provision is to be available to the Treasury Department for use in connection with returns filed on or after January 1, 1974.

In order to avoid confusion and to account accurately for source and ownership of the refund bond, taxpayer identifying numbers are to appear on each check-bond. This step also will facilitate accurate reporting of the interest earned by the bond at the time it is redeemed.

The bill provides for check-bonds to be issued with respect to refunds made to individuals (other than trusts and estates) with respect to the income tax and the social security tax on the self-employed (imposed under subtitle A of the Internal Revenue Code) including any amounts which may be claimed as credits against these taxes (such as the refundable tax credits for gasoline taxes and those for taxes on wages).

Taxpayers are to be eligible to receive the bond for a refund only in

situations where the return is filed within the time limit specified in the tax law without regard to extensions of time. For all taxpayers filing on a calendar year basis (the great bulk of individual taxpayers), this means that the refund can be paid as a bond only where the return is filed by April 15. Taxpayers who report on a fiscal year basis must file their return within 3½ months after the close of their fiscal year to be eligible for the bond. Refund claims arising from the filing of an amended return are not eligible for the refund privilege.

Present law provides interest rate limitations on a series E or H bond. For purposes of this limitation, it is intended that in the case of these check-bonds issued for refunds, the interest rate taken into account is to be the rate specified on the bond without regard to the fact that the bond was issued after the date from which the interest began to run.

D. Statistical Data on the Debt Limitation

TABLE 6.—*Debt limitation under sec. 21 of the Second Liberty Bond Act as amended—History of legislation*

Sept. 24, 1917:	
40 Stat. 288, sec. 1, authorized bonds in the amount of	[1] $7, 538, 945, 400
40 Stat. 290, sec. 5, authorized certificate of indebtedness outstanding revolving authority	[2] 4, 000, 000, 000
Apr. 4, 1918:	
40 Stat. 502, amending sec. 1, increased bond authority to	[1] 12, 000, 000, 000
40 Stat. 504, amending sec. 5, increased authority for certificates outstanding to	[2] 8, 000, 000, 000
July 9, 1918: 40 Stat. 844, amending sec. 1, increased bond authority to	[2] 20, 000, 000, 000
Mar. 3, 1919:	
40 Stat. 13, amending sec. 5, increased authority for certificates outstanding to	[2] 10, 000, 000, 000
40 Stat. 1309, new sec. 18 added, authorizing notes in the amount of	[1] 7, 000, 000, 000
Nov. 23, 1921: 42 Stat. 321, amending sec. 18, increased note authority outstanding (established revolving authority) to	[2] 7, 500, 000, 000
June 17, 1929: 46 Stat. 19, amending sec. 5, authorized bills in lieu of certificates of indebtedness; no change in limitation for the outstanding	[2] 10, 000, 000, 000
Mar. 3, 1931: 46 Stat. 1506, amending sec. 1, increased bond authority to	[1] 28, 000, 000, 000
Jan. 30, 1934: 48 Stat. 343, amending sec. 18, increased authority for notes outstanding to	[2] 10, 000, 000, 000
Feb. 4, 1935:	
49 Stat. 20, amending sec. 1, limited bonds outstanding (establishing evolving authority) to	[2] 25, 000, 000, 000
49 Stat. 21, new sec. 21 added, consolidating authority for certificates and bills (sec. 5) and authority for notes (sec. 18), same aggregate amount outstanding	[2] 20, 000, 000, 000
49 Stat. 21, new sec. 22 added, authorizing U.S. savings bonds within authority of sec. 1.	
May 26, 1938; 52 Stat. 447 amending secs. 1 and 21, consolidating in sec. 21 authority for bonds, certificates of indebtedness, Treasury bills, and notes (outstanding bonds limited to $30,000,000,000). Same aggregate total outstanding	[2] 45, 000, 000, 000
July 20, 1939: 53 Stat. 1071, amending sec. 21, removed limitation on bonds without changing total authorized outstanding of bonds, certificates of indebtedness, bills, and notes	[2] 45, 000, 000, 000

See footnotes at end of table, p. 17.

TABLE 6.—*Debt limitation under sec. 21 of the Second Liberty Bond Act as amended—History of legislation*—Continued

June 25, 1940: 54 Stat. 526, amending sec. 21, adding new paragraph: "(b) In addition to the amount authorized by the preceding paragraph of this section, any obligations authorized by secs. 5 and 18 of this Act, as amended, not to exceed in the aggregate $4,000,000,000 outstanding at any one time, less any retirements made from the special fund made available under sec. 301 of the Revenue Act of 1940, may be issued under said sections to provide the Treasury with funds to meet any expenditures made, after June 30, 1940, for the national defense, or to reimburse the general fund of the Treasury therefor. Any such obligations so issued shall be designated 'National Defense Series' "	[2] $49, 000, 000, 000
Feb. 19, 1941: 55 Stat. 7, amending sec. 21, limiting face amount of obligations issued under authority of act outstanding at any one time to	[2] 65, 000, 000, 000
Eliminated separate authority for $4,000,000,000 of national defense series obligations.	
Mar. 28, 1942: 56 Stat. 189, amending sec. 21, increased limitation to	[2] 125, 000, 000, 000
Apr. 11, 1943: 57 Stat. 63 amending sec. 21, increased limitation to	[2] 210, 000, 000, 000
June 9, 1944: 58 Stat. 272, amending sec. 21, increased limitation to	[2] 260, 000, 000, 000
Apr. 3, 1945: 59 Stat. 47, amending sec. 21 to read: "The face amount of obligations issued under authority of this act, and the face amount of obligations guaranteed as to principal and interest by the United States (except such guaranteed obligations as may be held by the Secretary of the Treasury), shall not exceed in the aggregate $300,000,000,000 outstanding at any one time"	[2] 300, 000, 000, 000
June 26, 1946: 60 Stat. 316, amending sec. 21, adding: "The current redemption value of any obligation issued on a discount basis which is redeemable prior to maturity at the option of the holder thereof shall be considered, for the purposes of this section, to be the face amount of such obligation," and decreasing limitation to	[2] 275, 000, 000, 000
Aug. 28, 1954: 68 Stat. 895, amending sec. 21, effective Aug. 28, 1954, and ending June 30, 1955, temporarily increasing limitation by $6,000,000,000 to	[2] 281, 000, 000, 000
June 30, 1955: 69 Stat. 241, amending Aug. 28, 1954, act by extending until June 30, 1956, increase in limitation to	[2] 281, 000, 000, 000
July 9, 1956: 70 Stat. 519, amending act of Aug. 28, 1954, temporarily increasing limitation by $3,000,000,000 for period, beginning July 1, 1956, and ending June 30, 1957, to	[2] 278, 000, 000, 000
Effective July 1, 1957, temporary increase terminates and limitation reverts, under act of June 26, 1956, to	[2] 275, 000, 000, 000
Feb. 26, 1958: 72 Stat. 27, amending sec. 21, effective Feb. 26, 1958, and ending June 30, 1959, temporarily increasing limitation by $5,000,000,000	[2] 280, 000, 000, 000
Sept. 2, 1958: 72 Stat. 1758, amending sec. 21, increasing limitation to $283,000,000,000, which, with temporary increase of Feb. 26, 1958, makes limitation	[2] 288, 000, 000, 000
June 30, 1959: 73 Stat. 156, amending sec. 21, effective June 30, 1959, increasing limitation to $285,000,000,000, which, with temporary increase of Feb. 26, 1958, makes limitation on June 30, 1959	[2] 290, 000, 000, 000
Amending sec. 21, temporarily increasing limitation by $10,000,000,000 for period beginning July 1, 1959, and ending June 30, 1960, which makes limitation beginning July 1, 1959	[2] 295, 000, 000, 000

See footnotes at end of table, p. 17.

TABLE 6.—*Debt limitation under sec. 21 of the Second Liberty Bond Act as amended—History of legislation*—Continued

June 30, 1960: 74 Stat. 290, amending sec. 21 for period beginning on July 1, 1960, and ending June 30, 1961, temporarily increasing limitation by $8,000,000,000	[2] $293, 000, 000, 000
June 30, 1961: 75 Stat. 148, amending sec. 21, for period beginning on July 1, 1961, and ending June 30, 1962, temporarily increasing limitation by $13,000,000,000 to	[2] 298, 000, 000, 000
Mar. 13, 1962: 76 Stat. 23, amending sec. 21, for period beginning on Mar. 13, 1962, and ending June 30, 1962, temporarily further increasing limitation by $2,000,000,000	[2] 300, 000, 000, 000
July 1, 1962: 76 Stat. 124 as amended by 77 Stat. 50, amending sec. 21, for period—	
1. Beginning July 1, 1962, and ending Mar. 31, 1963	[2] 308, 000, 000, 000
2. Beginning Apr. 1, 1963, and ending June 24, 1963	[2] 305, 000, 000, 000
3. Beginning June 25, 1963, and ending June 30, 1963	[2] 300, 000, 000, 000
May 29, 1963: 77 Stat. 50, amending sec. 21, for period—	
1. Beginning May 29, 1963, and ending June 30, 1963	[2] 307, 000, 000, 000
2. Beginning July 1, 1963, and ending Aug. 31, 1963	[2] 309, 000, 000, 000
Aug. 27, 1963: 77 Stat. 131, amending sec. 21, for the period beginning on Sept. 1, 1963, and ending on Nov. 30, 1963	[2] 309, 000, 000, 000
Nov. 26, 1963: 77 Stat. 342, amending sec. 21 for the period—	
1. Beginning on Dec. 1, 1963, and ending June 29, 1964	[2] 315, 000, 000, 000
2. On June 30, 1964	[2] 309, 000, 000, 000
June 29, 1964: 78 Stat. 225, amending sec. 21, for the period beginning June 29, 1964, and ending June 30, 1965, temporarily increasing the debt limit to	[2] 324, 000, 000, 000
June 24, 1965: 79 Stat. 172, amending sec. 21 for the period beginning July 1, 1965, and ending on June 30, 1966, temporarily increasing the debt limit to	[2] 328, 000, 000, 000
June 24, 1966: 80 Stat. 221, amending sec. 21, for the period beginning July 1, 1966, and ending on June 30, 1967, temporarily increasing the debt limit to	[2] 330, 000, 000, 000
Mar. 2, 1967: 81 Stat. 4, amending sec. 21, for the period beginning Mar. 2, 1967, and ending on June 30, 1967, temporarily increasing the debt limit to	[2] 336, 000, 000, 000
June 30, 1967: 81 Stat. 99—	
1. Amending sec. 21, effective June 30, 1967, increasing limitation to	[2] 358, 000, 000, 000
2. Temporarily increasing the debt limit by $7,000,000,000 for the period from July 1 to June 29 of each year, to make the limit for such period	[2] 365, 000, 000, 000
April 7, 1969: 83 Stat. 7—	
1. Amending sec. 21, effective Apr. 7, 1969, increasing debt limitation to	[2] 365, 000, 000, 000
2. Temporarily increasing the debt limit by $12,000,000,000 for the period from Apr. 7, 1969 through June 30, 1970, to make the limit for such period	[2] 377, 000, 000, 000
June 30, 1970: 84 Stat. 368—	
1. Amending sec. 21, effective July 1, 1970, increasing debt limitation to	[2] 380, 000, 000, 000
2. Temporarily increasing the debt limit by $15,000,000,000 for the period from July 1, 1970, through June 30, 1971, to make the limit for such period	[2] 395, 000, 000, 000
March 17, 1971: 85 Stat. 5—	
1. Amending sec. 21, effective Mar. 17, 1971, increasing debt limitation to	[2] 400, 000, 000, 000
2. Temporarily increasing the debt limit by $30,000,000,000 for the period from Mar. 17, 1971, through June 1972, to make the limit for such period	[2] 430, 000, 000, 000
Mar. 15, 1972: 86 Stat. 63, temporarily increasing the debt limit by an additional $20,000,000,000 for the period from Mar. 15, 1972, through June 30, 1972, to make the limit for such period	[2] 450, 000, 000, 000

See footnotes at end of table, p. 17.

TABLE 6.—*Debt limitation under sec. 21 of the Second Liberty Bond Act as amended—History of legislation*—Continued

July 1, 1972: 86 Stat. 406, temporarily extending the temporary debt limit of $50,000,000,000 for the period from July 1 through October 31, 1972, to make the limit for such period	[2] $450, 000, 000, 000
October 27, 1972: 86 Stat. 1324, temporarily increasing the public debt limit by $65,000,000,000 for the period from November 1, 1972 through June 30, 1973, to make the limit for such period	[2] 465, 000, 000, 000

[1] Limitation on issue.
[2] Limitation on outstanding.

TABLE 7.—PUBLIC DEBT SUBJECT TO LIMITATION AT END OF FISCAL YEARS 1938–73

[In millions of dollars]

Fiscal year	Public debt subject to limitation at end of year	Fiscal year	Public debt subject to limitation at end of year
1938	36, 882	1956	272, 361
1939	40, 317	1957	270, 188
1940	43, 219	1958	276, 013
1941	49, 494	1959	284, 398
1942	74, 154	1960	286, 065
1943	140, 469	1961	288, 862
1944	208, 077	1962	298, 212
1945	268, 671	1963	306, 099
1946	268, 932	1964	312, 164
1947	257, 491	1965	317, 581
1948	251, 542	1966	320, 102
1949	252, 028	1967	[2] 326, 471
1950	256, 652	1968	[2] 350, 743
1951	254, 567	1969	[2] 356, 932
1952	258, 507	1970	[2] 373, 425
1953	265, 522	1971	[2] 398, 475
1954	270, 790	1972	[2] 428, 576
1955	273, 915	1973 [1]	[2] 456, 309

[1] Debt at close of business, June 19, 1973.
[2] Includes FNMA participation certificates issued in fiscal year 1968.

Source: Table 1. Annual Report of the Secretary of the Treasury on the State of the Finances, 1967, p. 439, through 1967: table FD-8: Treasury Bulletin, January 1972, p. 25, for 1968 through 1971; Daily Treasury Statement, June 30, 1972, for 1972, and Daily Treasury Statement for June 19, 1973.

III. EXPLANATION OF PROVISIONS OF COMMITTEE AMENDMENT RELATING TO THE SOCIAL SECURITY ACT

(Title II of the bill)

A. Social Security Benefit Increase

(Sec. 201 of the bill)

Under a provision enacted as part of P.L. 92–336 last year, social security benefits will be increased automatically as the cost of living rises. The general provision of law states that each time the consumer price index rises by more than 3 percent between the second quarter of one year and the second quarter of the next year, social security benefits will be increased by the amount that the cost of living has risen. Each of these cost-of-living increases becomes effective for the January following the year in which the rise in the cost of living occurs. Under present law, the first cost of living increase cannot become effective until January 1975.

The cost of living has risen by about 5.6 percent since the Congress enacted the automatic cost of living increase provision last June. In view of this rise, the committee does not believe that social security beneficiaries should have to wait until January 1975 for their benefits to be brought up to date with this rise in the cost of living. Accordingly, the Committee bill would provide for the first cost of living increase to take place next January rather than January 1975. The increase would be the same amount as the cost of living has risen in the 12-month period between June 1972 and June 1973, an estimated 5.6 percent.

Under the committee bill, the minimum benefit would be increased from $84.50 to $89.30 a month. The average old-age insurance benefit for a retired individual payable for the effective month would rise from an estimated $161 to $170 a month, the average benefit for aged couples would increase from an estimated $277 to $293 a month and the average benefit for aged widows would increase from an estimated $158 to $167. Special benefits for persons age 72 and over who are not insured for regular benefits would be increased from $58 to $61.30 for individuals and from $87 to $92 for couples.

TABLE 8.—AVERAGE MONTHLY FAMILY BENEFITS UNDER PRESENT LAW AND COMMITTEE BILL

	Average monthly amount	
	Present law	Committee bill [1]
Retired worker with no dependent entitled	$161	$170
Retired worker and wife	277	293
Disabled worker with no dependent entitled	178	188
Disabled worker with entitled wife and children	358	378
Aged widow	158	167
Widowed mother and 2 children	388	410

[1] Assumes a 5.6 percent increase in benefits for 1974.

Under the Committee amendment, nearly 30 million social security beneficiaries would receive an estimated additional $3.2 billion in social security benefits.

Illustrative examples of increases in benefits are shown in table 9 below.

TABLE 9.—ILLUSTRATIVE MONTHLY BENEFITS PAYABLE UNDER PRESENT LAW AND UNDER THE COMMITTEE BILL [1]

Average monthly earnings	Worker at 65		Couple		Widowed mother and 2 children	
	Present law	Committee bill	Present law	Committee bill	Present law	Committee bill
$76	$84.50	$89.30	$126.80	$133.90	$126.80	$133.90
$100	108.80	114.90	163.20	172.40	163.20	172.40
$200	154.40	163.10	231.60	244.60	231.60	244.60
$300	193.10	204.00	289.70	306.00	316.80	334.60
$400	233.30	246.40	350.00	369.60	425.70	449.60
$500	269.70	284.80	404.60	427.30	494.80	522.60
$600	309.80	327.20	464.70	490.80	548.20	578.90

[1] Assumes 5.6% cost-of-living increase between June 1972 and June 1973.

The Committee bill would increase social security cash benefit payments to which beneficiaries are entitled in calendar year 1974. Subsequent benefits, however, would not be increased under the committee bill above what they will otherwise be under the provisions of present law which become effective beginning January 1975; the Committee bill in effect makes the benefit related to the cost of living increase more timely. The Committee therefore feels there is no need to increase the long-range financing of the social security program since the bill provides an increase above present law in entitlement to benefits for only one year. The cash benefit trust funds under present law represent a little more than 9 months of benefit payments at the end of 1974. The Committee amendment would reduce the size of the cash benefit trust funds to a level just about equal to 9 months of benefit payments, considered by the Congress last year as an acceptable level of contingent funds on hand. The Committee therefore feels that there is no need to raise social security taxes for these additional benefits which relate only to calendar year 1974.

Tables 10, 11, and 12 below show the income and outgo of the social security cash benefit trust funds over the next five years under present law and under the Committee bill.

The estimates were prepared in the Social Security Administration on two alternative bases:

(1) A 7.1 percent automatic benefit increase effective January 1975. This rate of benefit increase is derived from the assumptions underlying official Government projections made in the spring of 1973 as to the growth in the gross national product and as to the rate of increase in the Consumer Price Index (CPI).

(2) A 8.5 percent automatic benefit increase effective January 1975. This rate of benefit increase takes into account the actual rate of increase in the CPI during April and May 1973 (which is higher than was assumed in the spring of 1973) as well as a somewhat less rapid decline in the rate of increase in the CPI during fiscal year 1974 than had been previously assumed.

The estimates reflect the effects of the following changes assumed to occur, under the automatic increase provisions, on January 1 of the stated year:

Year	General benefit increase [1]	Contribution and benefit base	Annual exempt amount under the retirement test
1975	7.1 and 8.5 percent.	$12,900	$2,280
1977	5.7	14,400	2,520

[1] Under the committee bill, the 1975 automatic benefit increase will be figured on the rates in effect in 1973 under present law and not on top of the 1974 benefit increase provided in the bill.

TABLE 10.—OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM: PROGRESS OF THE OASI AND DI TRUST FUNDS, COMBINED, UNDER PRESENT LAW AND UNDER THE SYSTEM AS MODIFIED BY THE COMMITTEE BILL, WITH 2 ALTERNATIVE ASSUMPTIONS RELATING TO THE AUTOMATIC BENEFIT INCREASE EFFECTIVE JANUARY 1975, CALENDAR YEARS 1973–77

[In billions of dollars]

Calendar year	Income				Outgo			
	7.1 percent increase		8.5 percent increase		7.1 percent increase		8.5 percent increase	
	Present law	Committee bill	Present law	Committee bill	Present law	Committee bill	Present law	Committee bill
1973	55.3	55.3	55.3	55.3	53.7	53.7	53.7	53.7
1974	61.3	61.2	61.3	61.2	57.1	59.9	57.1	59.9
1975	66.8	66.6	66.8	66.6	63.5	63.9	64.3	64.7
1976	70.7	70.5	70.7	70.5	66.9	67.0	67.8	67.9
1977	76.3	76.1	76.2	76.0	73.7	73.7	74.7	74.7

Calendar year	Net increase in funds				Assets, end of year			
	7.1 percent increase		8.5 percent increase		7.1 percent increase		8.5 percent increase	
	Present law	Committee bill	Present law	Committee bill	Present law	Committee bill	Present law	Committee bill
1973	1.6	1.6	1.6	1.6	44.3	44.3	44.3	44.3
1974	4.2	1.2	4.2	1.2	48.5	45.6	48.5	45.6
1975	3.3	2.7	2.5	1.9	51.8	48.3	51.0	47.5
1976	3.8	3.6	2.9	2.6	55.6	51.9	53.9	50.1
1977	2.7	2.4	1.6	1.3	58.3	54.3	55.5	51.5

TABLE 11.—OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM: PROGRESS OF THE OASI TRUST FUND, UNDER PRESENT LAW AND UNDER THE SYSTEM AS MODIFIED BY THE COMMITTEE BILL, WITH 2 ALTERNATIVE ASSUMPTIONS RELATING TO THE AUTOMATIC BENEFIT INCREASE EFFECTIVE JANUARY 1975, CALENDAR YEARS 1973–77

[In billions of dollars]

Calendar year	Income				Outgo			
	7.1 percent increase		8.5 percent increase		7.1 percent increase		8.5 percent increase	
	Present law	Committee bill	Present law	Committee bill	Present law	Committee bill	Present law	Committee bill
1973	48.8	48.8	48.8	48.8	47.5	47.5	47.5	47.5
1974	54.1	54.1	54.1	54.1	50.4	52.9	50.4	52.9
1975	59.1	58.9	59.0	58.9	56.0	56.4	56.7	57.0
1976	62.6	62.4	62.5	62.3	58.9	59.0	59.7	59.8
1977	67.5	67.4	67.4	67.2	64.8	64.8	65.7	65.7

	Net increase in funds				Assets, end of year			
	7.1 percent increase		8.5 percent increase		7.1 percent increase		8.5 percent increase	
	Present law	Committee bill	Present law	Committee bill	Present law	Committee bill	Present law	Committee bill
1973	1.3	1.3	1.3	1.3	36.6	36.6	36.6	36.6
1974	3.8	1.1	3.8	1.1	40.4	37.7	40.4	37.7
1975	3.0	2.5	2.3	1.8	43.4	40.3	42.7	39.6
1976	3.6	3.4	2.8	2.6	47.0	43.7	45.5	42.2
1977	2.7	2.5	1.7	1.5	49.8	46.2	47.2	43.7

TABLE 12.—OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM: PROGRESS OF THE DI TRUST FUND, UNDER PRESENT LAW AND UNDER THE SYSTEM AS MODIFIED BY THE COMMITTEE BILL, WITH 2 ALTERNATIVE ASSUMPTIONS RELATING TO THE AUTOMATIC BENEFIT INCREASE EFFECTIVE JANUARY 1975, CALENDAR YEARS 1973–77

[In billions of dollars]

Calendar year	Income				Outgo			
	7.1 percent increase		8.5 percent increase		7.1 percent increase		8.5 percent increase	
	Present law	Committee bill	Present law	Committee bill	Present law	Committee bill	Present law	Committee bill
1973	6.5	6.5	6.5	6.5	6.2	6.2	6.2	6.2
1974	7.1	7.1	7.1	7.1	6.7	7.0	6.7	7.0
1975	7.7	7.7	7.7	7.7	7.5	7.6	7.6	7.6
1976	8.2	8.1	8.2	8.1	8.0	8.0	8.1	8.1
1977	8.8	8.8	8.8	8.7	8.8	8.8	9.0	9.0

	Net increase in funds				Assets, end of year			
	7.1 percent increase		8.5 percent increase		7.1 percent increase		8.5 percent increase	
	Present law	Committee bill	Present law	Committee bill	Present law	Committee bill	Present law	Committee bill
1973	0.3	0.3	0.3	0.3	7.7	7.7	7.7	7.7
1974	.4	.1	.4	.1	8.2	7.9	8.2	7.9
1975	.2	.2	.2	.1	8.4	8.0	8.3	7.9
1976	.2	.1	.1	(1)	8.6	8.2	8.4	8.0
1977	—.1	—.1	—.2	—.2	8.5	8.1	8.2	7.8

[1] Less than $50,000,000.

B. Supplemental Security Income for the Aged, Blind and Disabled

Under the current welfare programs, three categories of needy adults are eligible for Federally matched assistance payments: persons 65 and over, blind persons (without regard to age), and permanently and totally disabled persons 18 years of age and older. Through December 1973, the programs of aid to the aged, blind and disabled will be State-administered, with States setting the payment levels.

Each State establishes a minimum standard of living (needs standard) upon which assistance payments are based; any aged, blind or disabled person whose income is below the State needs standard will be eligible for some assistance, although the State need not pay the full difference between the individual's income and the needs standard.

Generally speaking, all income and resources of an aged, blind, or disabled person must be considered in determining the amount of the assistance payment (though a portion of earnings may be disregarded as a work incentive). Monthly State payments to an aged individual with no other income range between $71 and $250 and for an aged couple between $121 and $364.

Beginning January 1974, a new Federally administered Supplemental Security Income (SSI) program becomes effective. Under the new Supplemental Security Income program, persons 65 and over, blind persons, and disabled persons are guaranteed an income of $130 a month for individuals and $195 a month for couples.

In addition, the first $20 per month of regular income from any source (other than need-related income) will not be considered in determining eligibility for or the amount of the Supplemental Security Income payment. As a result of this provision, any aged, blind, or disabled person who receives social security benefits will be assured a monthly income of $150 for an individual and $215 for a couple.

In addition to creating the basic SSI program financed by general Federal revenues, the 1972 amendments encourage but do not require a State to provide payments supplementary to SSI if its present payments are higher than the new SSI standards. If a State so chooses and agrees to follow the basic Federal eligibility rules, the Federal Government will administer its supplementary payments program and assume all administrative costs. A State can administer a program that includes eligibility conditions different from SSI or provide for payments not included in SSI at its own expense for administration as well as for payments.

The Social Security Administration estimates that about 5.1 million aged, blind and disabled persons will be eligible next January for a Federal Supplemental Security Income payment. Of this total, 3.8 million persons will be eligible on the basis of being 65 years of age or older.

Of the 3.8 million aged persons who are estimated to be eligible for an SSI payment, 2.7 million, or about 71 percent, are now social security beneficiaries. This group includes persons eligible for a Federal payment only and persons eligible for both a Federal and a State supplementary payment. However, of the just over a million aged persons eligible for a State payment only (based on SSI eligibility conditions and the current State standard), 96 percent are social security beneficiaries. This proportion is not unexpected because persons eligible for only the State payment have countable income (nearly always social security) above the SSI standard.

In recent months, the Committee has become aware of the desirability of changes in the SSI program which would (1) take into account the unanticipated steep rise in the cost of living this past year, and (2) prevent certain unintended reductions in payment to current assistance recipients.

Increase in Supplemental Security Income Payments

(Sec. 210 of the bill)

The rapid rise in the cost of living which has led the committee to provide for a 5.6 percent cost-of-living increase in social security benefits beginning next January has an even greater effect on the neediest aged, blind and disabled persons—those who will be receiving Supplemental Security Income payments. Furthermore, if social security benefits are increased but no changes made in the Supplemental Security Income level, those SSI recipients who are also social security beneficiaries will have their SSI payment reduced one dollar for each dollar of social security increase.

The Committee bill, therefore, would increase the SSI levels from $130 to $140 for an individual and from $195 to $210 for a couple.

More than 5 million persons would receive an additional $325 million in SSI payments in calendar year 1974 as a result of this amendment, including 100,000 persons not eligible for SSI payments next January under present law who would become eligible for SSI payments for the first time under the committee amendment.

Covering "Essential Persons"

(Sec. 211 of the bill)

Under the present State programs of aid to the aged, blind, and disabled States may, in determining need for assistance, take into account the needs of "essential persons." These are primarily the spouses (themselves under age 65) of aged assistance recipients.

Under the new Federal program, only persons who are themselves over 65, blind or disabled may be eligible for Supplemental Security Income payments. Thus a man over 65 whose wife is under 65 is eligible for a maximum of only $130 in Supplemental Security Income, even though under the State program of aid to the aged, he and his wife may now be receiving the same benefits as a couple receives. An estimated 125,000 "essential persons" whose needs are presently taken into account by the States in determining the assistance payment will find their needs not taken into account under the Supplemental Security Income program beginning next January.

The committee amendment would prevent this reduction by extending eligibility for Supplemental Security Income payments to persons currently considered "essential persons" under State programs of aid to the aged, blind, and disabled. The guaranteed income level for an "essential person" would be $70 per month; thus an aged person whose spouse under 65 is currently on public assistance would be guaranteed an income of $210 under the Supplemental Security Income program beginning January 1974.

An estimated 125,000 persons would receive additional Federal payments of $100 million in calendar year 1974 under this committee provision.

Requiring State Supplementation

(Sec. 212 of the bill)

State payments for basic needs to aged individuals with no other income range from $71 monthly to $250; for a couple, payments

range from $121 to $364. Many States provide additional amounts to meet special needs of recipients. Twenty-eight States in March 1973 paid an aged individual with no other income less than $140 for basic needs and 24 States paid aged couples with no income less than $210 per month.

Thus under the committee bill, most individuals and couples in about half of the States would find their monthly payments increased beginning next January, and the States would have a substantial savings when the Federal program goes into effect. State savings will be even higher under the committee bill than under present law due to the increase in Federal SSI payments from $130 to $140 for an individual and from $195 to $210 for a couple.

In view of this huge Federal investment, the Committee feels it appropriate to require States for at least one year to assure that no current recipient will receive a reduction in payments due to the enactment of the SSI program. Accordingly, the Committee bill would in effect require that the State in calendar year 1974 supplement the SSI payment to any aged, blind, or disabled individual who is eligible for and receiving assistance under a State program in December 1973 so that he receives, when the SSI program becomes effective next January, at least the same amount as he would have received under the State plan in effect in June 1973. States not providing this required supplementation would not be entitled to Federal Medicaid matching funds in calendar year 1974. When the State determines that a special need (including one based on a rental allowance) is the reason for all or part of the supplementary State payment, and that the special need has been reduced or ceases to exist, it can appropriately reduce the payment.

A State would not be required to provide supplemental payments to persons who are ineligible for SSI payments because they (a) refuse to apply for other sources of income, (b) are drug addicts or alcoholics who refuse to undergo available treatment, or (c) are outside the United States for more than 30 days.

Under the committee amendment, the Secretary of Health, Education, and Welfare would be directed to administer the payments required under this section if the State wishes Federal administration of the payments.

Preference for Present State and Local Employees

(Sec. 213 of the bill)

Federal administration of the new Supplemental Security Income program will require the hiring of a substantial number of new Federal employees. The Secretary of Health, Education, and Welfare testified on June 19 that about 8,000 new employees have already been hired and that another 7,000 will be hired over the next six months. At the same time many States will no longer be administering an assistance program for the aged, blind, and disabled, and State and local employees now working in the programs of aid to the aged, blind, and disabled in these States will no longer have their present jobs when the new SSI program goes into effect next January.

The Committee bill includes a provision under which the Secretary of Health, Education, and Welfare, in hiring Federal employees for

the new SSI program, will provide a preference in employment to qualified present State and local employees who will be displaced when the new SSI program goes into effect.

Determination of Blindness

(Sec. 214 of the bill)

In the present State programs of aid to the blind, Federal law requires that "in determining whether an individual is blind, there shall be an examination by a physician skilled in diseases of the eye or by an optometrist, whichever the individual may select" (Sec. 1002(a)(10) and Sec. 1602(a)(12) of the Social Security Act). There is no similar provision in the Supplemental Security Income program. The Committee amendment would provide that in determining whether an individual is eligible for Supplemental Security Income on account of blindness, "there shall be an examination by a physician skilled in the diseases of the eye or by an optometrist, whichever the individual may select."

TABLE 13.—**OLD-AGE ASSISTANCE:** INCOME ELIGIBILITY LEVEL FOR PAYMENTS AND LARGEST AMOUNT PAID FOR BASIC NEEDS, BY STATE, MARCH 1973

	Aged individual		Aged couple	
	Income eligibility level for payments	Largest amount paid for basic needs	Income eligibility level for payments	Largest amount paid for basic needs
Alabama	$158	$115	$266	$230
Alaska	250	250	350	350
Arizona	130	130	180	180
Arkansas	155	120	260	220
California	200	200	364	364
Colorado	147	147	294	294
Connecticut	238	238	286	286
Delaware	170	150	248	248
District of Columbia	160	128	200	160
Florida	132	132	181	181
Georgia	110	99	170	158
Hawaii	137	137	211	211
Idaho	182	182	219	219
Illinois	175	175	218	218
Indiana	185	100	247	200
Iowa	122	122	186	186
Kansas	203	203	247	247
Kentucky	111	111	190	190
Louisiana	154	107	252	202
Maine	153	130	274	260
Maryland	130	96	187	131
Massachusetts	199	199	295	295
Michigan	184	184	237	237
Minnesota	158	158	230	230
Mississippi	150	75	218	150
Missouri	211	85	287	170
Montana	120	111	192	175
Nebraska	182	182	235	235
Nevada	175	175	279	279
New Hampshire	173	173	228	228
New Jersey	162	162	222	222
New Mexico	116	116	155	155
New York	184	184	234	234
North Carolina	115	115	153	153

TABLE 13.—**OLD-AGE ASSISTANCE:** INCOME ELIGIBILITY LEVEL FOR PAYMENTS AND LARGEST AMOUNT PAID FOR BASIC NEEDS, BY STATE, MARCH 1973—Continued

	Aged individual		Aged couple	
	Income eligibility level for payments	Largest amount paid for basic needs	Income eligibility level for payments	Largest amount paid for basic needs
North Dakota	$125	$125	$190	$190
Ohio	131	131	218	218
Oklahoma	134	134	220	220
Oregon	153	144	221	208
Pennsylvania	138	138	208	208
Rhode Island	195	195	262	262
South Carolina	87	80	121	121
South Dakota	180	180	220	220
Tennessee	117	97	165	165
Texas	123	123	200	200
Utah	115	115	154	154
Vermont	177	177	233	233
Virginia	152	152	199	199
Washington	149	149	214	214
West Virginia	133	123	180	156
Wisconsin	210	210	254	254
Wyoming	150	120	200	200

TABLE 14.—**AID TO THE BLIND AND AID TO THE PERMANENTLY AND TOTALLY DISABLED:** INCOME ELIGIBILITY LEVEL FOR PAYMENTS AND LARGEST AMOUNT PAID FOR BASIC NEEDS, BY STATE, MARCH 1973

	Blind individual		Disabled individual	
	Income eligibility level for payments	Largest amount paid for basic needs	Income eligibility level for payments	Largest amount paid for basic needs
Alabama	$125	$125	$122	$71
Alaska	250	250	250	250
Arizona	130	130	130	130
Arkansas	155	120	155	120
California	215	215	193	193
Colorado	109	109	123	123
Connecticut	238	238	238	238
Delaware	228	150	150	135
District of Columbia	160	128	160	128
Florida	132	132	132	132
Georgia	110	99	110	99
Hawaii	137	137	137	137
Idaho	182	182	182	182
Illinois	175	175	175	175
Indiana	185	125	185	80
Iowa	144	144	122	122
Kansas	203	203	203	203
Kentucky	111	111	111	111
Louisiana	110	105	72	70
Maine	153	130	153	130
Maryland	130	96	130	96
Massachusetts	195	195	183	183
Michigan	184	184	184	184
Minnesota	158	158	158	158
Mississippi	150	75	150	75

TABLE 14.—**AID TO THE BLIND AND AID TO THE PERMANENTLY AND TOTALLY DISABLED:** INCOME ELIGIBILITY LEVEL FOR PAYMENTS AND LARGEST AMOUNT PAID FOR BASIC NEEDS, BY STATE, MARCH 1973—Continued

	Blind individual		Disabled individual	
	Income eligibility level for payments	Largest amount paid for basic needs	Income eligibility level for payments	Largest amount paid for basic needs
Missouri	$275	$100	$190	$80
Montana	132	123	120	111
Nebraska	182	182	182	182
Nevada	152	152	(1)	(1)
New Hampshire	173	173	173	173
New Jersey	162	162	162	162
New Mexico	116	116	116	116
New York	184	184	184	184
North Carolina	126	126	115	115
North Dakota	125	125	125	125
Ohio	131	131	131	121
Oklahoma	134	134	134	134
Oregon	163	163	153	144
Pennsylvania	190	115	138	138
Rhode Island	195	195	195	195
South Carolina	103	95	87	80
South Dakota	180	180	180	180
Tennessee	117	97	117	97
Texas	123	123	123	123
Utah	125	125	115	115
Vermont	177	177	177	177
Virginia	153	153	152	152
Washington	149	149	149	149
West Virginia	133	123	133	123
Wisconsin	210	210	210	210
Wyoming	150	120	150	120

[1] No program.

TABLE 15.—NUMBER OF PERSONS AGED 65 OR OVER RECEIVING OASDI CASH BENEFITS, OAA MONEY PAYMENTS, OR BOTH, BY STATE, FEBRUARY 1973 [1]

State	Number				Number per 1,000 aged population			
	Unduplicated total	OASDI [2]	OAA	Both OASDI and OAA	Unduplicated total	OASDI [2]	OAA	Both OASDI and OAA
Alabama	325,275	286,000	112,409	73,134	932	819	322	210
Alaska	6,811	6,000	2,020	1,209	851	750	253	151
Arizona [3]		163,000						
Arkansas	235,142	215,000	57,060	36,918	926	846	225	145
California	1,727,651	1,658,400	295,945	226,614	902	866	155	118
Colorado	179,174	170,000	28,400	19,226	891	846	141	96
Connecticut	271,979	269,000	8,017	5,038	892	882	26	17
Delaware	43,661	43,000	2,979	2,318	929	915	63	49
District of Columbia	53,672	52,000	4,078	2,406	767	743	58	34
Florida	999,791	958,400	69,623	28,232	878	841	61	25
Georgia	361,141	322,000	85,741	46,600	921	821	219	119
Guam								
Hawaii	46,146	45,000	2,950	1,804	905	882	58	35
Idaho	68,334	67,300	3,159	2,125	936	922	43	29
Illinois	990,604	972,300	33,014	14,710	882	866	29	13
Indiana	465,476	462,000	14,270	10,794	906	899	28	21
Iowa	355,032	350,000	12,230	7,198	989	975	34	20
Kansas	248,553	244,400	9,127	4,974	894	879	33	18
Kentucky	324,109	301,000	54,923	31,814	918	853	156	90
Louisiana	292,536	254,200	107,360	69,024	895	777	328	21

See footnotes at end of table, p. 33.

TABLE 15.—NUMBER OF PERSONS AGED 65 OR OVER RECEIVING OASDI CASH BENEFITS, OAA MONEY PAYMENTS, OR BOTH, BY STATE, FEBRUARY 1973 [1]—Continued

State	Number				Number per 1,000 aged population			
	Unduplicated total	OASDI [2]	OAA	Both OASDI and OAA	Unduplicated total	OASDI [2]	OAA	Both OASDI and OAA
Maine	113,016	110,400	11,422	8,806	950	928	96	74
Maryland	272,240	267,100	9,590	4,450	840	824	30	14
Massachusetts	573,139	559,100	56,928	42,889	878	856	87	66
Michigan	741,182	725,200	40,358	24,376	941	920	51	31
Minnesota	385,730	379,200	13,554	7,024	905	890	32	16
Mississippi	222,125	194,000	82,724	54,599	941	822	351	231
Missouri	525,285	500,000	90,855	65,570	904	861	156	113
Montana	64,841	64,000	2,802	1,961	913	901	39	28
Nebraska	169,847	167,400	6,767	4,320	899	886	36	23
Nevada	31,579	31,000	2,697	2,118	877	861	75	59
New Hampshire	78,033	77,000	4,441	3,408	929	917	53	41
New Jersey	648,746	641,200	19,738	12,112	884	874	27	17
New Mexico	71,917	68,000	7,801	3,884	910	861	99	49
New York	1,796,307	1,756,300	110,874	70,867	901	881	56	36
North Carolina	415,096	396,000	30,949	11,853	927	884	69	26
North Dakota	65,452	64,000	3,805	2,353	935	914	54	34
Ohio	921,115	900,000	45,195	24,080	887	866	43	23
Oklahoma	290,022	263,300	53,940	27,218	912	828	170	86
Oregon	224,413	222,000	7,088	4,675	927	917	29	19
Pennsylvania	1,179,631	1,162,100	39,445	21,914	894	881	30	17

Puerto Rico	169,780	150,100	20,002	322	884	782	104	2
Rhode Island	98,731	97,200	4,026	2,495	914	900	37	23
South Carolina	192,144	179,300	17,321	4,477	928	866	84	22
South Dakota	77,587	76,000	3,210	1,623	935	916	39	20
Tennessee	373,726	351,000	46,963	24,237	912	856	115	59
Texas	945,876	886,000	183,942	124,066	882	826	171	116
Utah	75,383	74,000	2,374	991	887	871	28	12
Vermont	46,420	45,300	4,001	2,881	947	924	82	59
Virgin Islands	2,406	2,100	313	7	1,000	875	130	3
Virginia	343,417	336,200	13,861	6,644	872	853	35	17
Washington	315,497	309,400	17,342	11,245	920	902	51	33
West Virginia	185,277	179,000	13,171	6,894	922	891	66	34
Wisconsin	458,759	451,000	19,344	11,585	927	911	39	23
Wyoming	28,408	28,000	1,189	781	89	88	4	2

[1] Preliminary.
[2] Jan. 19, 1973.
[3] Other figures not available.

Source: Department of Health, Education, and Welfare.

C. Pass-Along of Social Security Benefit Increase to AFDC Recipients

(Sec. 220 of the bill)

Under present law if Social Security benefits are increased, recipients of aid to families with dependent children (AFDC) who are also social security beneficiaries find their AFDC payment reduced one dollar for each dollar that social security benefits are increased. To assure that AFDC recipients who are also social security beneficiaries receive the benefit of the social security cost of living increase provided in the Committee bill, the Committee bill would also require States, in determining need for AFDC, to disregard 5 percent of social security income when the beneficiaries begin receiving the cost-of-living social security benefit increase.

D. Social Services Regulations

(Sec. 230 of the bill)

Legislative Background

Legislation before 1972.—Before 1962, services provided to welfare recipients were subject to the same 50% Federal matching as was available for administrative expenses. In order to encourage States to provide social services designed to prevent and reduce dependency on welfare, the Congress in 1962 enacted legislation increasing the Federal matching for social services to 75% while leaving Federal matching for administrative costs at 50%. No definition of social services was included either in the 1962 bill or in the committee reports on the legislation; defining the scope of services was left to the Secretary of Health, Education, and Welfare and the States. The Social Security Amendments of 1967 broadened the services provisions of the Act, authorized matching for services purchased from non-public organizations, and temporarily (through fiscal year 1969) increased the rate of matching for AFDC services to 85 percent.

Under aid to families with dependent children, regulations of the Department of Health, Education, and Welfare prior to May 1, 1973 required States to provide child care and other services to enable persons to achieve employment and self-sufficiency, foster care services, services to prevent and reduce births out of wedlock, family planning services, protective services for neglected or abused children, services to help families meet their health needs, and specified services to meet particular needs of families and children. In addition, these regulations permitted 75% Federal matching for any services considered by the State as assisting members of a family "to attain or retain capability for maximum self-support and personal independence."

In 1971 the Congress enacted legislation increasing to 90% the Federal share of services needed in order for an AFDC recipient to participate in the Work Incentive Program.

Rapid rise in Federal funds for social services.—Like Federal matching for welfare payments, Federal matching for social services prior to fiscal year 1973 was mandatory and open-ended. Every dollar a State spent for social services was matched by three Federal dollars.

The Secretary, by law, was given specific auth rity to limit the contracting authority for social services and to limit the extent of services to potential (as opposed to actual) welfare recipients. In both cases, however, he had failed to establish effective limitations. In 1971 and 1972 particularly, States made use of the lack of limits on social services under the Social Security Act and the Act's open-ended 75 percent matching to pay for many programs previously funded entirely by the States or funded under other Federal grant programs at lower than 75 percent matching.

The Federal share of social services was about three-quarters of a billion dollars in fiscal year 1971, about $1.7 billion in 1972, and was projected to reach an estimated $4.7 billion for fiscal year 1973. Faced with this projection, the Congress enacted a limitation on Federal funding as a provision of the State and Local Fiscal Assistance Act of 1972.

Federal funds for social services limited in 1972.—Under the provision in last year's legislation, Federal matching for social services to the aged, blind and disabled, and those provided under Aid to Families with Dependent Children are subject to a State-by-State dollar limitation, effective beginning fiscal year 1973. Each State is limited to its share of $2,500,000,000 based on its proportion of population in the United States. Child care services, family planning services, services provided to a mentally retarded individual, services related to the treatment of drug addicts and alcoholics, and services provided a child in foster care can be provided to persons formerly on welfare or likely to become dependent on welfare as well as present recipients of welfare. At least 90 percent of expenditures for all other social services, however, have to be provided to individuals receiving aid to the aged, blind, or disabled (or, after 1973, supplemental security income) or Aid to Families with Dependent Children. Until a State reaches the limitation on Federal matching, 75 percent Federal matching continues to be applicable for social services as under prior law. Family planning services provided under the medicaid program are not subject to the Federal matching limitation. A special savings clause was included in the Social Security Amendments of 1972 (H.R. 1, Public Law 92-603) to provide about $20 million in additional Federal funds in seven States (Alaska, Delaware, District of Columbia, Georgia, Illinois, South Carolina, and Washington) whose expenditures during the first quarter of fiscal year 1973 were higher than their first-quarter share of the $2.5 billion limit.

Services necessary to enable AFDC recipients to participate in the Work Incentive Program are not subject to the limitation described above; they continue as under prior law, with 90 percent Federal matching and with funding of these services limited to the amounts appropriated. Federal matching for emergency social services is at a 50 percent rate.

Under the conference report on the State and Local Fiscal Assistance Act, the Secretary of HEW was directed "to issue regulations prescribing the conditions under which State welfare agencies may purchase services they do not themselves provide."

The Secretary did issue new regulations, but they were concerned with far more than purchased services only; they represented a complete rewriting of the former social services regulations.

New Regulations of the Department of Health, Education, and Welfare

In the Federal Register for May 1, 1973, the Department of Health, Education and Welfare published new regulations concerning social services under the Social Security Act. Following four days of Finance Committee hearings in May, modifications were made in the regulations on June 1. The new regulations are scheduled to become effective on July 1, 1973. Some of the major features of the new regulations are outlined below.

Eligibility for services.—Under the new regulations, social services may be provided to cash assistance recipients and to former and potential recipients; however, the definition of former and potential recipients is considerably narrower than under the prior regulations. Services provided to former recipients must be provided within three months after assistance is terminated (compared with two years under the former regulations). Persons may qualify for services as potential recipients only if they are likely to become recipients within six months and only if they have gross monthly incomes no larger than $30 plus 150 percent of the State's cash assistance payment standard. In the case of child care services, potential recipients with gross monthly incomes above that limit but not more than $30 plus 233⅓ percent of the cash assistance payment standard may qualify for partially subsidized child care. To be eligible for services, including child care, individuals must also have countable resources (assets) which are less than six months' worth of cash assistance. Under the former regulations, services could be made available to individuals likely to become recipients within five years and without any specific income tests. The former regulations also permitted eligibility to be established for some services on a group basis (for example, services could be provided to all residents of a low-income neighborhood). The new regulations do not permit group eligibility but require an individualized eligibility determination for each recipient of services.

Scope of services.—The new regulations limit the type of services which may be provided to 18 specifically defined services and limit to just a few services those which the States are required to provide. By contrast, the former regulations had a fairly extensive list of mandatory services, specifically mentioned a number of optional services, and allowed States to receive Federal matching for other types of services not spelled out in the regulations. Services for mentally retarded persons and for drug addicts and alcoholics are not specifically included in the list of services allowable under the new regulations. However, the regulations do provide that day care services can be made available where appropriate for eligible mentally retarded children and that until December 31, 1973, other types of eligible services may be provided to mentally retarded individuals without regard to the restrictions on the definition of "potential recipient." Medical services (including such services when provided in connection with the rehabilitation of drug addicts and alcoholics) are not eligible for matching under the new regulations except when related to family planning or to medical examinations which are required for admission to child care facilities or for persons caring for children under welfare agency auspices.

Procedural provisions.—The new regulations change a number of the administrative requirements imposed upon the States in connection with services; for example, the requirement of an AFDC advisory

committee is dropped and the requirement of recipient participation in the Advisory Committee on Day Care Services is eliminated. Similarly, a fair hearing procedure (as applicable to services) is no longer mandated. New regulations require more frequent review (every 6 months rather than each year) of the effectiveness of services being provided and require that agreements for purchase of services from sources other than the welfare agency be reduced to writing and be subject to HEW approval.

Refinancing of services.—The new regulations would deny Federal matching for services purchased from a public agency other than the welfare agency under an agreement entered into after February 15, 1973 to the extent that the services in question were being provided without Federal matching as of fiscal year 1972. This limitation on refinancing of previously non-Federal services programs will be relaxed under the new regulations over a period of time and will cease to apply starting July 1, 1976.

Conflict Between the Regulations and the Statute

The regulations scheduled to become effective July 1, 1973 are in direct conflict with the statute itself in a number of significant respects, as described below.

1. *Family planning services.*—Last year the Congress required States both to offer and promptly provide family planning services to all appropriate AFDC recipients desiring them, and indicated congressional priority for family planning services by increasing Federal matching for these services from 75% to 90%—for persons likely to become dependent on welfare as well as those already on the rolls. Congressional priority is also shown clearly by the inclusion of family planning services in the list of services which can be provided without regard to whether a person is receiving welfare. Yet the regulations permit Federal funds for services to persons not now on welfare only if they "are likely to become applicants for or recipients of financial assistance under the State plan within six months" (Section 221.6(b)(3) of the regulations). Under the regulations, either no family planning services can be provided to persons not now on welfare, or else the only kind of family planning services for which Federal matching would be available in such a case would be abortion (since a woman would have to be 3 months pregnant in order to be likely to become dependent on welfare within 6 months).

2. *Child Support.*—Federal law requires States, as a part of their plan for aid to families with dependent children, to attempt to establish the paternity of children born out of wedlock, to locate fathers who have deserted their families, and to try to collect support payments from these fathers. All of these provisions of Federal law require legal services, yet the HEW regulations (Section 221.9(b)(14)) define Federally matchable legal services as including only "the services of a lawyer in solving legal problems of eligible individuals to the extent necessary to obtain or retain employment. This excludes all other legal services."

3. *Alcoholism and drug abuse.*—Last year's limitation on social service funds listed five high priority categories of services which could be provided without regard to whether the recipient of services was on welfare or not. Included in the high priority list were "services provided to an individual who is a drug addict or alcoholic, but only if such

services are needed (as determined in accordance with criteria prescribed by the Secretary) as part of a program of active treatment of his condition as a drug addict or alcoholic" (section 1130(a)(2)(D) of the Social Security Act). Certainly, a major aspect of treatment of alcoholics and drug addicts involves medical care. Yet the HEW social services regulations (section 221.53(i)) preclude Federal matching for medical services except when related to family planning or to medical examinations which are required for admission to child care facilities or for persons caring for children under welfare agency auspices.

4. *Services for the mentally retarded.*—The 1972 legislation similarly list as a high priority item "services provided to a mentally retarded individual (whether a child or an adult), but only if such services are needed (as determined in accordance with criteria prescribed by the Secretary) by such individual by reason of his condition of being mentally retarded" (section 1130(a)(2)(C) of the Social Security Act). Despite this clear statement in the law providing priority for services for mentally retarded persons, these services are not specifically included in the list of services allowable under the new regulations. The regulations only provide that day care services can be made available when appropriate for eligible mentally retarded children (section 221.9(b)(3)) and that until December 31, 1973, other types of eligible services may be provided to mentally retarded individuals without regard to the restrictions on the definition of "potential recipient."

5. *Services to strengthen family life.*—Federal law requires States as a part of their plan for aid to families with dependent children to develop a program of family services defined in section 40 (d) of the Social Security Act as "services to a family or any member thereof for the purpose of preserving, rehabilitating, reuniting, or strengthening the family, and such other services as will assist members of a family to attain or retain capability for the maximum self-support and personal independence." Yet the HEW regulations (section 221.8(a)) permit Federal financial participation only for services which support the attainment of the goals of self-support or self-sufficiency.

6. *Mandatory services for the aged.*—In 1962, the Congress added a provision to the old-age assistance program authorizing 75% Federal matching for social services to the aged. In addition, the law stated (section 3(c)(1) of the Social Security Act) that in order for a State to qualify for this 75% matching, the State plan for old-age assistance had to provide that "the State agency shall make available to applicants for or recipients of old-age assistance under such State plan at least those services to help them attain or retain capability for self-care which are prescribed by the Secretary." Under the former regulations, the Secretary required States to provide information and referral services, protective services, services to enable persons to remain in or return to their homes or communities and services to meet health needs (such as assistance in obtaining medical care and in arranging transportation to obtain medical care).

Under the new regulations a State need provide only one of the "defined services which the State elects to include in the State plan" (section 221.5(a)). One of these defined services is "special services

for the blind." Thus in contradiction to the clear language and intent of the law which has been in effect for a decade, the regulations would no longer require States to provide services to the aged which will help them to attain or retain capability for self-care.

7. *Former and potential welfare recipients.*—Another feature written into the Social Security Act in 1962 authorized 75 percent Federal matching for social services for former or potential welfare recipients, with the Secretary permitted to specify the time periods within which an individual was to be considered a former or potential recipient. For example, under aid to families with dependent children, 75 percent Federal matching is authorized for services "which are provided to any child or relative who is applying for aid to families with dependent children or who, *within such period or periods as the Secretary may prescribe*, has been or is likely to become an applicant for or recipient of such aid (emphasis added; section 403(a)(A)(ii) of the Social Security Act). Similar language is found in the programs of aid to the aged, blind, and disabled.

The prior regulations specified that former recipients were those who had received assistance within the past two years, while potential recipients were those likely to become dependent on assistance within five years. The new regulations set the period for former recipients at three months and for potential recipients at six months, but in the latter case they go considerably further than the regulatory authority conferred by the statute by setting specific income limits related to welfare payment levels and requiring that applicants for services meet an assets test related to the cash assistance assets test and payment level (section 221.6(c)(3) of the regulations as modified on June 1, 1973).

Committee Provision

The new regulations scheduled to become effective July 1, 1973 are so out of step with the clear requirements of the statute and with Congressional intent that the Committee feels the Congress needs an opportunity to review both the prior and the new regulations to see what kinds of policy should be incorporated in law rather than left for regulatory interpretation.

Accordingly, the Committee bill would assure that no new social services regulations would become effective before January 1, 1974. By that time, the Congress will be able to consider statutory changes in the provisions of law affecting social services.

The Committee recognizes that Public Laws 92–512 and 92–603 made substantial modifications in the law as it affects social services—chiefly by setting a limitation on Federal funds for social services and by changing the Federal matching rates for certain services. In approving a six-month delay in the Department's regulations, the Committee of course does not mean to modify the provisions of law enacted last year. The Committee recognizes that the former regulations have been made out of date to some extent by last year's legislation. Therefore, the Committee amendments specifically validates those sections of the new regulations which relate directly to new legislation (principally the revised matching rates for certain services and the $2.5 billion limitation on Federal matching funds).

E. Medicaid Amendments

Protecting Medicaid Recipients From Loss of Eligibility

If no other action is taken, several types of recipients will face the loss of eligibility for Federally shared Medicaid coverage either when the SSI program becomes effective next January or upon the termination in October 1974 of a savings clause related to the 20 percent social security benefit increase enacted in 1972. The Committee amendment would protect these cases from loss of Medicaid eligibility and would extend the savings clause related to the 20 percent benefit increase. The types of cases are described below.

Medicaid Eligibilty of "Essential Persons"

(Sec. 240 of the bill)

Under present law, State programs for the aged, blind and disabled may take into account the needs of "essential persons", primarily the spouses (themselves under age 65) of aged assistance recipients. If a State does this, it has the option of providing Medicaid to those essential persons.

Thirty-one States currently include eligibility of essential persons as a feature of their Medicaid programs.

Under the Supplemental Security Income program as enacted in 1972, if the spouse of an SSI recipient is not aged, blind or disabled, the spouse would not be eligible for any SSI payment and therefore would not be eligible for Medicaid beginning January 1, 1974 when the SSI program goes into effect.

Under a provision described earlier, the committee bill would provide for payment under SSI for those essential persons currently covered under State programs, In addition, the Committee amendment would provide that any individual eligible for Medicaid under the State plan as an essential person in December, 1973 would continue to be eligible for Medicaid as long as he continues to meet the requirements under which that essential person was eligible for Medicaid under the State plan in December, 1973.

Medicaid Eligibility for Persons in Medical Institutions

(Sec. 241 of the bill)

Under present law, in some States, persons are eligible for both cash assistance and Medicaid because of their special needs. However, they do not actually receive a cash payment because they are inpatients in institutions and have enough income to pay for their personal needs when Medicaid pays for their institutional care. The Supplemental Security Income program, which becomes effective January 1, 1974, does not permit this kind of consideration of special needs

Consequently, a number of current Medicaid recipients in institutions could lose their Medicaid coverage because they will no longer be eligible for cash assistance next January. To prevent such loss of Medicaid, the Committee amendment would provide that those individuals in medical institutions in December, 1973 who would have been eligible for assistance except for the fact that they were inpatients (or whose special needs as inpatients make them eligible for assistance)

would be permitted to retain their Medicaid eligibility during such period of time as there is a continued need for institutional care for the condition or conditions for which they were institutionalized in December, 1973; and they continue to meet the other eligibility standards which obtained for such persons in December, 1973.

Medicaid Eligibility for Blind and Disabled Medically Needy Persons

(Sec. 242 of the bill)

Under the current State-administered programs of aid to the aged, blind, and disabled, States have varying definitions of blindness and disability. The Supplemental Security Income program which becomes effective next January contains a uniform Federal definition of blindness and disability. This new Federal definition of blindness and disability is more restrictive than that applied in a number of States and, consequently, the Congress was concerned that a number of persons who meet the State definition of blindness or disability, but who will fail to meet the Federal definition, would lose their eligibility for cash assistance and Medicaid.

To prevent this loss of eligibility for assistance, P.L. 92–603 contained a provision which would make eligible for SSI those persons who currently receive cash assistance on the basis of blindness or disability. However this provision did not provide continued Medicaid eligibility for those blind and disabled persons who do not meet the new definitions of blindness or disability and who currently receive only medical assistance—persons in institutions with enough income to cover their personal needs but not their institutional care needs, and medically needy persons.

The Committee amendment would rectify this omission by continuing Medicaid eligibility for these medically indigent and other persons eligible for Medicaid who meet current State definitions of blindness or disability.

Extension of 1972 Medicaid Protection Clause

(Sec. 243 of the bill)

Public Law 92–603 contained a savings clause continuing Medicaid eligibility for persons who would otherwise lose their eligibility because the 20 percent social security increase in 1972 raised their incomes above the eligibility level for cash assistance payments. This savings clause, presently scheduled to expire October 1974 would under the Committee bill be extended through June 1975. The Committee believes this extension will provide the Congress a better opportunity to deal with the issue of loss of Medicaid eligibility.

Repeal of Limit on Payments for Skilled Nursing Home and Intermediate Care Facility Services

(Sec. 244 of the bill)

Section 225 of P.L. 92–603 provides that for any calendar quarter beginning after December 31, 1972 the average per diem cost for skilled nursing homes and intermediate care facilities countable for Federal financial participation will be limited to 105 percent of such

97-558 O - 73 - 6

costs for the same quarter of the preceding year. It also authorizes the Secretary by regulation to increase the percentage to take account of increases in per diem costs which result directly from increases in the Federal minimum wage, or which otherwise result directly from provisions of Federal law enacted (or amendments to Federal law made) after the date of enactment of P.L. 92–603.

The Committee shares the concern over rising expenditures for skilled nursing home and intermediate care facility services which are due to rising costs or inappropriate utilization. However, it does not believe that Section 225 is an equitable or administrable method of achieving cost control.

The Committee believes that Section 225 is inconsistent with an upgrading of care in facilities which may result in additional costs to the facility. The provision is difficult to administer and inequitable in that it does not take into account many uncontrollable expenses and places an arbitrary limit, unrelated to services rendered, on payments to a facility. Furthermore, the Professional Standards Review Organization (PSRO) provision approved by the Congress last year should serve to effectively control costs for these services. In addition, a provision in P.L. 92–603 would require States to reimburse skilled nursing facilities and intermediate care facilities on a reasonable cost basis by July 1, 1976. The PSRO amendment, as well as the requirement for a reasonable differential between average Statewide reimbursement rates for intermediate care facility and skilled nursing facility care, will also contribute to more equitable and rational payment for institutional care, while providing some control on cost increases.

Since enactment of Section 225, the effect of inflationary factors—at annual rates in excess of the 5 percent limitation—as well as the fact that under Phase III health care facility charges and reimbursement are subject to continued control, have significantly added to the arguments against retention of Section 225. The Committee bill would therefore repeal this provision.

In the absence of cost control guidelines presently applicable to these facilities, the Department of Health, Education, and Welfare estimates the increased cost of repealing Section 225 at $22 million in the first full year. Because of the present cost control guidelines, however, any increase in Medicaid costs should be substantially less than $22 million.

F. Maternal and Child Health Project Grants

(Sec. 250 of the bill)

The 1967 Amendments to Title V of the Social Security Act authorized $350 million for fiscal year 1972 and each fiscal year thereafter for Maternal and Child Health Services. The 1967 provision contained an allocation formula which originally divided the funds as follows:

(a) 50 percent of any appropriations are for formula grants to the States;

(b) 40 percent of any appropriations are for special project grants; and

(c) 10 percent of any appropriations are for research and training grants.

The intent of this section of the 1967 Amendments was to divide available funds in this fashion for a few years so that the Federal Government could fund innovative special projects which States might not be able to fund out of their formula grants. The special project grants are scheduled to terminate as of June 30, 1973, and thereafter 90 percent of appropriations are earmarked for formula grants to States. The rationale underlying this approach was that after a few years' time, States would recognize the value of worthwhile projects and continue to support such project grants as part of an overall State program for improving maternal and child health.

Two problems have developed since the present law was enacted. First, the special project grants have been utilized primarily in urban areas, while the formula grants are weighted in favor of rural States. Thus a significant shift of funds from urban States with project grants to rural States without project grants would occur if the project grant authorities were terminated as presently scheduled. Additionally, many project grant directors have indicated that because of other pressures on State finances, State health departments would be reluctant to use new formula grant funds to continue support for project grants, however worthy they might be.

The Committee is concerned with the risk of terminating worthy projects but also recognizes the need for Statewide coordination of the maternal and child health program.

The Committee has approved an amendment which would assist orderly budgeting by grantees and provide time for orderly transition to a State-coordinated program. First, the Committee provision would extend the authorization for project grants until June 30, 1974. After that date, 90 percent of the Maternal and Child Health funds would be allocated to States on the formula basis. However, the amendment provides (1) an additional authorization so that no State would be eligible for less funds after June 30, 1974 than the total amount allocated to a State in formula and project grants in FY 1973, and (2) that States would be required to make appropriate arrangements for the continuation of services to the population in areas previously served under project grants. Under a special provision, in fiscal year 1974 an additional authorization would result in each State being eligible to receive the greater of (1) the total of fiscal year 1973 project and formula grants, or (2) the sum such State would have otherwise been entitled to if the project grants had not been extended during fiscal year 1974.

IV. PROVISIONS IN COMMITTEE BILL RELATING TO SPENDING LIMIT FOR 1974 AND IMPOUNDMENT PROCEDURES

The House committee in its report noted the absence at this time of any other means of providing effective overall congressional control over the budget and in view of that concluded that it was desirable to use the debt limitation for that purpose to the extent possible. The Committee, while not viewing the provisions dealt with here as a substitute for the development of permanent budgetary controls, nevertheless concluded that it was desirable to provide an expenditure ceiling for the fiscal year 1974 together with a procedure for allocating any reductions this ceiling makes necessary. In addition, it has added

impoundment control procedures to deal with the impoundment of funds by the President to the extent these are not consistent with the procedure provided by the committee in this bill; that is, with specific exceptions, they are to be made on a pro rata basis. The spending ceiling provided here for the fiscal year 1974, together with the impoundment procedures are the same (with the exception that the ceiling for 1974 has been raised from $268.0 billion to $268.7 billion) as the provisions in S. 373 which has been passed by the Senate and also the same with the exception noted, as the provisions included in H.R. 6912, which also has been passed by the Senate.

A. Impoundment Control Procedures

(Title III of the bill)

The amendment added to the bill with respect to impoundment procedures seeks to preserve the constitutional role of the Congress in fiscal matters. It seeks to accomplish this purpose by providing reasonable congressional controls on Presidential impoundments by procedures which enable Congress to scrutinize impoundment actions and to pass judgment on them. In basic thrust, the amendment institutionalizes "reasonable" controls on impoundments. It does not forbid them entirely.

More specifically, the enactment of this amendment clarifies the limits of existing legal authority of the executive branch to impound budget authority, prevents unilateral nullification by the executive branch of enacted authorizations and appropriations and establishes orderly procedures for the reordering of budget priorities through joint action by the President and the Congress.

Under the provision added by the Committee, whenever the President (or any officer or employee of the United States) impounds any budget authority, the President is to send to the Senate and House of Representatives a special message. This message is to specify—

1. The amount of budget authority impounded,
2. The date the impoundment was ordered,
3. The date the budget authority was actually impounded,
4. The department, agency, or account affected by the impoundment,
5. The period of time in which the impoundment is to be effective,
6. The reasons for the impoundment (including any legal authority for the action), and
7. To the maximum extent practical, the estimated fiscal economic, and budgetary effect of impoundment.

This special message is to be sent to the Senate and House within ten days of the time the impoundment occurs. If the House or Senate are not in session, the message is to be delivered to the Clerk of the House or the Secretary of the Senate. The message may be printed by either House as a document.

In addition, a copy of each special message is to be sent to the Comptroller General on the same day as it is submitted to the Senate and House. The Comptroller General is to review each message to determine whether in his judgment the impoundment was in accordance with existing statutory authority. He is to notify both Houses of

Congress within 15 days after the receipt of the message, as to his determination on this matter. If he finds that the impoundment was in accordance with the Anti-Deficiency Act (section 3679 of the revised statutes (31 USC 665)), no further action is to be taken with respect to the impoundment. In all other cases, however, the Comptroller is to advise the Congress whether the impoundment was in accordance with existing law.

Testimony before a Senate committee has indicated that hundreds of impoundments of a routine nature are made each year under the Anti-Deficiency Act and that, as a result, Congress would be flooded with resolutions of approval if congressional action were required on each of these. This is why the provision delegates authority to the Comptroller General to screen out impoundments which are made in accordance with the Anti-Deficiency Act. Further provision is made for additional publication of special messages submitted, as well as any supplementary messages.

The bill directs the President (or any officer or employee of the United States) to cease impounding any budget authority set forth in each special message within 60 days after the President's message is received, unless the Congress passes a concurrent resolution which approves of the impoundment. This does not, however, apply to those impcundments found by the Comptroller General to come within the Anti-Deficiency Act. However, Congress by concurrent resolution may disapprove of any impoundment in whole or in part before the expiration of the 60-day period.

The effect of either the specific disapproval by Congress of an impoundment within the 60-day period, or the failure to approve of an impoundment within the 60-day period, is to make the obligation of the budget authority mandatory and to preclude the President, or any other Federal officer or employee, from reimpounding this budget authority.

Definitions are provided as to what constitutes an impoundment.

The rules of the House and Senate are also amended to take into account the impoundment procedure. Also included are definitions of the type of resolution referred to and the form of the resolution. Further, it is provided that the impoundment concurrent resolution is not to be referred to a committee but is to be treated as privileged business for immediate consideration following the receipt of the report of the Comptroller General. Debate on the resolution is to be limited to ten hours equally divided between those favoring and those opposing the resolution.

In the event the administration impounds budgetary authority but the President fails to report that action to the Congress by special message, the Comptroller General is to report this action, together with any available information concerning it, to the Senate and the House. The purpose of this provision is to treat impoundments of this type in the same manner, and with the same effect, as if the report of the Comptroller General had been made by the President. However, the 60-day period after which the impoundment is nullified (if not otherwise provided by Congress), is to be treated as commencing at the time the Comptroller General finds the impounding action was taken. This is earlier than the time which would have applied had the President sent the special message, in order to discourage non-reporting of impoundments by the President.

It should be clear that nothing contained in this anti-impoundment provision should be interpreted as an approval of any impounding of budgetary authority made in the past or in the future unless done pursuant to statutory authority at the time of the impoundment.

It is also provided that the Comptroller General is to represent the Congress, through attorneys of his own choosing, in the U.S. District Court for the District of Columbia in order to enforce the anti-impoundment provisions. The Comptroller General is empowered to act as the representative of the Congress with respect to these impoundments. The U.S. District Court of the District of Columbia is also empowered to enter into necessary or appropriate orders to secure compliance with this provision.

This amendment further requires that all funds appropriated by law are to be made available and obligated by all agencies of the executive branch unless a restriction on the availability of the funds is approved under the provisions of this impoundment control procedure.

Should the President desire to impound appropriations made by the Congress in ways not authorized by this bill or the Anti-Deficiency Act, he is to seek legislation utilizing the supplemental appropriations process to obtain selective rescissions.

A severance clause provides that if any part of this provision (or its application under any circumstance) is held invalid, the validity of the remainder of the provision (and its application under other circumstances) is not to be affected.

The impoundment procedure set forth in these provisions is to take effect on and after the date of enactment of this bill.

B. Ceiling on Fiscal Year 1974 Expenditures

(Title IV of the bill)

This year, the Administration submitted a budget for the fiscal year 1974 calling for $268.7 billion in total unified budget outlays. At that time, it indicated that a spending ceiling would be helpful in keeping outlays within that limit. The Committee believes that a procedure for budget control on a permanent basis is desirable as is also suggested by the House Committee report. However, since such a procedure has not yet been agreed to by the two Houses, the committee concluded that it was desirable to make temporary provision for budget control through a spending ceiling for the fiscal year 1974.

In the earlier bills passed by the Senate this year making provision for a spending ceiling, a ceiling was set at $268.0 billion. The Committee concluded, in view of necessary outlay increases it has required in other sections of this bill, that it was necessary to raise the ceiling back to the level initially requested by the President; namely $268.7 billion. It is believed that this additional $700 million will provide for much of the additional fiscal year 1974 spending contained in other provisions of this bill.

The committee recognized that in order to attain the spending ceiling provided in this bill, the President may find it necessary to make impoundments. The Senate, when it, in the last Congress, considered the procedure to be followed in selecting the programs to be impounded, concluded that the appropriate procedure was to provide for a proportional reduction in all functional (and to the

extent possible subfunctional) categories with exception for certain specific categories where the outlay is clearly uncontrollable. In view of the fact that the Senate has specifically endorsed this method of providing for impoundments, the Committee concluded that the President should be directed to use this procedure in reducing any outlays to the extent necessary to realize the $268.7 billion ceiling.

As indicated in the impoundment procedures, it was concluded that all impoundments should be reported to Congress. This includes the impoundments necessary to reduce the outlay level to $268.7 billion. However, if the Comptroller General determines that the cuts necessary to reduce the total to $268.7 billion are proportionate (in each functional category and to the extent possible in each subcategory), with the exceptions for the categories noted below, no further Congressional action will be necessary and the reservation will be in effect approved. If, on the other hand, the Comptroller General determines that the cuts were not in proportion, then the impoundments are to be treated in the same manner as those referred to under the anti-impoundment provision.

The categories with respect to which no impoundments are to be made are the amounts available for interest, veterans' benefits and services, payments for social insurance trust funds, public assistance maintenance grants and supplemental security income payments under the Social Security Act, food stamps, military retirement pay, Medicaid, and judicial salaries.

In no event is the authority conferred under this provision to be used to impound funds for the purpose of eliminating a program, the creation or continuation of which has been authorized by Congress.

V. COSTS OF CARRYING OUT THE BILL AND EFFECT ON THE REVENUES OF THE BILL

In compliance with section 252(a) of the Legislative Reorganization Act of 1970, the following statement is made relative to the costs to be incurred in carrying out this bill and the effect on the revenues of the bill. The social security benefit increase would cost an additional $3.2 billion in trust fund outlays, of which $2.9 billion represents increased benefit payments in calendar year 1974. The first full year general fund costs associated with the other provisions in Title II of the committee bill are as follows:

	1st full year cost (in millions)
Supplemental Security Income:	
Increase in payment levels	$325
Covering "essential persons" now receiving assistance	100
Pass along of social security benefit increase to AFDC recipients	9
Medicaid amendments:	
Protecting presently covered persons from loss of eligibility:	
"Essential persons"	15
Persons in medical institutions	5
Blind and disabled medically needy persons	105
Extension of savings clause related to 20 percent social security benefit increase	25
Repeal of limit on payments for skilled nursing home care	[1] 22
Total	606

[1] In the absence of cost control guidelines.

VI. VOTE OF COMMITTEE IN REPORTING THE BILL

In compliance with section 133 of the Legislative Reorganization Act, as amended, the following statement is made relative to the vote of the committee on reporting the bill. This bill was ordered favorably reported by the committee without a roll call vote and without objection.

VII. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with subsection 4 of rule XXIX of the Rules of the Standing rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SECTION 101 OF THE ACT OF OCTOBER 27, 1972

TITLE I—TEMPORARY INCREASE IN THE PUBLIC DEBT LIMIT

SEC. 101. During the period beginning on November 1, 1972, and ending on [June 30] *November 30*, 1973, the public debt limit set forth in the first sentence of section 21 of the Second Liberty Bond Act (31 U.S.C. 757b) shall be temporarily increased by $65,000,000,000.

SECOND LIBERTY BOND ACT

AN ACT To authorize an additional issue of bonds to meet expenditures for the national security and defense, and, for the purpose of assisting in the prosecution of the war, to extend additional credit to foreign Governments, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury, with the approval of the President, is hereby authorized to borrow, from time to time, on the credit of the United States for the purposes of this Act, to provide for the purchase, redemption, or refunding, at or before maturity, of any outstanding bonds, notes, certificates of indebtedness, or Treasury bills of the United States, and to meet expenditures authorized for the national security and defense and other public purposes authorized by law, such sum or sums as in his judgment may be necessary, and to issue therefor bonds of the United States.

The bonds herein authorized shall be in such form or forms and denomination or denominations and subject to such terms and conditions of issue, conversion, redemption, maturities, payment, and rate or rates of interest, not exceeding four and one-quarter per centum per annum, and time or times of payment of interest, as the Secretary of the Treasury from time to time at or before the issue thereof may prescribe. The principal and interest thereof shall be payable in United States gold coin of the present standard of value. Bonds [herein] authorized *by this section* may be issued from time to time *to the public and to Government accounts* at a rate or rates of interest exceeding 4¼

per centum per [annum, but the aggregate face amount of bonds issued pursuant to this sentence shall not exceed $10,000,000,000] *annum; except that bonds may not be issued under this section to the public, or sold by a Government account to the public, with a rate of interest exceeding 4¼ per centum per annum in an amount which would cause the face amount of bonds issued under this section then held by the public with rates of interest exceeding 4¼ per centum per annum to exceed $10,000,000,000.*

* * * * * * *

SEC. 22. (a) The Secretary of the Treasury, with the approval of the President, is authorized to issue, from time to time, through the Postal Service or otherwise, United States savings bonds and United States Treasury savings certificates, the proceeds of which shall be available to meet any public expenditures authorized by law, and to retire any outstanding obligations of the United States bearing interest or issued on a discount basis. The various issues and series of the savings bonds and the savings certificates shall be in such forms, shall be offered in such amounts, subject to the limitation imposed by section 21 of this Act, as amended, and shall be issued in such manner and subject to such terms and conditions consistent with subsections (b), (c), and (d) hereof, and including any restrictions on their transfer, as the Secretary of the Treasury may from time to time prescribe.

(b)(1) Savings bonds and savings certificates may be issued on an interest-bearing basis, on a discount basis, or on a combination interest-bearing and discount basis and shall mature, in the case of bonds, not more than twenty years, and in the case of certificates, not more than ten years, from the date as of which issued. Such bonds and certificates may be sold at such price or prices, and redeemed before maturity upon such terms and conditions as the Secretary of the Treasury may prescribe: *Provided*, That the interest rate on, and the issue price of, savings bonds and savings certificates and the terms upon which they may be redeemed shall be such as to afford an investment yield not in excess of 5½ per centum per annum, compounded simiannually. The denominations of savings bonds and of savings certificates shall be such as the Secretary of the Treasury may from time to time determine and shall be expressed in terms of their maturity values. The Secretary of the Treasury is authorized by regulation to fix the amount of savings bonds and savings certificates issued in any one year that may be held by any one person at any one time.

(2) The Secretary of the Treasury, with the approval of the President, is authorized to provide by regulations:

(A) That owners of series E and H savings bonds may, at their option, retain the bonds after maturity, or after any period beyond maturity during which such bonds have earned interest, and continue to earn interest upon them at rates which are consistent with the provisions of paragraph (1).

(B) That series E and H savings bonds on which the rates of interest have been fixed prior to such regulations will earn interest at higher rates which are consistent with the provisions of paragraph (1).

(3) The Secretary of the Treasury, with the approval of the President, may increase the interest rates and the investment yields on any offerings of United States savings bonds by not more than one-half of one percent for any interest accrual period that begins on or after

June 1, 1970, and for any interest accrual period thereafter, to be paid as a bonus either on redemption or at maturity as the Secretary shall specify at the time the increase is provided.

(c) The Secretary of the Treasury may, under such regulations and upon such terms and conditions as he may prescribe, issue, or cause to be issued, stamps, or may provide any other means to evidence payments for or on account of the savings bonds and savings certificates authorized by this section, and he may make provision for the exchange of savings certificates for savings bonds. The limitation on the authority of the Postmaster General to prescribe the denominations of postal-savings stamps contained in the second paragraph of section 6 of the Act of June 25, 1910, as amended (U.S.C., title 39, sec. 756), is removed; and the Postmaster General is authorized, for the purposes of such section and to encourage and facilitate the accumulation of funds for the purchase of savings bonds and savings certificates, to prepare and issue postal-saving stamps in such denominations as he may prescribe.

(d) For purposes of taxation any increment in value represented by the difference between the price paid and the redemption value received (whether at or before maturity) for savings bonds and savings certificates shall be considered as interest. The savings bonds and the savings certificates shall not bear the circulation privilege.

(e) The appropriation for expenses provided by section 10 of this Act and extended by the Act of June 16, 1921 (U.S.C., title 31, secs. 760 and 761), shall be available for all necessary expenses under this section, and the Secretary of the Treasury is authorized to advance, from time to time, to the Postmaster General from such appropriation such sums as are shown to be required for the expenses of the Post Office Department and of the Postal Service, in connection with the handling of savings bonds, savings certificates, and stamps or other means provided to evidence payment therefor, which sums may be used for additional employees or any other expenditure, wherever or in whatever class of post office incurred, in connection with such handling.

(f) No further original issue of bonds authorized by section 10 of the Act approved June 25, 1910 (U.S.C., title 39, sec. 760), shall be made after July 1, 1935.

(g) At the request of the Secretary of the Treasury the Postmaster General, under such regulations as he may prescribe, shall require the employees of the Post Office Department and of the Postal Service to perform, without extra compensation, such fiscal agency services as may be desirable and practicable in connection with the issue, delivery, safekeeping, redemption, or payment of the savings bonds and savings certificates, or in connection with any stamps or other means provided to evidence payments.

(h) The Secretary of the Treasury, under such regulations as he may prescribe, may authorize or permit payments in connection with the redemption of savings bonds and savings notes to be made by commercial banks, trust companies, savings banks, savings and loan associations, building and loan associations (including cooperative banks), credit unions, cash depositories, industrial banks, and similar financial institutions. No bank or other financial institution shall act as a paying agent until duly qualified as such under the regulations prescribed by the Secretary, nor unless (1) it is incorporated under

Federal law or under the laws of a State, Territory, possession, the District of Columbia, or the Commonwealth of the Philippine Islands; (2) in the usual course of business it accepts, subject to withdrawal, funds for deposit or the purchase of shares; (3) it is under the supervision of the banking department or equivalent authority of the jurisdiction in which it is incorporated; and (4) it maintains a regular office for the transaction of its business.

(i) Any losses resulting from payments made in connection with the redemption of savings bonds and savings notes shall be replaced out of the fund established by the Government Losses in Shipment Act, as amended, under such regulations as may be prescribed by the Secretary of the Treasury. The Treasurer of the United States, any Federal Reserve bank, or any qualified paying agent authorized or permitted to make payments in connection with the redemption of such bonds and notes, shall be relieved from liability to the United States for such losses, upon a determination by the Secretary of the Treasury that such losses resulted from no fault or negligence on the part of the Treasurer, the Federal Reserve bank, or the qualified paying agent. The Post Office Department or the Postal Service shall be relieved from such liability upon a joint determination by the Postmaster General and the Secretary of the Treasury that such losses resulted from no fault or negligence on the part of the Post Office Department or the Postal Service. Relief from liability shall be granted in all cases where the Secretary of the Treasury shall determine, under regulations prescribed by him, that written notice of liability or potential liability has not been given by the United States, within ten years from the date of the erroneous payment, to any of the foregoing agents or agencies whose liability is to be determined: *Provided*, That no relief shall be granted in any case in which a qualified paying agent has assumed unconditional liability to the United States. The provisions of section 3 of the Government Losses in Shipment Act, as amended, with respect to the finality of decisions by the Secretary of the Treasury shall apply to the determinations made pursuant to this subsection. All recoveries and repayments on account of such losses, as to which replacement shall have been made out of the fund, shall be credited to it and shall be available for the purposes thereof. The Secretary of the Treasury shall include in his annual report to the Congress a statement of all payments made from the fund pursuant to this subsection.

(j)(1) The Secretary of the Treasury is authorized to prescribe by regulations that checks issued to individuals (other than trusts and estates) as refunds made in respect of the taxes imposed by subtitle A of the Internal Revenue Code of 1954 may, at the time and in the manner provided in such regulations, become United States Savings Bonds of Series E. Except as provided in paragraph (2), bonds issued under this subsection shall be treated for all purposes of law as Series E bonds issued under this section. This subsection shall apply only if the claim for refund was filed on or before the last day prescribed by law for filing the return (determined without extensions thereof) for the taxable year in respect of which the refund is made.

(2) Any check-bond issued under this subsection shall bear an issue date of the first day of the first calendar month beginning after the close of the taxable year for which issued.

(3) In the case of any check-bond issued under this subsection to joint payees, the regulations prescribed under this subsection may provide that either payee may redeem the bond upon his request.

* * * * * * *

EXCERPTS FROM THE SOCIAL SECURITY ACT

TITLE II—FEDERAL OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

* * * * * * *

Computation of Primary Insurance Amount

Sec. 215. For the purposes of this title—

* * * * * * *

Cost-of-Living Increases in Benefits

(i) (1) For purposes of this subsection—

(A) the term "base quarter" means (i) the calendar quarter ending on June 30 in each year after 1972, or (ii) any other calendar quarter in which occurs the effective month of a general benefit increase under this title;

(B) the term "cost-of-living computation quarter" means a base quarter, as defined in subparagraph (A)(i), in which the Consumer Price Index prepared by the Department of Labor exceeds, by not less than 3 per centum, such Index in the later of (i) the last prior cost-of-living computation quarter which was established under this subparagraph, or (ii) the most recent calendar quarter in which occurred the effective month of a general benefit increase under this title; except that there shall be no cost-of-living computation quarter in any calendar year in which a law has been enacted providing a general benefit increase under this title or in which such a benefit increase becomes effective; and

(C) the Consumer Price Index for a base quarter, a cost-of-living computation quarter, or any other calendar quarter shall be the arithmetical mean of such index for the 3 months in such quarter.

(2)(A)(i) The Secretary shall determine each year beginning with 1974 (subject to the limitation in paragraph (1)(B) and to subparagraph (E) of this paragraph) whether the base quarter (as defined in paragraph (1)(A)(i)) in such year is a cost-of-living computation quarter.

(ii) If the Secretary determines that such base quarter is a cost-of-living computation quarter, he shall, effective with the month of January of the next calendar year (subject to subparagraph (E)) as provided in subparagraph (B), increase the benefit amount of each individual who for such month is entitled to benefits under section 227 or 228, and the primary insurance amount of each other individual under this title (but not including a primary insurance amount determined under subsection (a)(3) of this section), by an amount derived by multiplying each such amount (including each such individual's primary insurance amount or benefit amount under section 227 or 228

as previously increased under this subparagraph) by the same percentage (rounded to the nearest one-tenth of 1 percent) as the percentage by which the Consumer Price Index for such cost-of-living computation quarter exceeds such index for the most recent prior calendar quarter which was a base quarter under paragraph (1)(A)(ii) or, if later, the most recent cost-of-living computation quarter under paragraph (1)(B). Any such increased amount which is not a multiple of $0.10 shall be increased to the next higher multiple of $0.10.

(B) The increase provided by subparagraph (A) with respect to a particular cost-of-living computation quarter shall apply (subject to subparagraph (E)) in the case of monthly benefits under this title for months after December of the calendar year in which occurred such cost-of-living computation quarter, and in the case of lump-sum death payments with respect to deaths occurring after December of such calendar year.

(C)(i) Whenever the level of the Consumer Price Index as published for any month exceeds by 2.5 percent or more the level of such index for the most recent base quarter (as defined in paragraph (1)(A)(ii)) or, if later, the most recent cost-of-living computation quarter, the Secretary shall (within 5 days after such publication) report the amount of such excess to the House Committee on Ways and Means and the Senate Committee on Finance.

(ii) Whenever the Secretary determines that a base quarter in a calendar year is also a cost-of-living computation quarter, he shall notify the House Committee on Ways and Means and the Senate Committee on Finance of such determination on or before August 15 of such calendar year, indicating the amount of the benefit increase to be provided, his estimate of the extent to which the cost of such increase would be met by an increase in the contribution and benefit base under section 230 and the estimated amount of the increase in such base, the actuarial estimates of the effect of such increase, and the actuarial assumptions and methodology used in preparing such estimates.

(D) If the Secretary determines that a base quarter in a calendar year is also a cost-of-living computation quarter, he shall publish in the Federal Register on or before November 1 of such calendar year a determination that a benefit increase is resultantly required and the percentage thereof. He shall also publish in the Federal Register at that time (along with the increased benefit amounts which shall be deemed to be amounts appearing in sections 227 and 228) a revision of the table of benefits contained in subsection (a) of this section (as it may have been most recently revised by another law or pursuant to this paragraph); and such revised table shall be deemed to be the table appearing in such subsection (a). Such revision shall be determined as follows:

(i) The headings of the table shall be the same as the headings in the table immediately prior to its revision, except that the parenthetical phrase at the beginning of column II shall reflect the year in which the primary insurance amounts set forth in column IV of the table immediately prior to its revision were effective.

(ii) The amounts on each line of column I and column III, except as otherwise provided by clause (v) of this subparagraph,

shall be the same as the amounts appearing in each such column in the table immediately prior to its revision.

(iii) The amount on each line of column II shall be changed to the amount shown on the corresponding line of column IV of the table immediately prior to its revision.

(iv) The amounts on each line of column IV and column V shall be increased from the amounts shown in the table immediately prior to its revision by increasing each such amount by the percentage specified in subparagraph (A)(ii) of this paragraph. The amount on each line of column V shall be increased, if necessary, so that such amount is at least equal to one and one-half times the amount shown on the corresponding line in column IV. Any such increased amount which is not a multiple of $0.10 shall be increased to the next higher multiple of $0.10.

(v) If the contribution and benefit base (determined under section 230) for the calendar year in which the table of benefits is revised is lower than such base for the following calendar year, columns III, IV, and V of such table shall be extended. The amounts on each additional line of column III shall be the amounts on the preceding line increased by $5 until in the last such line of column III the second figure is equal to one-twelfth of the new contribution and benefit base for the calendar year following the calendar year in which such table of benefits is revised. The amount on each additional line of column IV shall be the amount on the preceding line increased by $1.00, until the amount on the last line of such column is equal to the last line of such column as determined under clause (iv) plus 20 percent of one-twelfth of the excess of the new contribution and benefit base for the calendar year following the calendar year in which such table of benefits is revised (as determined under section 230) over such base for the calendar year in which the table of benefits is revised. The amount in each additional line of column V shall be equal to 1.75 times the amount on the same line of column IV. Any such increased amount which is not a multiple of $0.10 shall be increased to the next higher multiple of $0.10.

(E) Notwithstanding a determination by the Secretary under subparagraph (A) that a base quarter in any calendar year is a cost-of-living computation quarter (and notwithstanding any notification or publication thereof under subparagraph (C) or (D)), no increase in benefits shall take effect pursuant thereto, and such quarter shall be deemed not to be a cost-of-living computation quarter, if during the calendar year in which such determination is made a law providing a general benefit increase under this title is enacted or becomes effective.

(3) As used in this subsection, the term "general benefit increase under this title" means an increase (other than an increase under this subsection) in all primary insurance amounts on which monthly insurance benefits under this title are based.

* * * * * * *

Adjustment of the Contribution and Benefit Base

Sec. 230. (a) Whenever the Secretary pursuant to section 215(i) increases benefits effective with the first month of the calendar year following a cost-of-living computation quarter, he shall also determine and publish in the Federal Register on or before November 1 of the calendar year in which such quarter occurs (along with the publication of such benefit increase as required by section 215(i)(2)(D)) the contribution and benefit base determined under subsection (b) which shall be effective (unless such increase in benefits is prevented from becoming effective by section 215(i)(2)(E)) with respect to remuneration paid after the calendar year in which such quarter occurs and taxable years beginning after such year.

(b) The amount of such contribution and benefit base shall be the amount of the contribution and benefit base in effect in the year in which the determination is made or, if larger, the product of—

(1) the contribution and benefit base which was in effect with respect to remuneration paid in (and taxable years beginning in) the calendar year in which the determination under subsection (a) with respect to such particular calendar year was made, and

(2) the ratio of (A) the average of the taxable wages of all employees as reported to the Secretary for the first calendar quarter of the calendar year in which the determination under subsection (a) with respect to such particular calendar year was made to the latest of (B) the average of the taxable wages of all employees as reported to the Secretary for the first calendar quarter of 1973 or the first calendar quarter of the most recent calendar year in which an increase in the contribution and benefit base was enacted or a determination resulting in such an increase was made under subsection (a),

with such product, if not a multiple of $300, being rounded to the next higher multiple of $300 where such product is a multiple of $150 but not of $300 and to the nearest multiple of $300 in any other case.

(c) For purposes of this section, and for purposes of determining wages and self-employment income under sections 209, 211, 213, and 215 of this Act and sections 1402, 3121, 3122, 3125, 6413, and 6654 of the Internal Revenue Code of 1954, the "contribution and benefit base" with respect to remuneration paid in (and taxable years beginning in) any calendar year after 1973 and prior to the calendar year with the first month of which the first increase in benefits pursuant to section 215(i) of this Act becomes effective shall be $12,000 or (if applicable) such other amount as may be specified in a law enacted subsequent to the law which added this section.

* * * * * * *

TITLE IV—GRANTS TO STATES FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN AND FOR CHILD-WELFARE SERVICES [1]

PART A—AID TO FAMILIES WITH DEPENDENT CHILDREN

* * * * * * *

State Plans for Aid and Services to Needy Families with Children

Section 402 (a) A State plan for aid and services to needy families with children must—

* * * * * * *

(8) provide that, in making the determination under clause (7), the State agency—

(A) shall with respect to any month disregard—

(i) all of the earned income of each dependent child receiving aid to families with dependent children who is (as determined by the State in accordance with standards prescribed by the Secretary) a full-time student or part-time student who is not a full-time employee attending a school, college, or university, or a course of vocational or technical training designed to fit him for gainful employment, and

(ii) in the case of earned income of a dependent child not included under clause (i), a relative receiving such aid, and any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, the first $30 of the total of such earned income for such month plus one-third of the remainder of such income for such month (except that the provisions of this clause (ii) shall not apply to earned income derived from participation on a project maintained under the programs established by section 432(b) (2) and (3); and

(B) (i) may, subject to the limitations prescribed by the Secretary, permit all or any portion of the earned or other income to be set aside for future identifiable needs of a dependent child, and (ii) may, before disregarding the amounts referred to in subparagraph (A) and clause (i) of this subparagraph, disregard not more than $5 per month of any income, *and, effective February 1, 1974, shall, before disregarding the amounts referred to in subparagraph (A) and clauses (i) and (ii) of this subparagraph, disregard an amount equal to 5 per centum of any income received in the form of monthly insurance benefits paid under title II;* except that, with respect to any month, the State agency shall not disregard any earned income (other than income referred to in subparagraph (B)) of—

(C) any one of the persons specified in clause (ii) of subparagraph (A) if such person—

(i) terminated his employment or reduced his earned income without good cause within such period (of not less than 30 days) preceding such month as may be prescribed by the Secretary; or

(ii) refused without good cause, within such period preceding such month as may be prescribed by the Secretary, to accept employment in which he is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined by the State or local agency administering the State plan, after notification by him, to be a bona fide offer of employment; or

(D) any of such persons specified in clause (ii) of subparagraph (A) if with respect to such month the income of the persons so specified (within the meaning of clause (7) was in excess of their need as determined by the State agency pursuant to clause (7) (without regard to clause (8)), unless, for any one of the 4 months preceding such month, the needs of such person were met by the furnishing of aid under the plan;

* * * * * * *

(19) provide—

* * * * * * *

(G) that the State agency will have in effect a special program which (i) will be administered by a separate administrative unit and the employees of which will, to the maximum extent feasible, perform services only in connection with the administration of such program, (ii) will provide (through arrangements with others or otherwise) for individuals who have been registered pursuant to subparagraph (A), in accordance with the order of priority listed in section 433(a), such health, vocational rehabilitation, counseling, child care, and other social and supportive services as are necessary to enable such individuals to accept employment or receive manpower training provided under part C, and will, when arrangements have been made to provide necessary supportive services, including child care, certify to the Secretary of Labor those individuals who are ready for employment or training under part C, (iii) will participate in the development of operational and employability plans under section 433(b); and (iv) provides for purposes of clause (ii), that, when more than one kind of child care is available, the mother may choose the type, but she may not refuse to accept child care services if they are available;

* * * * * * *

Payment to States

Sec. 403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall (subject to section 1130) pay to each State which has an approved plan for aid and services to needy families with children, for each quarter, beginning with the quarter commencing October 1, 1958—

* * * * * * *

(3) in the case of any State, an amount equal to the sum of the following proportions of the total amounts expended during such quarter as found necessary by the Secretary of Health, Education, and Welfare for the proper and efficient administration of the State plan—

(A) 75 per centum of so much of such expenditures as are for—

(i) any of the services described in clauses (14) and (15) of section 402(a) which are provided to any child or relative who is receiving aid under the plan, or to any other individual (living in the same home as such relative and child) whose needs are taken into account in making the determination under clause (7) of such section,

(ii) any of the services described in clauses (14) and (15) of section 402(a) which are provided to any child or relative who is applying for aid to families with dependent children or who, within such period or periods as the Secretary may prescribe, has been or is likely to become an applicant for or recipient of such aid,

(iii) the training of personnel employed or preparing for employment by the State agency or by the local agency administering the plan in the political subdivision.

* * * * * * *

TITLE V—MATERNAL AND CHILD HEALTH AND CRIPPLED CHILDREN'S SERVICES

Authorization of Appropriations

Sec. 501. For the purpose of enabling each State to extend and improve (especially in rural areas and in areas suffering from severe economic distress), as far as practicable under the conditions in such State,

(1) services for reducing infant mortality and otherwise promoting the health of mothers and children; and

(2) services for locating, and for medical, surgical, corrective, and other services and care for and facilities for diagnosis, hospitalization, and aftercare for, children who are crippled or who are suffering from conditions leading to crippling,

there are authorized to be appropriated $250,000,000 for the fiscal year ending June 30, 1969, $275,000,000 for the fiscal year ending June 30, 1970, $300,000,000 for the fiscal year ending June 30, 1971,

$325,000,000 for the fiscal year ending June 30, 1972, and $350,000,000 for the fiscal year ending June 30, 1973, and each fiscal year thereafter.

Purposes for Which Funds Are Available

Sec. 502. Appropriations pursuant to section 501 shall be available for the following purposes in the following proportions:

(1) In the case of the fiscal year ending June 30, 1969, and each of the next [4] *5* fiscal years, (A) 50 percent of the appropriation for such year shall be for allotments pursuant to sections 503 and 504; (B) 40 percent thereof shall be for grants pursuant to sections 508, 509, and 510; and (C) 10 percent thereof shall be for grants, contracts, or other arrangements pursuant to sections 511 and 512.

(2) In the case of the fiscal year ending June 30, [1974] *1975* and each fiscal year thereafter, (A) 90 percent of the appropriation for such years shall be for allotments pursuant to sections 503 and 504; and (B) 10 percent thereof shall be for grants, contracts, or other arrangements pursuant to sections 511 and 512.

Not to exceed 5 percent of the appropriation for any fiscal year under this section shall be transferred, at the request of the Secretary, from one of the purposes specified in paragraph (1) or (2) to another purpose or purposes so specified. For each fiscal year, the Secretary shall determine the portion of the appropriation, within the percentage determined above to be available for sections 503 and 504, which shall be available for allotment pursuant to section 503 and the portion thereof which shall be available for allotment pursuant to section 504. Notwithstanding the preceding provisions of this section, of the amount appropriated for any fiscal year pursuant to section 501, not less than 6 percent of the amount appropriated shall be available for family planning services from allotments under section 503 and for family planning services under projects under sections 508 and 512.

Allotments to States for Maternal and Child Health Services

Sec. 503. The amount determined to be available pursuant to section 502 for allotments under this section shall be allotted for payments for maternal and child health services as follows:

(1) One-half of such amount shall be allotted by allotting to each State $70,000 plus such part of the remainder of such one-half as he finds that the number of live births in such State bore to the total number of live births in the United States in the latest calendar year for which he has statistics.

(2) The remaining one-half of such amount shall (in addition to the allotments under paragraph (1)) be allotted to the States

from time to time according to the financial need of each State for assistance in carrying out its State plan, as determined by the Secretary after taking into consideration the number of live births in such State; except that not more than 25 percent of such one-half shall be available for grants to State agencies (administering or supervising the administration of a State plan approved under section 505), and to public or other nonprofit institutions of higher learning (situated in any State), for special projects of regional or national significance which may contribute to the advancement of maternal and child health.

Allotments to States for Crippled Children's Services

Sec. 504. The amount determined to be available pursuant to section 502 for allotments under this section shall be allotted for payments for crippled children's services as follows:

(1) One-half of such amount shall be allotted by allotting to each State $70,000 and allotting the remainder of such one-half according to the need of each State as determined by him after taking into consideration the number of crippled children in such State in need of the services referred to in paragraph (2) of section 501 and the cost of furnishing such services to them.

(2) The remaining one-half of such amount shall (in addition to the allotments under paragraph (1)) be allotted to the States from time to time according to the financial need of each State for assistance in carrying out its State plan, as determined by the Secretary after taking into consideration the number of crippled children in each State in need of the services referred to in paragraph (2) of section 501 and the cost of furnishing such services to them; except that not more than 25 percent of such one-half shall be available for grants to State agencies (administering or supervising the administration of a State plan approved under section 505), and to public or other nonprofit institutions of higher learning (situated in any State), for special projects of regional or national significance which may contribute to the advancement of services for crippled children.

Approval of State Plans

Sec. 505. (a) In order to be entitled to payments from allotments under section 502, a State must have a State plan for maternal and child health services and services for crippled children which—

(1) provides for financial participation by the State;

(2) provides for the administration of the plan by the State health agency or the supervision of the administration of the plan by the State health agency; except that in the case of those States which on July 1, 1967, provided for administration (or

supervision thereof) of the State plan approved under section 513 (as in effect on such date) by a State agency other than the State health agency, the plan of such State may be approved under this section if it would meet the requirements of this subsection except for provision of administration (or supervision thereof) by such other agency for the portion of the plan relating to services for crippled children, and, in each such case, the portion of such plan which each such agency administers, or the administration of which each such agency supervises, shall be regarded as a separate plan for purposes of this title;

(3) provides (A) such methods of administration (including methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are necessary for the proper and efficient operation of the plan and (B) provides for the training and effective use of paid subprofessional staff, with particular emphasis on the full-time or part-time employment of persons of low income, as community service aides, in the administration of the plan and for the use of nonpaid or partially paid volunteers in providing services and in assisting any advisory committees established by the State agency;

(4) provides that the State agency will make such reports, in such form and containing such information, as the Secretary may from time to time require, and comply with such provisions as he may from time to time find necessary to assure the correctness and verification of such reports;

(5) provides for cooperation with medical, health, nursing, educational, and welfare groups and organizations and, with respect to the portion of the plan relating to services for crippled children, with any agency in such State charged with administering State laws providing for vocational rehabilitation of physically handicapped children;

(6) provides for payment of the reasonable cost of inpatient hospital services provided under the plan, as determined in accordance with methods and standards, consistent with section 1122, which shall be developed by the State and included in the plan, except that the reasonable cost of any such services as determined under such methods and standards shall not exceed the amount which would be determined under section 1861(v) as the reasonable cost of such services for purposes of title XVIII;

(7) provides, with respect to the portion of the plan relating to services for crippled children, for early identification of children in need of health care and services, and for health care and treatment needed to correct or ameliorate defects or chronic condi-

tions discovered thereby, through provision of such periodic screening and diagnostic services, and such treatment, care and other measures to correct or ameliorate defects or chronic conditions, as may be provided in regulations of the Secretary;

(8) effective July 1, [1973] *1974* provides a program (carried out directly or through grants or contracts) of projects described in section 508 which offers reasonable assurance, particularly in areas with concentrations of low-income families, of satisfactorily helping to reduce the incidence of mental retardation and other handicapping conditions caused by complications associated with child bearing and of satisfactorily helping to reduce infant and maternal mortality;

(9) effective July 1, [1973] *1974* provides a program (carried out directly or through grants or contracts) of projects described in section 509 which offers reasonable assurance, particularly in areas with concentrations of low-income families, of satisfactorily promoting the health of children and youth of school or preschool age;

(10) effective July 1, [1973] *1974* provides a program (carried out directly or through grants or contracts) of projects described in section 510 which offers reasonable assurance, particularly in areas with concentrations of low-income families, of satisfactorily promoting the dental health of children and youth of school or preschool age;

(11) provides for carrying out the purposes specified in section 501;

(12) provides for the development of demonstration services (with special attention to dental care for children and family planning services for mothers) in needy areas and among groups in special need;

(13) provides that, where payment is authorized under the plan for services which an optometrist is licensed to perform, the individual for whom such payment is authorized may, to the extent practicable, obtain such services from an optometrist licensed to perform such services except where such services are rendered in a clinic, or another appropriate institution, which does not have an arrangement with optometrists so licensed;

(14) provides that acceptance of family planning services provided under the plan shall be voluntary on the part of the individual to whom such services are offered and shall not be a prerequisite to eligibility for or the receipt of any service under the plan; and

(15) provides—

(A) that the State health agency, or other appropriate State medical agency, shall be responsible for establishing a plan, consistent with regulations prescribed by the Secretary, for the review by appropriate professional health personnel of the appropriateness and quality of care and services furnished to recipients of services under the plan and, where

applicable, for providing guidance with respect thereto to the other State agency referred to in paragraph (2); and

(B) that the State or local agency utilized by the Secretary for the purpose specified in the first sentence of section 1864(a), or, if such agency is not the State agency which is responsible for licensing health institutions, the State agency responsible for such licensing, will perform the function of determining whether institutions and agencies meet the requirements for participation in the program under the plan under this title.

(b) The Secretary shall approve any plan which meets the requirements of subsection (a).

Payments

Sec. 506. (a) From the sums appropriated therefor and the allotments available under section 503(1) or 504(1), as the case may be, the Secretary shall pay to each State which has a plan approved under this title, for each quarter, beginning with the quarter commencing July 1, 1968, an amount, which shall be used exclusively for carrying out the State plan, equal to one-half of the total sum expended during such quarter for carrying out such plan with respect to maternal and child health services and services for crippled children, respectively.

(b)(1) Prior to the beginning of each quarter, the Secretary shall estimate the amount to which a State will be entitled under subsection (a) for such quarter, such estimates to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection, and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than the State's proportionate share of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, and (B) such other investigation as the Secretary may find necessary.

(2) The Secretary shall then pay to the State, in such installments as he may determine, the amount so estimated, reduced or increased to the extent of any overpayment or underpayment which the Secretary determines was made under this section to such State for any prior quarter and with respect to which adjustment has not already been made under this subsection.

(3) Upon the making of an estimate by the Secretary under this subsection, any appropriations available for payments under this section shall be deemed obligated.

(c) The Secretary shall also from time to time make payments to the States from their respective allotments pursuant to section 503(2) or 504(2). Payments of grants under sections 503(2), 504(2), 508, 509, 510, and 511, and of grants, contracts, or other arrangements under section 512, may be made in advance or by way of reimbursement, and in such installments, as the Secretary may determine; and shall be made on such conditions as the Secretary finds necessary to carry out the purposes of the section involved.

(d) The total amount determined under subsections (a) and (b) and the first sentence of subsection (c) for any fiscal year ending after

June 30, 1968, shall be reduced by the amount by which the sum expended (as determined by the Secretary) from non-Federal sources for maternal and child health services and services for crippled children for such year is less than the sum expended from such sources for such services for the fiscal year ending June 30, 1968. In the case of any such reduction, the Secretary shall determine the portion thereof which shall be applied, and the manner of applying such reduction, to the amounts otherwise payable from allotments under section 503 or section 504.

(e) Notwithstanding the preceding provisions of this section, no payment shall be made to any State thereunder from the allotments under section 503 or section 504 for any period after June 30, 1968, unless the State makes a satisfactory showing that it is extending the provisions of services, including services for dental care for children and family planning for mothers, to which such State's plan applies in the State with a view to making such services available by July 1, 1975, to children and mothers in all parts of the State.

(f) Notwithstanding the preceding provisions of this section, no payment shall be made to any State thereunder—

(1) with respect to any amount paid for items or services furnished under the plan after December 31, 1972, to the extent that such amount exceeds the charge which would be determined to be reasonable for such items or services under the fourth and fifth sentences of section 1842(b)(3); or

(2) with respect to any amount paid for services furnished under the plan after December 31, 1972, by a provider or other person during any period of time, if payment may not be made under title XVIII with respect to services furnished by such provider or person during such period of time solely by reason of a determination by the Secretary under section 1862(d)(1) or under clause (D), (E), or (F) of section 1866(b)(2); or

(3) with respect to any amount expended for inpatient hospital services furnished under the plan to the extent that such amount exceeds the hospital's customary charges with respect to such services or (if such services are furnished under the plan by a public institution free of charge or at nominal charges to the public) exceeds an amount determined on the basis of those items (specified in regulations prescribed by the Secretary) included in the determination of such payment which the Secretary finds will provide fair compensation to such institution for such services; or

(4) with respect to any amount expended for services furnished under the plan by a hospital unless such hospital has in effect a utilization review plan which meets the requirement imposed by section 1861(k) for purposes of title XVIII; and if such hospital has in effect such a utilization review plan for purposes of title XVIII, such plan shall serve as the plan required by this subsection (with the same standards and procedures and the same review committee or group) as a condition of payment under this title;

the Secretary is authorized to waive the requirements of this paragraph in any State if the State agency demonstrates to his satisfaction that it has in operation utilization review procedures which are superior in their effectiveness to the procedures required under section 1861(k).

(g) For limitation on Federal participation for capital expenditures which are out of conformity with a comprehensive plan of a State or areawide planning agency, see section 1122.

Operation of State Plans

Sec. 507. If the Secretary, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of the State plan approved under this title, finds—

(1) that the plan has been so changed that it no longer complies with the provisions of section 505; or

(2) that in the administration of the plan there is a failure to comply substantially with any such provision;

the Secretary shall notify such State agency that further payments will not be made to the State (or, in his discretion, that payments will be limited to categories under or parts of the State plan not affected by such failure), until the Secretary is satisfied that there will no longer be any such failure to comply. Until he is so satisfied he shall make no further payments to such State (or shall limit payments to categories under or parts of the State plan not affected by such failure).

Special Project Grants for Maternity and Infant Care

Sec. 508. (a) In order to help reduce the incidence of mental retardation and other handicapping conditions caused by complications associated with childbearing and to help reduce infant and maternal mortality, the Secretary is authorized to make, from the sums available under clause (B) of paragraph (1) of section 502, grants to the State health agency of any State and, with the consent of such agency, to the health agency of any political subdivision of the State, and to any other public or nonprofit private agency, institution, or organization, to pay not to exceed 75 percent of the cost (exclusive of general agency overhead) of any project for the provision of—

(1) necessary health care to prospective mothers (including, after childbirth, health care to mothers and their infants) who have or are likely to have conditions associated with childbearing or are in circumstances which increase the hazards to the health of the mothers or their infants (including those which may cause physical or mental defects in the infants), or

(2) necessary health care to infants during their first year of life who have any condition or are in circumstances which increase the hazards to their health, or

(3) family planning services, but only if the State or local agency determines that the recipient will not otherwise receive

such necessary health care or services because he is from a low-income family or for other reasons beyond his control. Acceptance of family planning services provided under a project under this section (and section 512) shall be voluntary on the part of the individual to whom such services are offered and shall not be a prerequisite to the eligibility for or the receipt of any service under such project.

(b) No grant may be made under this section for any project for any period after June 30, [1973] *1974*.

Special Project Grants for Health of School and Preschool Children

Sec. 509. (a) In order to promote the health of children and youth of school or preschool age, particularly in areas with concentrations of low-income families, the Secretary is authorized to make, from the sums available under clause (B) of paragraph (1) of section 502, grants to the State health agency of any State and (with the consent of such agency) to the health agency of any political subdivision of the State, to the State agency of the State administering or supervising the administration of the State plan approved under section 505, to any school of medicine (with appropriate participation by a school of dentistry), and to any teaching hospital affiliated with such a school, to pay not to exceed 75 percent of the cost of projects of a comprehensive nature for health care and services for children and youth of school age or for preschool children (to help them prepare to start school). No project shall be eligible for a grant under this section unless it provides (1) for the coordination of health care and services provided under it with, and utilization (to the extent feasible) of, other State or local health, welfare, and education programs for such children, (2) for payment of (A) the reasonable cost (as determined in accordance with standards, consistent with section 1122, approved by the Secretary) of inpatient hospital services provided under the project, or (B) if less, the customary charges with respect to such services provided under the project, or (C) if such services are furnished under the project by a public institution free of charge or at nominal charges to the public, an amount determined on the basis of those items (specified in regulations prescribed by the Secretary) included in the determination of such reasonable cost which the Secretary finds will provide fair compensation to such institution for such services, and (3) that any treatment, correction of defects, or aftercare provided under the project is available only to children who would not otherwise receive it because they are from low-income families or for other reasons beyond their control; and no such project for children and youth of school age shall be considered to be of a comprehensive nature for purposes of this section unless it includes (subject to the limitation in the preceding provisions of this sentence) at least such screening, diagnosis, preventive services, treatment, correction of defects, and aftercare, both medical and dental, as may be provided for in regulations of the Secretary.

(b) No grant may be made under this section for any project for any period after June 30, [1973] *1974*.

Special Project Grants for Dental Health of Children

Sec. 510. (a) In order to promote the dental health of children and youth of school or preschool age, particularly in areas with concentrations of low-income families, the Secretary is authorized to make grants, from the sums available under clause (B) of paragraph (1) of section 502, to the State health agency of any State and (with the consent of such agency) to the health agency of any political subdivision of the State, and to any other public or nonprofit private agency, institution, or organization, to pay not to exceed 75 percent of the cost of projects of a comprehensive nature for dental care and services for children and youth of school age or for preschool children. No project shall be eligible for a grant under this section unless it provides that any treatment, correction of defects, or aftercare provided under the project is available only to children who would not otherwise receive it because they are from low-income families or for other reasons beyond their control, and unless it includes (subject to the limitation of the foregoing provisions of this sentence) at least such preventive services, treatment, correction of defects, and aftercare, for such age groups, as may be provided in regulations of the Secretary. Such projects may also include research looking toward the development of new methods of diagnosis or treatment, or demonstration of the utilization of dental personnel with various levels of training.

(b) No grant may be made under this section for any project for any period after June 30, [1973] *1974*.

Training of Personnel

Sec. 511. From the sums available under clause (C) of paragraph (1) or clause (B) of paragraph (2) of section 502, the Secretary is authorized to make grants to public or nonprofit private institutions of higher learning for training personnel for health care and related services for mothers and children, particularly mentally retarded children and children with multiple handicaps. In making such grants the Secretary shall give special attention to programs providing training at the undergraduate level.

Research Projects Relating to Maternal and Child Health Services and Crippled Children's Services

Sec. 512. From the sums available under clause (C) of paragraph (1) or clause (B) of paragraph (2) of section 502, the Secretary is authorized to make grants to or jointly financed cooperative arrangements with public or other nonprofit institutions of higher learning, and public or nonprofit private agencies and organizations engaged in research or in maternal and child health or crippled children's programs, and contracts with public or nonprofit private agencies and or-

ganizations engaged in research or in such programs, for research projects relating to maternal and child health services or crippled children's services which show promise of substantial contribution to the advancement thereof. Effective with respect to grants made and arrangements entered into after June 30, 1968, (1) special emphasis shall be accorded to projects which will help in studying the need for, and the feasibility, costs, and effectiveness of, comprehensive health care programs in which maximum use is made of health personnel with varying levels of training, and in studying methods of training for such programs, and (2) grants under this section may also include funds for the training of health personnel for work in such projects.

Administration

Sec. 513. (a) The Secretary of Health, Education, and Welfare shall make such studies and investigations as will promote the efficient administration of this title.

(b) Such portion of the appropriations for grants under section 501 as the Secretary may determine, but not exceeding one-half of 1 percent thereof, shall be available for evaluation by the Secretary (directly or by grants or contracts) of the programs for which such appropriations are made and, in the case of allotments from any such appropriation, the amount available for allotments shall be reduced accordingly.

(c) Any agency, institution, or organization shall, if and to the extent prescribed by the Secretary, as a condition to receipt of grants under this title, cooperate with the State agency administering or supervising the administration of the State plan approved under title XIX in the provision of care and services, available under a plan or project under this title, for children eligible therefor under such plan approved under title XIX.

Definition

Sec. 514. For purposes of this title, a crippled child is an individual under the age of 21 who has an organic disease, defect, or condition which may hinder the achievement of normal growth and development.

Observance of Religious Beliefs

Sec. 515. Nothing in this title shall be construed to require any State which has any plan or program approved under, or receiving financial support under, this title to compel any person to undergo any medical screening, examination, diagnosis, or treatment or to accept any other health care or services provided under such plan or program for any purpose (other than for the purpose of discovering and preventing the spread of infection or contagious disease or for the purpose of protecting environmental health), if such person objects (or, in case such person is a child, his parent or guardian objects) thereto on religious grounds.

SUPPLEMENTAL ALLOTMENTS

Sec. 516. (a) (1) For each fiscal year (commencing with the fiscal year ending June 30, 1975), there shall (subject to paragraph (2)) be allotted to each State (from funds appropriated for such fiscal year pursuant to subsection (b)) an amount, which shall be in addition to and available for the same purposes as the allotments of such State (as determined under sections 503 and 504), equal to the excess (if any) of—

(A) the amount of the allotment of such State (as determined under sections 503 and 504) for the fiscal year ending June 30, 1973, plus the amounts of any grants to such States under sections 508, 509, and 510, over

(B) the amount of the allotment of such State (as determined under sections 503 and 504) for such fiscal year which commences after June 30, 1973.

(2) No State shall receive an allotment under this section for any fiscal year, unless such State (in the administration of its State plan, approved under section 505) has in effect arrangements which the Secretary finds will provide for the continuation of appropriate services to population groups previously receiving services from funds made available (for the fiscal year ending June 30, 1974) to such State pursuant to sections 508, 509, and 510.

(b)(1)(A) There are (subject to subparagraph (B)) hereby authorized to be appropriated for each fiscal year (commencing with the fiscal year ending June 30, 1975) such amounts as may be necessary to enable the Secretary to make the allotments authorized under subsection (a).

(B) Nothing contained in subparagraph (A) shall be construed to authorize, for any fiscal year, the appropriation under this subsection of any amount which is in excess of the amount by which—

(i) the amount authorized to be appropriated under section 501 for such year, exceeds

(ii) the total amounts appropriated pursuant to section 501 for such year.

(2) If, for any fiscal year, the total amount appropriated pursuant to paragraph (1) is less than the total amount allotted to all States under subsection (a), then the amount of the allotment of each State (as determined under subsection (a)) shall be reduced to an amount which bears the same ratio to the total amount appropriated pursuant to paragraph (1) for such fiscal year as the amount of the allotment of such State (as determined under subsection (a)) bears to the total amount allotted to all States under subsection (a) for such fiscal year.

* * * * * * *

TITLE XI—GENERAL PROVISIONS AND PROFESSIONAL STANDARDS REVIEW

* * * * * * *

Limitation on Funds for Certain Social Services

Sec. 1130. (a) Notwithstanding the provisions of section 3(a) (4) and (5), 403(a)(3), 1003(a) (3) and (4), 1403(a) (3) and (4), or 1603 (a) (4) and (5), amounts payable for any fiscal year (commencing with the fiscal year beginning July 1, 1972) under such section (as

determined without regard to this section) to any State with respect to expenditures made after June 30, 1972, for services referred to in such section (other than the services provided pursuant to section 402(a)(19)(G)), shall be reduced by such amounts as may be necessary to assure that—

(1) the total amount paid to such State (under all of such sections) for such fiscal year for such services does not exceed the allotment of such State (as determined under subsection (b)); and

(2) of the amounts paid (under all of such sections) to such State for such fiscal year with respect to such expenditures, other than expenditures for—

(A) services provided to meet the needs of a child for personal care, protection, and supervision, but only in the case of a child where the provision of such services is needed (i) in order to enable a member of such child's family to accept or continue in employment or to participate in training to prepare such member for employment, or (ii) because of the death, continued absence from the home, or incapacity of the child's mother and the inability of any member of such child's family to provide adequate care and supervision for such child;

(B) family planning services;

(C) services provided to a mentally retarded individual (whether a child or an adult), but only if such services are needed (as determined in accordance with criteria prescribed by the Secretary) by such individual by reason of his condition of being mentally retarded;

(D) services provided to an individual who is a drug addict or an alcoholic, but only if such services are needed (as determined in accordance with criteria prescribed by the Secretary) by such individual as part of a program of active treatment of his condition as a drug addict or an alcoholic; and

(E) services provided to a child who is under foster care in a foster family home (as defined in section 408) or in a child-care institution (as defined in such section), or while awaiting placement in such a home or institution, but only if such services are needed (as determined in accordance with criteria prescribed by the Secretary) by such child because he is under foster care,

not more than 10 per centum thereof are paid with respect to expenditures incurred in providing services to individuals who are not recipients of aid or assistance (under State plans approved under titles I, X, XIV, XVI, or part A of title IV), or applicants (as defined under regulations of the Secretary) for such aid or assistance.

(b)(1) For each fiscal year (commencing with the fiscal year beginning July 1, 1972) the Secretary shall allot to each State an amount which bears the same ratio to $2,500,000,000 as the population of such State bears to the population of all the States.

(2) The allotment for each State shall be promulgated for each fiscal year by the Secretary between July 1 and August 31 of the calendar year immediately preceding such fiscal year on the basis of the population of each State and of all of the States as determined

from the most recent satisfactory data available from the Department of Commerce at such time; except that the allotment for each State for the fiscal year beginning July 1, 1972, and the following fiscal year shall be promulgated at the earliest practicable date after the enactment of this section but not later than January 1, 1973.

(c) For purposes of this section, the term "State" means any one of the fifty States or the District of Columbia.

* * * * * * *

TITLE XVI—SUPPLEMENTAL SECURITY INCOME FOR THE AGED, BLIND, AND DISABLED

Purpose; Appropriations

Sec. 1601. For the purpose of establishing a national program to provide supplemental security income to individuals who have attained age 65 or are blind or disabled, there are authorized to be appropriated sums sufficient to carry out this title.

Basic Eligibility for Benefits

Sec. 1602. Every aged, blind, or disabled individual who is determined under part A to be eligible on the basis of his income and resources shall, in accordance with and subject to the provisions of this title, be paid benefits by the Secretary of Health, Education, and Welfare.

Part A—Determination of Benefits

Eligibility for and Amount of Benefits

Definition of Eligible Individual

Sec. 1611. (a)(1) Each aged, blind, or disabled individual who does not have an eligible spouse and—

(A) whose income, other than income excluded pursuant to section 1612(b), is at a rate of not more than [$1,560], *$1,680* for the calendar year 1974 or any calendar year thereafter, and

(B) whose resources, other than resources excluded pursuant to section 1613(a), are not more than (i) in case such individual has a spouse with whom he is living, $2,250, or (ii) in case such individual has no spouse with whom he is living, $1,500,

shall be an eligible individual for purposes of this title.

(2) Each aged, blind, or disabled individual who has an eligible spouse and—

(A) whose income (together with the income of such spouse), other than income excluded pursuant to section 1612(b), is at a rate of not more than [$2,340] *$2,520* for the calendar year 1974, or any calendar year thereafter, and

(B) whose resources (together with the resources of such spouse), other than resources excluded pursuant to section 1613 (a), are not more than $2,250,

shall be an eligible individual for purposes of this title.

Amounts of Benefits

(b)(1) The benefit under this title for an individual who does not have an eligible spouse shall be payable at the rate of [$1,560] *$1,680* for the calendar year 1974 and any calendar year thereafter, reduced by the amount of income, not excluded pursuant to section 1612(b), of such individual.

(2) The benefit under this title for an individual who has an eligible spouse shall be payable at the rate of [$2,340] *$2,520* for the calendar year 1974 and any calendar year thereafter, reduced by the amount of income, not excluded pursuant to section 1612(b), of such individual and spouse.

Period for Determination of Benefits

(c)(1) An individual's eligibility for benefits under this title and the amount of such benefits shall be determined for each quarter of a calendar year except that, if the initial application for benefits is filed in the second or third month of a calendar quarter, such determinations shall be made for each month in such quarter. Eligibility for and the amount of such benefits for any quarter shall be redetermined at such time or times as may be provided by the Secretary.

(2) For purposes of this subsection an application shall be considered to be effective as of the first day of the month in which it was actually filed.

Special Limits on Gross Income

(d) The Secretary may prescribe the circumstances under which, consistently with the purposes of this title, the gross income from a trade or business (including farming) will be considered sufficiently large to make an individual ineligible for benefits under this title. For purposes of this subsection, the term "gross income" has the same meaning as when used in chapter 1 of the Internal Revenue Code of 1954.

Limitation on Eligibility of Certain Individuals

(e)(1)(A) Except as provided in subparagraph (B), no person shall be an eligible individual or eligible spouse for purposes of this title with respect to any month if throughout such month he is an inmate of a public institution.

(B) In any case where an eligible individual or his eligible spouse (if any) is, throughout any month, in a hospital, extended care facility, nursing home, or intermediate care facility receiving payments (with respect to such individual or spouse) under a State plan

approved under title XIX, the benefit under this title for such individual for such month shall be payable—

(i) at a rate not in excess of $300 per year (reduced by the amount of any income not excluded pursuant to section 1612(b)) in the case of an individual who does not have an eligible spouse;

(ii) at a rate not in excess of the sum of the applicable rate specified in subsection (b)(1) and the rate of $300 per year reduced by the amount of any income not excluded pursuant to section 1612(b)) in the case of an individual who has an eligible spouse, if only one of them is in such a hospital, home, or facility throughout such month; and

(iii) at a rate not in excess of $600 per year (reduced by the amount of any income not excluded pursuant to section 1612(b)) in the case of an individual who has an eligible spouse, if both of them are in such a hospital, home, or facility throughout such month.

(2) No person shall be an eligible individual or eligible spouse for purposes of this title if, after notice to such person by the Secretary that it is likely that such person is eligible for any payments of the type enumerated in section 1612(a)(2)(B), such person fails within 30 days to take all appropriate steps to apply for and (if eligible) obtain any such payments.

(3)(A) No person who is an aged, blind, or disabled individual solely by reason of disability (as determined under section 1614(a)(3)) shall be an eligible individual or eligible spouse for purposes of this title with respect to any month if such individual is medically determined to be a drug addict or an alcoholic unless such individual is undergoing any treatment that may be appropriate for his condition as a drug addict or alcoholic (as the case may be) at an institution or facility approved for purposes of this paragraph by the Secretary (so long as such treatment is available) and demonstrates that he is complying with the terms, conditions, and requirements of such treatment and with requirements imposed by the Secretary under subparagraph (B).

(B) The Secretary shall provide for the monitoring and testing of all individuals who are receiving benefits under this title and who as a condition of such benefits are required to be undergoing treatment and complying with the terms, conditions, and requirements thereof as described in subparagraph (A), in order to assure such compliance and to determine the extent to which the imposition of such requirement is contributing to the achievement of the purposes of this title. The Secretary shall annually submit to the Congress a full and complete report on his activities under this paragraph.

Suspension of Payments to Individuals Who Are Outside the United States

(f) Notwithstanding any other provision of this title, no individual shall be considered an eligible individual for purposes of this title for any month during all of which such individual is outside the United States (and no person shall be considered the eligible spouse of an individual for purposes of this title with respect to any month during all of which such person is outside the United States). For purposes of the preceding sentence, after an individual has been outside

the United States for any period of 30 consecutive days, he shall be treated as remaining outside the United States until he has been in the United States for a period of 30 consecutive days.

Certain Individuals Deemed To Meet Resources Test

(g) In the case of any individual or any individual and his spouse (as the case may be) who for the month of December 1973 was a recipient of aid or assistance under a State plan approved under title I, X, XIV, or XVI, the resources of such individual or such individual and his spouse shall be deemed not to exceed the amount specified in sections 1611(a)(1)(B) and 1611(a)(2)(B) during any period that the resources of such individual or individual and his spouse (as the case may be) does not exceed the maximum amount of resources, as specified in the State plan (above referred to, and as in effect in October 1972) under which he or they were entitled to aid or assistance for the month of December 1972.

Certain Individuals Deemed To Meet Income Test

(h) In determining eligibility for, and the amount of, benefits payable under this section in the case of any individual or any individual and his spouse (as the case may be) who is blind (as that term is defined under a State plan approved under title X or XVI as in effect in October 1972) and who for the month of December 1973 was a recipient of aid or assistance under a State plan approved under title X or XVI, there shall be disregarded an amount equal to the greater of the amounts determined as follows—

(1) the maximum amount of any earned or unearned income which could have been disregarded under the State plan (above referred to, and as in effect in October 1972), or

(2) the amount which would be required to be disregarded under section 1612 without application of this subsection.

Income

Meaning of Income

Sec. 1612. (a) For purposes of this title, income means both earned income and unearned income; and—

(1) earned income means only—

(A) wages as determined under section 203(f)(5)(C); and

(B) net earnings from self-employment, as defined in section 211 (without the application of the second and third sentences following subsection (a)(10), and the last paragraph of subsection (a)), including earnings for services described in paragraphs (4), (5), and (6) of subsection (c); and

(2) unearned income means all other income, including—

(A) support and maintenance furnished in cash or kind; except that in the case of any individual (and his eligible spouse, if any) living in another person's household and receiving support and maintenance in kind from such person, the dollar amounts otherwise applicable to such individual

(and spouse) as specified in subsections (a) and (b) of section 1611 shall be reduced by 33⅓ percent in lieu of including such support and maintenance in the unearned income of such individual (and spouse) as otherwise required by this subparagraph;

(B) any payments received as an annuity, pension, retirement, or disability benefit, including veterans' compensation and pensions, workmen's compensation payments, old-age, survivors, and disability insurance benefits, railroad retirement annuities and pensions, and unemployment insurance benefits;

(C) prizes and awards;

(D) the proceeds of any life insurance policy to the extent that they exceed the amount expended by the beneficiary for purposes of the insured individual's last illness and burial or $1,500, whichever is less;

(E) gifts (cash or otherwise), support and alimony payments, and inheritances; and

(F) rents, dividends, interest, and royalties.

Exclusions From Income

(b) In determining the income of an individual (and his eligible spouse) there shall be excluded—

(1) subject to limitations (as to amount or otherwise) prescribed by the Secretary, if such individual is a child who is, as determined by the Secretary, a student regularly attending a school, college, or university, or a course of vocational or technical training designed to prepare him for gainful employment, the earned income of such individual;

(2) the first $240 per year (or proportionately smaller amounts for shorter periods) of income (whether earned or unearned) other than income which is paid on the basis of the need of the eligible individual;

(3)(A) the total unearned income of such individual (and such spouse, if any) in a calendar quarter which, as determined in accordance with criteria prescribed by the Secretary, is received too infrequently or irregularly to be included, if such income so received does not exceed $60 in such quarter, and (B) the total earned income of such individual (and such spouse, if any) in a calendar quarter which, as determined in accordance with such criteria, is received too infrequently or irregularly to be included, if such income so received does not exceed $30 in such quarter;

(4)(A) if such individual (or such spouse) is blind (and has not attained age 65, or received benefits under this title (or aid under a State plan approved under section 1002 or 1602) for the month before the month in which he attained age 65), (i) the first $780 per year (or proportionately smaller amounts for shorter periods) of earned income not excluded by the preceding paragraphs of this subsection, plus one-half of the remainder thereof, (ii) an amount equal to any expenses reasonably attributable to the earning of any income, and (iii) such additional amounts of other income, where such individual has a plan for achieving

self-support approved by the Secretary, as may be necessary for the fulfillment of such plan,

(B) if such individual (or such spouse) is disabled but not blind (and has not attained age 65, or received benefits under this title (or aid under a State plan approved under section 1402 or 1602) for the month before the month in which he attained age 65), (i) the first $780 per year (or proportionately smaller amounts for shorter periods) of earned income not excluded by the preceding paragraphs of this subsection, plus one-half of the remainder thereof, and (ii) such additional amounts of other income, where such individual has a plan for achieving self-support approved by the Secretary, as may be necessary for the fulfillment of such plan, or

(C) if such individual (or such spouse) has attained age 65 and is not included under subparagraph (A) or (B), the first $780 per year (or proportionately smaller amounts for shorter periods) of earned income not excluded by the preceding paragraphs of this subsection, plus one-half of the remainder thereof;

(5) any amount received from any public agency as a return or refund of taxes paid on real property or on food purchased by such individual (or such spouse);

(6) assistance described in section 1616(a) which is based on need and furnished by any State or political subdivision of a State;

(7) any portion of any grant, scholarship, or fellowship received for use in paying the cost of tuition and fees at any educational (including technical or vocational education) institution;

(8) home produce of such individual (or spouse) utilized by the household for its own consumption;

(9) if such individual is a child one-third of any payment for his support received from an absent parent; and

(10) any amounts received for the foster care of a child who is not an eligible individual but who is living in the same home as such individual and was placed in such home by a public or nonprofit private child-placement or child-care agency.

Resources

Exclusions From Resources

Sec. 1613. (a) In determining the resources of an individual (and his eligible spouse, if any) there shall be excluded—

(1) the home (including the land that appertains thereto), to the extent that its value does not exceed such amount as the Secretary determines to be reasonable;

(2) household goods, personal effects, and an automobile, to the extent that their total value does not exceed such amount as the Secretary determines to be reasonable;

(3) other property which, as determined in accordance with and subject to limitations prescribed by the Secretary, is so essential to the means of self-support of such individual (and such spouse) as to warrant its exclusion;

(4) such resources of an individual who is blind or disabled and who has a plan for achieving self-support approved by the

Secretary, as may be necessary for the fulfillment of such plan; and

(5) in the case of Natives of Alaska, shares of stock held in a Regional or a Village Corporation, during the period of twenty years in which such stock is inalienable, as provided in section 7(h) and section 8(c) of the Alaska Native Claims Settlement Act.

In determining the resources of an individual (or eligible spouse) an insurance policy shall be taken into account only to the extent of its cash surrender value; except that if the total face value of all life insurance policies on any person is $1,500 or less, no part of the value of any such policy shall be taken into account.

Disposition of Resources

(b) The Secretary shall prescribe the period or periods of time within which, and the manner in which, various kinds of property must be disposed of in order not to be included in determining an individual's eligibility for benefits. Any portion of the individual's benefits paid for any such period shall be conditioned upon such disposal; and any benefits so paid shall (at the time of the disposal) be considered overpayments to the extent they would not have been paid had the disposal occurred at the beginning of the period for which such benefits were paid.

Meaning of Terms

Aged, Blind, or Disabled Individual

Sec. 1614. (a)(1) For purposes of this title, the term "aged, blind, or disabled individual" means an individual who—

(A) is 65 years of age or older, is blind (as determined under paragraph (2)), or disabled (as determined under paragraph (3)), and

(B) is a resident of the United States, and is either (i) a citizen or (ii) an alien lawfully admitted for permanent residence or otherwise permanently residing in the United States under color of law (including any alien who is lawfully present in the United States as a result of the application of the provisions of section 203(a)(7) or section 212(d)(5) of the Immigration and Nationality Act).

(2) An individual shall be considered to be blind for purposes of this title if he has central visual acuity of 20/200 or less in the better eye with the use of a correcting lens. An eye which is accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than 20 degrees shall be considered for purposes of the first sentence of this subsection as having a central visual acuity of 20/200 or less. An individual shall also be considered to be blind for purposes of this title if he is blind as defined under a State plan approved under title X or XVI as in effect for October 1972 and received aid under such plan (on the basis of blindness) for December 1973, so long as he is continuously blind as so defined.

(3)(A) An individual shall be considered to be disabled for purposes of this title if he is unable to engage in any substantial gainful

activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve months (or, in the case of a child under the age of 18, if he suffers from any medically determinable physical or mental impairment of comparable severity). An individual shall also be considered to be disabled for purposes of this title if he is permanently and totally disabled as defined under a State plan approved under title XIV or XVI as in effect for October 1972 and received aid under such plan (on the basis of disability) for December 1973, so long as he is continuously disabled as so defined.

(B) For purposes of subparagraph (A), an individual shall be determined to be under a disability only if his physical or mental impairment or impairments are of such severity that he is not only unable to do his previous work but cannot, considering his age, education, and work experience, engage in any other kind of substantial gainful work which exists in the national economy, regardless of whether such work exists in the immediate area in which he lives, or whether a specific job vacancy exists for him, or whether he would be hired if he applied for work. For purposes of the preceding sentence (with respect to any individual), "work which exists in the national economy" means work which exists in significant numbers either in the region where such individual lives or in several regions of the country.

(C) For purposes of this paragraph, a physical or mental impairment is an impairment that results from anatomical, physiological, or psychological abnormalities which are demonstrable by medically acceptable clinical and laboratory diagnostic techniques.

(D) The Secretary shall by regulations prescribe the criteria for determining when services performed or earnings derived from services demonstrate an individual's ability to engage in substantial gainful activity. Notwithstanding the provisions of subparagraph (B), an individual whose services or earnings meet such criteria, except for purposes of paragraph (4), shall be found not to be disabled.

(4)(A) For purposes of this title, any services rendered during a period of trial work (as defined in subparagraph (B)) by an individual who is an aged, blind, or disabled individual solely by reason of disability (as determined under paragraph (3) of this subsection) shall be deemed not to have been rendered by such individual in determining whether his disability has ceased in a month during such period. As used in this paragraph, the term "services" means activity which is performed for remuneration or gain or is determined by the Secretary to be of a type normally performed for remuneration or gain.

(B) The term "period of trial work," with respect to an individual who is an aged, blind, or disabled individual solely by reason of disability (as determined under paragraph (3) of this subsection), means a period of months beginning and ending as provided in subparagraphs (C) and (D).

(C) A period of trial work for any individual shall begin with the month in which he becomes eligible for benefits under this title on the basis of his disability; but no such period may begin for an individual who is eligible for benefits under this title on the basis of a disability if he has had a previous period of trial work while eligible for benefits on the basis of the same disability.

(D) A period of trial work for any individual shall end with the close of whichever of the following months is the earlier:

(i) the ninth month, beginning on or after the first day of such period, in which the individual renders services (whether or not such nine months are consecutive); or

(ii) the month in which his disability (as determined under paragraph (3) of this subsection) ceases (as determined after the application of subparagraph (A) of this paragraph).

Eligible Spouse

(b) For purposes of this title, the term "eligible spouse" means an aged, blind, or disabled individual who is the husband or wife of another aged, blind, or disabled individual and who has not been living apart from such other aged, blind, or disabled individual for more than six months. If two aged, blind, or disabled individuals are husband and wife as described in the preceding sentence, only one of them may be an "eligible individual" within the meaning of section 1611(a).

Definition of Child

(c) For purposes of this title, the term "child" means an individual who is neither married nor (as determined by the Secretary) the head of a household, and who is (1) under the age of eighteen, or (2) under the age of twenty-two and (as determined by the Secretary) a student regularly attending a school, college, or university, or a course of vocational or technical training designed to prepare him for gainful employment.

Determination of Marital Relationships

(d) In determining whether two individuals are husband and wife for purposes of this title, appropriate State law shall be applied; except that—

(1) if a man and woman have been determined to be husband and wife under section 216(h)(1) for purposes of title II they shall be considered (from and after the date of such determination or the date of their application for benefits under this title, whichever is later) to be husband and wife for purposes of this title, or

(2) if a man and woman are found to be holding themselves out to the community in which they reside as husband and wife, they shall be so considered for purposes of this title notwithstanding any other provision of this section.

United States

(e) For purposes of this title, the term "United States", when used in a geographical sense, means the 50 States and the District of Columbia.

Income and Resources of Individuals Other Than Eligible Individuals and Eligible Spouses

(f)(1) For purposes of determining eligibility for and the amount of benefits for any individual who is married and whose spouse is living with him in the same household but is not an eligible spouse, such individual's income and resources shall be deemed to include any

income and resources of such spouse, whether or not available to such individual, except to the extent determined by the Secretary to be inequitable under the circumstances.

(2) For purposes of determining eligibility for and the amount of benefits for any individual who is a child under age 21, such individual's income and resources shall be deemed to include any income and resources of a parent of such individual (or the spouse of such a parent) who is living in the same household as such individual, whether or not available to such individual, except to the extent determined by the Secretary to be inequitable under the circumstances.

Rehabilitation Services for Blind and Disabled Individuals

Sec. 1615. (a) In the case of any blind or disabled individual who—

(1) has not attained age 65, and

(2) is receiving benefits (or with respect to whom benefits are paid) under this title,

the Secretary shall make provision for referral of such individual to the appropriate State agency administering the State plan for vocational rehabilitation services approved under the Vocational Rehabilitation Act, and (except in such cases as he may determine) for a review not less often than quarterly of such individual's blindness or disability and his need for and utilization of the rehabilitation services made available to him under such plan.

(b) Every individual with respect to whom the Secretary is required to make provision for referral under subsection (a) shall accept such rehabilitation services as are made available to him under the State plan for vocational rehabilitation services approved under the Vocational Rehabilitation Act; and the Secretary is authorized to pay to the State agency administering or supervising the administration of such State plan the costs incurred in the provision of such services to individuals so referred.

(c) No individual shall be an eligible individual or eligible spouse for purposes of this title if he refuses without good cause to accept vocational rehabilitation services for which he is referred under subsection (a).

Optional State Supplementation

Sec. 1616. (a) Any cash payments which are made by a State (or political subdivision thereof) on a regular basis to individuals who are receiving benefits under this title or who would but for their income be eligible to receive benefits under this title, as assistance based on need in supplementation of such benefits (as determined by the Secretary), shall be excluded under section 1612(b)(6) in determining the income of such individuals for purposes of this title and the Secretary and such State may enter into an agreement which satisfies subsection (b) under which the Secretary will, on behalf of such State (or subdivision) make such supplementary payments to all such individuals.

(b) Any agreement between the Secretary and a State entered into under subsection (a) shall provide—

(1) that such payments will be made (subject to subsection (c)) to all individuals residing in such State (or subdivision) who are receiving benefits under this title, and

(2) such other rules with respect to eligibility for or amount of the supplementary payments, and such procedural or other general administrative provisions, as the Secretary finds necessary (subject to subsection (c)) to achieve efficient and effective administration of both the program which he conducts under this title and the optional State supplementation.

(c)(1) Any State (or political subdivision) making supplementary payments described in subsection (a) may at its option impose as a condition of eligibility for such payments, and include in the State's agreement with the Secretary under such subsection, a residence requirement which excludes individuals who have resided in the State (or political subdivision) for less than a minimum period prior to application for such payments.

(2) Any State (or political subdivision), in determining the eligibility of any individual for supplementary payments described in subsection (a), may disregard amounts of earned and unearned income in addition to other amounts which it is required or permitted to disregard under this section in determining such eligibility, and shall include a provision specifying the amount of any such income that will be disregarded, if any.

(d) Any State which has entered into an agreement with the Secretary under this section which provides that the Secretary will, on behalf of the State (or political subdivision), make the supplementary payments to individuals who are receiving benefits under this title (or who would but for their income be eligible to receive such benefits), shall, at such times and in such installments as may be agreed upon between the Secretary and such State, pay to the Secretary an amount equal to the expenditures made by the Secretary as such supplementary payments.

Part B—Procedural and General Provisions

Payments and Procedures

Payment of Benefits

Sec. 1631. (a)(1) Benefits under this title shall be paid at such time or times and in such installments as will best effectuate the purposes of this title, as determined under regulations (and may in any case be paid less frequently than monthly where the amount of the monthly benefit would not exceed $10).

(2) Payments of the benefit of any individual may be made to any such individual or to his eligible spouse (if any) or partly to each, or, if the Secretary deems it appropriate to any other person (including an appropriate public or private agency) who is interested in or concerned with the welfare of such individual (or spouse). Notwithstanding the provisions of the preceding sentence, in the case of any individual or eligible spouse referred to in section 1611(e)(3)(A), the Secretary shall provide for making payments of the benefit to any other person (including an appropriate public or private agency) who is interested in or concerned with the welfare of such individual (or spouse).

(3) The Secretary may by regulation establish ranges of incomes within which a single amount of benefits under this title shall apply.

(4) The Secretary—

(A) may make to any individual initially applying for benefits under this title who is presumptively eligible for such benefits and who is faced with financial emergency a cash advance against such benefits in an amount not exceeding $100; and

(B) may pay benefits under this title to an individual applying for such benefits on the basis of disability for a period not exceeding 3 months prior to the determination of such individual's disability, if such individual is presumptively disabled and is determined to be otherwise eligible for such benefits, and any benefits so paid prior to such determination shall in no event be considered overpayments for purposes of subsection (b).

(5) Payment of the benefit of any individual who is an aged, blind, or disabled individual solely by reason of blindness (as determined under section 1614(a)(2)) or disability (as determined under section 1614(a)(3)), and who ceases to be blind or to be under such disability, shall continue (so long as such individual is otherwise eligible) through the second month following the month in which such blindness or disability ceases.

Overpayments and Underpayments

(b) Whenever the Secretary finds that more or less than the correct amount of benefits has been paid with respect to any individual, proper adjustment or recovery shall, subject to the succeeding provisions of this subsection, be made by appropriate adjustments in future payments to such individual or by recovery from or payment to such individual or his eligible spouse (or by recovery from the estate of either). The Secretary shall make such provision as he finds appropriate in the case of payment of more than the correct amount of benefits with respect to an individual with a view to avoiding penalizing such individual or his eligible spouse who was without fault in connection with the overpayment, if adjustment or recovery on account of such overpayment in such case would defeat the purposes of this title, or be against equity or good conscience, or (because of the small amount involved) impede efficient or effective administration of this title.

Hearings and Review

(c)(1) The Secretary shall provide reasonable notice and opportunity for a hearing to any individual who is or claims to be an eligible individual or eligible spouse and is in disagreement with any determination under this title with respect to eligibility of such individual for benefits, or the amount of such individual's benefits, if such individual requests a hearing on the matter in disagreement within thirty days after notice of such determination is received.

(2) Determination on the basis of such hearing, except to the extent that the matter in disagreement involves the existence of a disability (within the meaning of section 1614(a)(3)), shall be made within ninety days after the individual requests the hearing as provided in paragraph (1).

(3) The final determination of the Secretary after a hearing under paragraph (1) shall be subject to judicial review as provided in section 205(g) to the same extent as the Secretary's final determinations under section 205; except that the determination of the Secretary after

such hearing as to any fact shall be final and conclusive and not subject to review by any court.

Procedures; Prohibitions of Assignments; Representation of Claimants

(d)(1) The provisions of section 207 and subsections (a), (d), (e), and (f) of section 205 shall apply with respect to this part to the same extent as they apply in the case of title II.

(2) To the extent the Secretary finds it will promote the achievement of the objectives of this title, qualified persons may be appointed to serve as hearing examiners in hearings under subsection (c) without meeting the specific standards prescribed for hearing examiners by or under subchapter II of chapter 5 of title 5, United States Code.

(3) The Secretary may prescribe rules and regulations governing the recognition of agents or other persons, other than attorneys, as hereinafter provided, representing claimants before the Secretary under this title, and may require of such agents or other persons, before being recognized as representatives of claimants, that they shall show that they are of good character and in good repute, possessed of the necessary qualifications to enable them to render such claimants valuable service, and otherwise competent to advise and assist such claimants in the presentation of their cases. An attorney in good standing who is admitted to practice before the highest court of the State, Territory, District, or insular possession of his residence or before the Supreme Court of the United States or the inferior Federal courts, shall be entitled to represent claimants before the Secretary. The Secretary may, after due notice and opportunity for hearing, suspend or prohibit from further practice before him any such person, agent, or attorney who refuses to comply with the Secretary's rules and regulations or who violates any provision of this paragraph for which a penalty is prescribed. The Secretary may, by rule and regulation, prescribe the maximum fees which may be charged for services performed in connection with any claim before the Secretary under this title, and any agreement in violation of such rules and regulations shall be void. Any person who shall, with intent to defraud, in any manner willfully and knowingly deceive, mislead, or threaten any claimant or prospective claimant or beneficiary under this title by word, circular, letter, or advertisement, or who shall knowingly charge or collect directly or indirectly any fee in excess of the maximum fee, or make any agreement directly or indirectly to charge or collect any fee in excess of the maximum fee, prescribed by the Secretary, shall be deemed guilty of a misdemeanor and, upon conviction thereof, shall for each offense be punished by a fine not exceeding $500 or by imprisonment not exceeding one year, or both.

Applications and Furnishing of Information

(e)(1)(A) The Secretary shall, subject to subparagraph (B), prescribe such requirements with respect to the filing of applications, the suspension or termination of assistance, the furnishing of other data and material, and the reporting of events and changes in circumstances, as may be necessary for the effective and efficient administration of this title.

(B) The requirements prescribed by the Secretary pursuant to subparagraph (A) shall require that eligibility for benefits under this title will not be determined solely on the basis of declarations by the applicant concerning eligibility factors or other relevant facts, and that relevant information will be verified from independent or collateral sources and additional information obtained as necessary in order to assure that such benefits are only provided to eligible individuals (or eligible spouses) and that the amounts of such benefits are correct.

(2) In case of the failure by any individual to submit a report of events and changes in circumstances relevant to eligibility for or amount of benefits under this title as required by the Secretary under paragraph (1), or delay by any individual in submitting a report as so required, the Secretary (in addition to taking any other action he may consider appropriate under paragraph (1) shall reduce any benefits which may subsequently become payable to such individual under this title by—

(A) $25 in the case of the first such failure or delay,

(B) $50 in the case of the second such failure or delay, and

(C) $100 in the case of the third or a subsequent such failure or delay,

except where the individual was without fault or good cause for such failure or delay existed.

Furnishing of Information by Other Agencies

(f) The head of any Federal agency shall provide such information as the Secretary needs for purposes of determining eligibility for or amount of benefits, or verifying other information with respect thereto.

Penalties for Fraud

Sec. 1632. Whoever—

(1) knowingly and willfully makes or causes to be made any false statement or representation of a material fact in any application for any benefit under this title,

(2) at any time knowingly and willfully makes or causes to be made any false statement or representation of a material fact for use in determining rights to any such benefit,

(3) having knowledge of the occurrence of any event affecting (A) his initial or continued right to any such benefit, or (B) the initial or continued right to any such benefit of any other individual in whose behalf he has applied for or is receiving such benefit, conceals or fails to disclose such event with an intent fraudulently to secure such benefit either in a greater amount or quantity than is due or when no such benefit is authorized, or

(4) having made application to receive any such benefit for the use and benefit of another and having received it, knowingly and willfully converts such benefit or any part thereof to a use other than for the use and benefit of such other person,

shall be guilty of a misdemeanor and upon conviction thereof shall be fined not more than $1,000 or imprisoned for not more than one year, or both.

Administration

Sec. 1633. (*a*) *Subject to subsection* (*b*), *the* [The] Secretary may make such administrative and other arrangements (including arrangements for the determination of blindness and disability under section 1614(a) (2) and (3) in the same manner and subject to the same conditions as provided with respect to disability determinations under section 221) as may be necessary or appropriate to carry out his functions under this title.

(*b*) *In determining, for purposes of this title, whether an individual is blind, there shall be an examination of such individual by a physician skilled in the diseases of the eye or by an optometrist, whichever the individual may select.*

Determinations of Medicaid Eligibility

Sec. 1634. The Secretary may enter into an agreement with any State which wishes to do so under which he will determine eligibility for medical assistance in the case of aged, blind, or disabled individuals under such State's plan approved under title XIX. Any such agreement shall provide for payments by the State, for use by the Secretary in carrying out the agreement, of an amount equal to one-half of the cost of carrying out the agreement, but in computing such cost with respect to individuals eligible for benefits under this title, the Secretary shall include only those costs which are additional to the costs incurred in carrying out this title.

* * * * * * *

TITLE XIX—GRANTS TO STATES FOR MEDICAL ASSISTANCE PROGRAMS

* * * * * * *

State Plans for Medical Assistance

Sec. 1902. (a) A State plan for medical assistance must—

* * * * * * *

(10) providing for making medical assistance available to all individuals receiving aid or assistance under State plans approved under titles I, X, XIV, and XVI, and part A of title IV; and

(A) provide that the medical assistance made available to individuals receiving aid or assistance under any such State plan—

(i) shall not be less in amount, duration, or scope than the medical assistance made available to individuals receiving aid or assistance under any other such State plan, and

(ii) shall not be less in amount, duration, or scope than the medical or remedial care and services made available to individuals not receiving aid or assistance under any such plan; and

(B) if medical or remedial care and services are included for any group of individuals who are not receiving aid or assistance under any such State plan and who do not meet the income and resources requirements of the one of such State plans which is appropriate, as determined in accordance with standards prescribed by the Secretary, provide—

(i) for making medical or remedial care and services available to all individuals who would, if needy, be eligible for aid or assistance under any such State plan and who have insufficient (as determined in accordance with comparable standards) income and resources to meet the costs of necessary medical or remedial care and services, and

(ii) that the medical or remedial care and services made available to all individuals not receiving aid or assistance under any such State plan shall be equal in amount, duration, and scope;

except that (I) the making available of the services described in paragraph (4) or (14) of section 1905(a) to individuals meeting the age requirement prescribed therein shall not, by reason of this paragraph (10), require the making available of any such services, or the making available of such services of the same amount, duration, and scope, to individuals of any other ages, and (II) the making available of supplementary medical insurance benefits under part B of title XVIII to individuals eligible therefor (either pursuant to an agreement entered into under section 1843 or by reason of the payment of premiums under such title by the State agency on behalf of such individuals), or provision for meeting part or all of the cost of the deductibles, cost sharing, or similar charges under part B of title XVIII for individuals eligible for benefits under such part, shall not, by reason of this paragraph (10), require the making available of any such benefits, or the making available of services of the same amount, duration, and scope to any other individuals;

* * * * * * *

Payment to States

Sec. 1903.

* * * * * * *

[(j) Notwithstanding the preceding provisions of this section—

(1) in determining the amount payable to any State with respect to expenditures for skilled nursing facility services furnished in any calendar quarter beginning after December 31, 1972, there shall not be included as expenditures under the State plan any amount in excess of the product of (A) the number of inpatient days of skilled nursing facility services provided under the State plan in such quarter, and (B) 105 per centum of the average per diem cost of such services for the fourth calendar quarter preceding such calendar quarter; and

(2) in determining the amount payable to any State with respect to expenditures for intermediate care facility services furnished in any calendar quarter beginning after December 31, 1972, there shall not be included as expenditures under the State plan any amount in excess of the product of (A) the number of inpatient days of intermediate care facility services provided in such quarter under each of the plans of such State approved under titles I, X, XIV, XVI, and XIX, and (B) 105 per centum of the average per diem cost of such services for the fourth calendar quarter preceding such calendar quarter.

For purposes of determining the amount payable to any State with respect to any quarter under paragraphs (1) and (2), the Secretary may by regulation increase the percentage specified in clause (B) of each such paragraph to the extent necessary to take account of increase in per diem costs which result directly from increases in the Federal minimum wages, or which otherwise result directly from cost increases which the Secretary determines are attributable to the upgrading of services and facilities required by this Act or from provisions of Federal law enacted (or amendments to Federal law made) after the date of the enactment of the Social Security Amendments of 1972.]

* * * * * * *

Excerpts From the Social Security Amendments of 1972

* * * * * * *

DETERMINING ELIGIBILITY FOR ASSISTANCE UNDER TITLE XIX FOR CERTAIN INDIVIDUALS

Sec. 249E. For purposes of section 1902(a)(10) of the Social Security Act any individual who, for the month of August 1972, was eligible for or receiving aid or assistance under a State plan approved under title I, X, XIV, or XVI, or part A of title IV of such Act and who for such month was entitled to monthly insurance benefits under title II of such Act shall be deemed to be eligible for such aid or assistance for any month thereafter prior to [October 1974] *July 1975* if such individual would have been eligible for such aid or assistance for such month had the increase in monthly insurance benefits under title II of such Act resulting from enactment of Public Law 92-336 not been applicable to such individual.

* * * * * * *

APPENDIX

EXCERPTS FROM SOCIAL SERVICES REGULATIONS—SECTIONS NOT AFFECTED BY 6-MONTH DELAY PROVISION IN SECTION 230 OF COMMITTEE BILL

(TITLE 45, CODE OF FEDERAL REGULATIONS)

Part 221—Service Programs for Families and Children and for Aged, Blind, or Disabled Individuals: Titles I, IV (Parts A and B), X, XIV, and XVI of the Social Security Act

* * * * * * *

§ 221.0 *Scope of programs*

(a) Federal financial participation is available for expenditures under the State plan approved under titles I, IV–A, IV–B, X, XIV, or XVI of the Act with respect to the administration of service programs under the State plan. The service programs under these titles are hereinafter referred to as: Family Services (title IV–A), WIN Support Services (title IV–A), Child Welfare Services (title IV–B), and Adult Services (titles I, X, XIV, and XVI). Expenditures subject to Federal financial participation are those made for services provided to families, children, and individuals who have been determined to be eligible, and for related expenditures, which are found by the Secretary to be necessary for the proper and efficient administration of the State plan.

(b) The basic rate of Federal financial participation for Family Services and Adult Services under this part is 75 percent provided that the State plan [meets all the applicable requirements of this plan and] [1] is approved by the Social and Rehabilitation Service. Under title IV–A, effective July 1, 1972, the rates are 50 percent for emergency assistance in the form of services, and 90 percent for WIN Support Services, and effective January 1, 1973, the rate is 90 percent for the offering, arranging, and furnishing, directly or on a contract basis, of family planning services and supplies.

(c) Total Federal financial participation for Family Services and Adult Services provided by the 50 States and the District of Columbia may not exceed $2,500 million for any fiscal year, allotted to the States on the basis of their population. No more than 10 percent of the Federal funds payable to a State under its allotment may be paid with respect to its service expenditures for individuals who are not current applicants for or recipients of financial assistance under the State's approved plans, except for services in certain exempt classifications.

(d) Rates and amounts of Federal financial participation for Puerto Rico, Guam, and the Virgin Islands are subject to different rules.

* * * * * * *

[1] Matter enclosed in black brackets *is* subject to the 6-month delay imposed by the committee bill.

§ 221.55 *Limitations on total amount of Federal funds payable to States for services*

(a) The amount of Federal funds payable to the 50 States and the District of Columbia under titles I, IV–A, X, XIV, and XVI for any fiscal year (commencing with the fiscal year beginning July 1, 1972) with respect to expenditures made after June 30, 1972 (see paragraph (b) of this section), for services (other than WIN Support Services. and emergency assistance in the form of services, under title IV–A) is subject to the following limitations:

(1) The total amount of Federal funds paid to the State under all of the titles for any fiscal year with respect to expenditures made for such services shall not exceed the State's allotment, as determined under paragraph (c) of this section; and

(2) The amounts of Federal funds paid to the State under all of the titles for any fiscal year with respect to expenditures made for such services shall not exceed the limits pertaining to the types of individuals served, as specified under paragraph (d) of this section.

Notwithstanding the provisions of paragraphs (c)(1) and (d) of this section, a State's allotment for the fiscal year commencing July 1, 1972, shall consist of the sum of:

(i) An amount not to exceed $50 million payable to the State with respect to the total expenditures incurred, for the calendar quarter beginning July 1, 1972, for matchable costs of services of the type to which the allotment provisions apply, and

(ii) An amount equal to three-fourths of the State's allotment as determined in accordance with paragraphs (c) (1) and (d) of this section.

However, no State's allotment for such fiscal year shall be less than it would otherwise be under the provisions of paragraphs (c) (1) and (d) of this section.

(b) For purposes of this section, expenditures for services are ordinarily considered to be incurred on the date on which the cash transactions occur or the date to which allocated in accordance with OMB Circular A–87 and cost allocation procedures prescribed by SRS. In the case of local administration, the date of expenditure by the local agency governs. In the case of purchase of services from another public agency, the date of expenditure by such other public agency governs. Different rules may be applied with respect to a State, either generally or for particular classes of expenditures, only upon justification by the State to the Administrator and approval by him. In reviewing State requests for approval, the Administrator will consider generally applicable State law, consistency of State practice, particularly in relation to periods prior to July 1, 1972, and other factors relevant to the purposes of this section.

(c)(1) For each fiscal year (commencing with the fiscal year beginning on July 1, 1972) each State shall be allotted an amount which bears the same ratio to $2,500 million as the population of such State bears to the population of all the States.

(2) The allotment for each State will be promulgated for each fiscal year by the Secretary between July 1 and August 31 of the calendar year immediately preceding such fiscal year on the basis of the population of each State and of all of the States as determined from the most recent satisfactory data available from the Department of Commerce at such time.

(d) Not more than 10 percent of the Federal funds shall be paid with respect to expenditures in providing services to individuals

(eligible for services) who are not recipients of aid or assistance under State plans approved under such titles, or applicants for such aid or assistance, except that this limitation does not apply to the following services provided to eligible persons:

(1) Services provided to meet the needs of a child for personal care, protection, and supervision [(as defined under day care services for children)] but only in the case of a child where the provision of such services is necessary in order to enable a member of such child's family to accept or continue in employment or to participate in training to prepare such member for employment, or because of the death, continued absence from the home, or incapacity of the child's mother and the inability of any member of such child's family to provide adequate and necessary care and supervision for such child;

(2) Family planning services;

(3) Any services included in the approved State plan that are provided to an individual diagnosed as mentally retarded by a State mental retardation clinic or other agency or organization recognized by the State agency as competent to make such diagnoses, or by a licensed physician, but only if such services are needed for such individual by reason of his condition of being mentally retarded;

(4) Any services included in the approved State plan provided to an individual who has been certified as a drug addict by the director of a drug abuse treatment program licensed by the State, or to an individual who as been diagnosed by a licensed physician as an alcoholic or drug addict, but only if such services are needed by such individual as part of a program of active treatment of his condition as a drug addict or an alcoholic; and

(5) [Foster care services for children when needed by a child because he is placed in foster care, or awaiting placement.]

Services provided to a child who is under foster care in a foster family home (as defined in section 408 of the Social Security Act) or in a child-care institution (as defined in such section), or while awaiting placement in such a home or institution, but only if such services are needed by such child because he is under foster care.[1]

§ 221.56 *Rates and amounts of Federal financial participation for Puerto Rico, the Virgin Islands, and Guam*

(a) For Puerto Rico, the Virgin Islands, and Guam, the basic rate for Federal financial participation for Family Services and WIN Support Services under title IV–A is 60 percent. However, effective July 1, 1972, the rate is 50 percent for emergency assistance in the form of services.

(b) For family planning services and for WIN Support Services, the total amount of Federal funds that may be paid for any fiscal year shall not exceed $2 million for Puerto Rico, $65,000 for the Virgin Islands, and $90,000 for Guam. Other services are subject to the overall payment limitations for financial assistance and services under titles I, IV–A, X, XIV, and XVI, as specified in section 1108(a) of the Social Security Act.

(c) The rates and amounts of Federal financial participation set forth in § 221.54 (a) and (b) apply to Puerto Rico, the Virgin Islands, and Guam, except that the 60 percent rate of Federal financial participation is substituted as may be appropriate. The limitation in Federal payments in § 221.55 does not apply.

[1] Paragraph (5) is exempted from the 6-month delay provision of the Committee bill only if the matter enclosed in black brackets is replaced by the matter in italics.

VIII. SUPPLEMENTAL VIEWS BY SENATOR GAYLORD NELSON

A noted tax expert once wrote that the tax law "reflects a continuing struggle among contending interests for the privilege of paying the least." An analysis of the effect of our tax code shows who is winning this struggle and who has the privilege of paying a higher percentage of their income in taxes. In 1970, the average tax for all returns was 13.8%. For joint returns with little more than 2 exemptions the average tax was 13.3% of adjusted gross income. On the other hand, in 1967, 155 tax returns showed adjusted gross income above $200,000 and no Federal tax liability. In 1969, some 300 individuals with incomes of more than $200,000 paid no Federal income tax.

As startling as these figures are, they understate the number of wealthy people who, through tax loopholes, escape paying any Federal income tax at all. These figures include only individuals who file Federal income tax returns showing adjusted gross incomes in excess of the $200,000 and $1 million levels. Important tax preferences in the present Internal Revenue Code exclude certain classes of income from the definition of "gross income" altogether. More important than the tax preferences excluding income items from "gross income" are those which result in reduction of a taxpayer's "adjusted gross income" by means of special deductions. The deductions permitted by the percentage depletion allowance is an example of such a deduction. Because deductions of this kind reduce taxpayers' adjusted gross income—the figure upon which the Treasury statistics are based—they can prevent the statistics from including many individuals who in fact have large real incomes but pay no tax.

The fact that a millionaire can escape paying any Federal income tax at all captures our attention but the problem is much more serious and widespread. For every wealthy person who pays no Federal income tax there are many more who do not pay a fair share of their income in tax. In fact, the tax rate on these wealthy peoples' income is frequently much less than the tax rate of the income of the average American worker.

The statutory rate schedule for the individual income tax has a sharply progressive structure. The tax rates rise from 14% to 70%. For married taxpayers filing joint returns, the 14% bracket applies only to the first $1,000 of taxable income; the 70% bracket applies to all taxable income in excess of $200,000.

Data on the rates of tax which taxpayers really pay manifests a marked departure from the statutory rates. Statistics disclosed by the Treasury Department in 1969 indicate that, at 1969 income levels, 28.2% of the tax returns showing "amended taxable income" between $500,000 and $1 million paid tax at effective rates of no more than 25%, 58.5% of the taxpayers in this income range paid tax at effective rates of no more than 30%—substantially less than half the top statutory rate. Of taxpayers having amended taxable income of $1 million and over, 62.8% paid tax at effective rates of no more than 30%. An analysis of the data in light of specific reforms contained in the 1969 Act suggests that post-1969 statistics would not show substantial deviations from the figures set forth above.

In an attempt to correct, to a limited extent, this inequity, Congress in 1969, established a minimum tax providing for a flat 10% tax rate on income that had escaped entirely being subject to tax. Congress enacted the minimum tax on tax preference income because, regardless of the individual merit of the provision which established such preferences, we did not want them to be pyramided by wealthy individuals to allow them to escape liability entirely.

It is generally agreed, however, that the minimum tax has not achieved its stated purpose that every wealthy individual and corporation should pay at least a minimum tax on his preference income. For example, in 1971, 276 taxpayers with incomes over $100,000 paid no Federal income at all and about 24,000 wealthy individuals with an average of $160,000 of preference income, subject to the minimum tax, paid a tax of about 4%, a lower tax rate than for a wage earner making $6,000.

When the minimum tax was enacted, it was estimated that it would raise $590 million in federal revenues from individuals in the first year; in fact, for 1970 it raised only $117 million from individuals. The effective tax rate for individuals in 1970 on this preference income 4%, rather than the statutory rate of 10%.

The minimum tax has failed in part because of crippling amendments adopted on the Senate floor allowing deductions for other income taxes paid. During executive sessions on the Debt Ceiling Bill, I offered an amendment which would have repealed these provisions that have, in part, vitiated the minimum tax, drastically reduced its expected revenue gain and lowered its effective rate to 4% instead of the statutory 10% rate.

The basic rationale for the concept of a minimum tax is that it is needed because the taxpayer has amassed certain items of income which are not included in his regular tax base. These excluded items stand apart from, and in addition to, the items normally taxed. The reason the taxpayer is subject to the minimum tax is that his effective tax is too low in relation to his real income due to the amount he received from tax preference items. To give him credit for the tax that he pays on his regular income defeats the purpose of the minimum tax. The tax on "regular" income is simply unrelated to the tax on excluded items of tax preference. It is illogical to establish a tax on the preferred income escaping taxation, and then allow a deduction for taxes paid on regular income.

While my amendment failed to be adopted by the Committee it will be offered again on the floor of the Senate. I urge its adoption by the members of the Senate.

Enactment of major tax reform legislation has been unfortunately, but understandably delayed in the House of Representatives because of the need to promptly consider trade legislation. Repealing unnecessary and costly tax preferences and restoring fundamental tax equity and justice must be a constant objective of Congress. The recent Presidential campaign and public opinion polls revealed massive public discontent and discomfort with our tax system. Public confidence and faith must be restored in a system which, by its very nature, relies on the voluntary compliance of the overwhelming majority of American taxpayers. Adoption of this amendment would be a convincing downpayment by the Congress to the American people of our commitment to enact substantial tax reform.

○