

EXECUTIVE SESSION

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WEDNESDAY, OCTOBER 31, 1979

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United States Senate,
Committee on Finance,
Washington, D.C.

The Committee met, pursuant to notice, at 10:25 a.m. in room 2221, Dirksen Senate Office Building, Hon. Russell B. Long (Chairman of the Committee) presiding.

Present: Senators Long, Talmadge, Ribicoff, Byrd, Nelson, Boren, Baucus, Dole, Roth, Chafee and Wallop.

The Chairman: This Committee will come to order.

Mr. Stern: Mr. Chairman, you took up the issue of the House bill ceiling on benefits for an individual. You had asked the staff to put some specific examples on the board and you pretty much have completed the rest of your work on the bill.

So what is shown on the blackboard are two examples where the income after disability either exceeds or is quite close to pre-disability income. Of course, there could be many examples where that does not happen. These are two examples where it does.

The first that happens --

Senator Nelson: Mr. Chairman, may I interupt just one

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1 minute?

2 I have to go and open up another hearing at 10:30. I do
3 have two amendments. I will come back and raise those
4 questions later this morning.

5 The Chairman: All right.

6 All right, sir.

7 Mr. Stern: The first example, which is shown on the left
8 side of the blackboard, assumes that the man has average
9 earnings of \$12,000 and his wife works half-time, average
10 earnings of \$6,000 and they have one child so their average
11 earnings before disability were \$18,000 gross. After taking
12 out taxes and so forth, the take-home pay that they have at
13 their disposal is \$13,400.

14 If the man becomes disabled and his wife continues to
15 work, you add her earnings together with his disability
16 benefits which are not taxed. That gives them actual economic
17 income of \$14,200 under present law, which is more than their
18 net income after taxes, and so forth, before he became
19 disabled.

20 The House bill would turn that back to \$12,800. In that
21 case, the basic benefit, the basic reason for that disparity
22 is that the disability benefits, nontaxable, are added to her
23 earnings.

24 The second case is a case where the earner earns \$10,000
25 and has a child. The net income, again, is \$8,000. If that

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1 by 1984, about \$670 million a year. In the first year, the
2 savings are only \$20 million because we do not want to affect
3 anybody on the rolls at all. All we want to do is get more
4 reasonable rules in there as people come on the rolls in future
5 years that you have a more appropriate relationship, so that it
6 builds up slowly from a \$20 million overall savings in the
7 first year to about \$670 million in 1984.

8 Mr. Stern: In the longrange, Mr. Chairman, it is about .2
9 of 1 percent of payroll. In other words, about 10 percent of
10 the cost of the program.

11 Instead of costing about 2 percent, it would cost .2
12 percent less than that.

13 Senator Ribicoff: How many cases are we really talking
14 about? I mean, how many people are there who are capable of
15 working, in your opinion, who do not?

16 Mr. Ross: The numbers run something like this, Senator
17 Ribicoff. 1.3 million claims per year for disability benefits.
18 When we get all done processing that 1.3 million, we put about
19 450,000 on the rolls, one out of three who feel they are
20 disabled.

21 In terms of how many can be rehabilitated, our experience
22 now -- we are running about 2 percent. We feel that is totally
23 inadequate. We do not know exactly how many you can, but one
24 of the purposes of the bill is to get provisions which allow
25 people on the rolls to get the kind of help they need so that

1 they can be rehabilitated.

2 One of the worst aspects of present law is when people who
3 try to work lose the economic support system that they need.
4 They lose their medical and social service benefits in addition
5 to the cash, so one of the purposes of the bill is to attempt
6 to take the savings and better target it on the people who need
7 rehabilitation and provide more incentives and benefits in that
8 area.

9 Senator Ribicoff: How do you propose doing that?

10 Mr. Ross: We allow them to keep their Medicare for three
11 years, their social services. We say if they fail in work,
12 they can be automatically reinstated on the rolls for a full
13 year after the trial work period, which means two years -- the
14 trial work period is one year; that they will not have to go
15 through a second 24 month Medicare waiting period -- in other
16 words, insuring the that they will have the health and other
17 benefits and automatic reinstatement.

18 It is like giving somebody a safety net.

19 Senator Ribicoff: You have not tried to pilot out a
20 group, you have no authority, I suppose, to try to pilot this
21 proposal of yours out, have you?

22 Mr. Ross: No, sir.

23 In the SSI area, the committee took up and passed a
24 provision yesterday that would parallel this where you would
25 let people have Medicaid, social services and even some part of

1 the cash benefit as they tried work.

2 These are the people who are means tested. That would be
3 done on a demonstration basis, to see if we could figure out
4 how to help people who want to work.

5 Frankly, you have considerable testimony from the disabled
6 groups who felt that it is wrong to equate disability totally
7 with an inability to work because many people would like to
8 overcome their situation and to work if they could have the
9 help at the margin that they need to do this, and that is a
10 part of the thrust of many of the provisions of the bill.

11 Senator Ribicoff: You just hope that it will work out
12 that way?

13 Mr. Ross: We will study it as we go along. We are
14 prepared to come back -- this is the best thinking that has
15 been produced about the things that would help with this
16 problem.

17 There has been lots of consultation. The House
18 Subcommittee worked for about four years on this. It is the
19 best thinking that we have got after wide consultation.

20 Senator Talmadge: What is the issue before us now, Mike?

21 Mr. Stern: The House-bill proposed ceiling on benefits
22 for individuals and families under the disability insurance
23 program.

24 It is in the mimeograph called Social Security Act,
25 disability proposals, basically starting at the very bottom on

1 page 1 and continuing to page 2. The House bill would limit
2 benefits.

3 Senator Talmadge: Specifically what page now are you on?

4 Mr. Stern: The very bottom of page 1, limit on family
5 benefits, and then it continues to page 2.

6 The House bill says, disability benefits would be limited
7 to 80 percent of average indexed monthly earnings or 160
8 percent of the workers primary insurance amount, whichever is
9 lower.

10 Senator Talmadge: I think, gentlemen, that this is crying
11 out for correction. Down south of me we have a controller
12 traffic center south of my farm in the city of Atlanta, and
13 those people, about half of them are retired on disability and
14 they all get good jobs and they are still working. So they are
15 retired on one program and working on another.

16 And Senator Long pointed out we have seen these examples
17 on the board. One of the biggest problems facing this country
18 now is transfer payments. \$200 billion a year taking from
19 productive working people and giving to largely nonproductive
20 people.

21 It is crying out for correction.

22 These examples that we see before us do not reflect it
23 entirely because it ignores the work-related expense. These
24 people who are working usually have to buy lunch. They have to
25 buy clothing to go to their jobs. If they do are not working,

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1 they do not have to do that. They eat at home.

2 It is much cheaper and the clothing is less expensive.

3 So if you cannot work as much, or more, than you can by
4 working, a lot of people, unfortunately, are just malingering.
5 They do not want to work. We ought not to make it attractive.

6 I see the Chairman has returned. Is there anybody else
7 seeking recognition? Are we ready to vote?

8 The Chairman: Senator Dole, I think, wanted to be heard
9 on this item, did he not? He will be along after awhile. He
10 had an amendment that he wanted to offer.

11 I would think that we could vote on it, but I think we
12 ought to try. He indicated to me he hoped to be here sometime
13 soon. In fact, he said in ten minutes. That was about twenty
14 minutes ago.

15 I feel we ought to wait for him to arrive on the scene
16 before we vote on it, because he has an amendment that would
17 liberalize this.

18 Mr. Stern: Mr. Chairman, there is another element to the
19 limitation in the House bill. That is the one that begins on
20 the bottom of page 2, production in drop-out years.

21 We have put on the blackboard some examples to show what
22 it is that this provision is intended to do.

23 When the disability insurance program was first enacted,
24 it was enacted for older workers only. The benefit formula,
25 the benefit structure, for older workers was applied to

1 disabled workers as well who were mostly older.

2 When the disability benefits were later extended to
3 younger workers as well, no change was made, and this was where
4 this question of drop-out years comes in.

5 A Social Security beneficiary calculates his benefits
6 based on the number of years that have elapsed from age 21 to
7 the time that he becomes disabled or retires. Then he can drop
8 out the five lowest years.

9 The effect of this is that a younger worker, by dropping
10 out for five years, may be dropping out half of his low
11 earnings where an older worker by dropping out five years may
12 only be dropping out a quarter, or 20 percent, or 15 percent of
13 his earnings, and therefore, if you look at the earnings of a
14 worker just before he became disabled, a younger worker will
15 tend to do relatively better.

16 By phasing the number of drop-out years so that it numbers
17 zero for the youngest workers and phases it up to five drop-out
18 years, as under present law, the House bill tends to reduce the
19 disparity between the benefits of a younger and older worker at
20 pre-disability earnings.

21 So, for example, in the upper example, you have three
22 workers who have been earning \$7,100 just before disability in
23 the prior three years, and under present law, the 27-year-old
24 would have benefits of \$296 and the 55-year-old of \$272.

25 The House bill dampens somewhat that disparity for a

1 higher wage earner, at about twice those earnings, the
2 disparity of \$429 would be reduced slightly from \$459 to \$429,
3 so as to try to achieve something more of a balance between
4 what a younger and older worker get under the formula.

5 The Chairman: Basically the benefit was a little less of
6 what the earnings was, but if he has a dependent that goes up.
7 You add 50 percent to that.

8 Mr. Stern: That is correct.

9 The Chairman: That gets it up to 70 or 75 percent of what
10 the earnings were and that is not taxable.

11 Mr. Stern: Compared to gross earnings, of course, Mr.
12 Chairman, because the figure that shows pre-disability annual
13 earnings is gross, not net. So if you get up to 75 percent, or
14 75 percent compared with the gross earnings, but it may be 95
15 or 100 percent of net earnings.

16 The Chairman: It is closer to net earnings.

17 The point is, when we start out with a disability program
18 for older workers, and then we extended it across the board to
19 everybody, nobody gave one minute's thought to the fact that
20 dropping out the five low years, that it was a much bigger
21 advantage to the younger people than it was to the older people
22 and the result of that was that you give -- there was a
23 substantial disparity that nobody ever intended.

24 Yes, sir.

25 Senator Wallop: Mr. Chairman, while I do not disagree with

1 it on just the plain blackboard logic of it, I suggest that the
2 younger worker dropping out of there probably has a greater
3 disadvantage from a total disability than an older worker does.
4 He is losing his entire lifetime earning's potential and also
5 probably would have more obligations as a younger person than
6 the 55-year-old one.

7 You notice under the formula, the aged 40 people remain
8 approximately the same under there, while it looks, on the
9 blackboard, as though there is a substantial disadvantage.

10 I wonder if the consequences of somebody being disabled
11 totally at the age of 27, or disabled at age 55 when he was
12 nearing retirement anyway.

13 The Chairman: On the other hand, the person who is
14 disabled earlier is someone we are going to have to provide for
15 for a great number of additional years. Any one of these two
16 caess, when they get to be 65, they would draw the retirement
17 benefit at that point, so --

18 Senator Wallop: In any event, if we do not do it here, we
19 will do it someplace else.

20 The Chairman: When you take them on age age 27, you are
21 going to take them on for a great deal more years. You have to
22 pay them 40 years, 38 years, instead of paying them for less.
23 That is a problem?

24 Senator Nelson: May I ask a question? Maybe I am
25 misunderstanding.

1 Is not the likelihood, however, that somebody who is 27
2 has a much better percentage chance of returning to work at
3 some stage than the one who is 55?

4 Mr. Stern: Yes, sir.

5 Senator Nelson: I think you will find a much higher
6 percentage at that age level able to return than you do at age
7 55.

8 Mr. Stern: I believe that one of the reasons why the
9 percentage of disability insurance recipients who are
10 rehabilitated is so low that a great number of them are quite
11 close to retirement age.

12 Senator Wallop: Gaylord, what conclusion can we draw from
13 that? I hear what you are saying and agree with you. What
14 conclusion can we draw from the fact that it is better to give
15 them a little more, or give them a little less?

16 Senator Nelson: I am sure you can make good arguments on
17 either side of any of these. It is complicated.

18 I thought you were making the argument that since the
19 young person would be disabled for so many years longer and
20 have heavier obligations at that age -- which I think generally
21 would be correct -- that therefore this person ought to have a
22 higher return.

23 I was just making the point that a person at that age
24 level has a much greater likelihood of being able to return to
25 work. They may still have disabilities, but in a training

1 program which did not require all kinds of things that can be
2 done.

3 It is much more difficult to retrain, or get into the
4 picture, somebody who is 55 than it is 27.

5 I do not have any statistics.

6 Senator Wallop: I agree with it. I was not sure in which
7 direction you were going on my argument.

8 Senator Ribicoff: Is there any experience in your records
9 which indicates what happens about going ack to work, with
10 comparable disability for younger, overage and older workers?

11 Do you have anything?

12 Mr. Ross: We have some data. It is higher for young
13 workers.

14 The problem that you really have is that there is this
15 kind -- the one I discussed with you just slightly earlier this
16 morning ---the incentives for going back are almost
17 disincentives now because of the nature of the loss of economic
18 support if you try work.

19 Therefore, what I think that what we are trying to do is
20 change the rules of the game in a way where intuitively you can
21 expect that there will be more opportunity for rehabilitation
22 and work.

23 But the data is very meagre. We have started a project to
24 try to share data with private insurance companies, industry
25 and unions who also have rehabilitation programs to try and see

1 if we can not figure out the best ways to do it.

2 Senator Ribicoff: How long will it take you to get some
3 results, or reach some conclusions, on this data?

4 Mr. Ross: Well it is a slow process, Senator. I would
5 say that the bill that you have before you represents at least
6 four years of very hard effort by the House subcommittee plus
7 HEW's starting about a year and a half ago with a task force.

8 If this bill passes in this session of Congress and we go
9 to work implementing all of these new directions we have been
10 talking about here, I would still think that it would be two or
11 three years before you began to see the fruits of him, and then
12 we would have more data and we would come back.

13 Reform has to be a continuing process in a program this
14 big. It is a \$15 billion program that involves millions of
15 people and you make your changes incrementally and carefully.

16 Senator Ribicoff: In everything, we are just guessing.
17 We do not know.

18 Mr. Ross: We are guessing on the basis of considerable
19 study and consultation with interested parties and an awful lot
20 of views have been considered.

21 This seems to be the best thinking that we can produce.
22 When technical people have looked at the data, our best people,
23 our rehabilitation people, this is what we have come up with.

24 I cannot give you an ironclad guarantee that it will work,
25 because you are dealing with human beings and how they are

1 going to react to situations, but the logic is that the things
2 in this bill will help to move forward on what is a very major
3 problem.

4 Senator Roth: Mr. Chairman?

5 The Chairman: Yes, sir.

6 Senator Roth: Some questions that I have raised in the
7 case of young people, you have many of them who work, who go
8 through college as waiters and waitresses, so if you entirely
9 eliminate any drop-out for them, then they go into whatever
10 their chosen profession is, and it may have a rather negative
11 impact on them.

12 I wonder if that was given any consideration?

13 It would seem to me, while I have a lot of sympathy for
14 what is trying to be accomplished, but to eliminate any
15 drop-out could be inequitable and it would seem to me that some
16 of our young people --

17 Mr. Ross: The purpose of our drop-out years is to improve
18 wage records so a person gets a better benefit; earnings before
19 age 22 need not be counted in any event. The drop-out years
20 begin with wage records from age 22 on.

21 Senator Nelson: At that point, may I ask a question?

22 It was raised by Senator Roth.

23 If a person is a full-time college student past age 22 --
24 which graduate students are -- and working part-time, does that
25 person have to include that part-time income?

1 Mr. Ross: Have to include? It may be to their benefit to
2 include it. It may give them quarters of insured coverage to
3 have any coverage at all.

4 The point of the drop-out years --

5 Senator Nelson: Does it count? That is what I am getting
6 at.

7 Supposing they were 22 and worked three years.

8 Mr. Ross: Unless it is dropped out through a drop-out
9 year, the answer is yes, that becomes a part of the wage
10 records. The problems that you have, if you give somebody who
11 has been in the workforce 30 years five drop-out years, that is
12 the way it came in the law.

13 This came in the retirement program, where you looked at a
14 worker who is retiring at age 65. You felt that he had worked
15 40 years and you said you can have five drop-out years, improve
16 your record by dropping out your five weakest years.

17 That same provision was just put in without thinking about
18 whether it applied in the disability context. Then you get a
19 worker aged 30 --

20 Senator Roth: If I may ask another question, I understand
21 the purpose. I am not quarreling with what you are trying to
22 do.

23 With a younger person, you are saying no drop-outs. Did
24 the House, or did you people consider, for example, for the
25 purpose of illustration saying that the one who is 27 who had

1 two-years drop-out, and then increase it to six or seven on the
2 older side to take care of the problem you are talking about,
3 but yet being fair to the young who may have, for the reasons I
4 pointed out?

5 Mr. Ross: Those things were considered. You can always
6 correct a problem like this one or two ways. You could leave
7 the younger worker with five and then build up and give an
8 older worker twenty-five. In the interests of paying for the
9 good things in the bill, all these new things, it was thought
10 this was an area where, since the five drop-out years had come
11 through the requirement program that you scaled the other way.

12 You said, in effect a person would have roughly one
13 drop-out year for only so many years in the work force.

14 The Chairman: Let me get this straight in my mind,
15 because it is easy to get confused.

16 Under the SSI, a person is entitled to be paid for
17 disability, right?

18 Mr. Ross: Yes, sir.

19 The Chairman: That is not what we are talking about here?

20 Mr. Ross: No. This is strictly a Title II insurance
21 program.

22 The Chairman: So the SSI is geared to need, right?

23 Mr. Ross: Yes, sir.

24 The Chairman: So what benefit do you guarantee them under
25 SSI? That is a benefit that is geared to the poverty level, as

1 I recall.

2 Mr. Ross: Yes. \$208, I think, is the basic benefit.

3 The Chairman: All right.

4 If we ever get around to making this program actuarially
5 sound again, one of the thing we ought to do is take as many of
6 these welfare benefits as we can, out of this -- quit paying
7 for welfare benefits with the insurance money and let the
8 insurance money pay for insurance benefits.

9 All right?

10 Now, the SSI, that is a welfare program. We are gearing
11 that to the poverty level. We are paying for it with general
12 revenues and taxes, right?

13 Mr. Ross: Yes, sir.

14 The Chairman: We are not talking about that. This is the
15 insurance program. Where a person has only paid a small amount
16 into the program and you are respecting insurance principles,
17 you have a much weaker case to say, he only worked a few years
18 and therefore at the lower end of the spectrum. He never
19 realized his earnings potential, and therefore we will pay a
20 lot more.

21 But this is an insurance program. You are talking about
22 gearing a wage benefit to what somebody can pay.

23 It would seem to me -- mind you, what you get here, as I
24 recall it -- am I right? Is my recollection correct?

25 You can take this benefit and add that to that SSI

1 benefit.

2 Mr. Ross: Yes, you can have Title II and SSI. That is
3 correct.

4 The Chairman: As I recall it, if you put the two of them
5 together it is above the poverty level in most cases. I think
6 we tried to get that so you would get the two of them together.

7 Mr. Ross: They do not quite. The SSI benefit is reduced
8 by the Title II benefit; they are meshed.

9 The Chairman: You let them keep part of it?

10 Mr. Stern: That is correct.

11 Actually, in the Senate version of the bill, you tried to
12 pattern it so that if you did get Social Security benefits,
13 plus SSI it would be a 50 dollars disregard, so you would
14 always be \$50 better off.

15 The House had cut that back in conference, so you are \$20
16 better off by getting the insurance benefit. So quite a few of
17 SSI benefits also do get Social Security benefits.

18 The Chairman: Right.

19 The point is that you do get the SSI benefits to take you
20 up pretty close to the poverty level -- maybe slightly below
21 it, but you get close to it.

22 Mr. Ross: The other thing it does, as you saw yesterday
23 in your mark-up, the SSI qualification gets somebody in that
24 situation the other things they need, the Medicaid help and the
25 social services and other kinds of things you need which may

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1 even be more costly and important than the cash benefits.

2 So there is a program there designed to meet the needs of
3 people in that situation and we are trying to improve that
4 program right in this bill.

5 Senator Dole: Mr. Chairman?

6 The Chairman: Mr. Dole.

7 Senator Dole: I wonder if we could work out a compromise.
8 Take the staff recommendation that elimintes the allowance of
9 additional drop-out years for child care and then maybe, as
10 Senator Roth suggested, anyone under 27 would have two drop-out
11 years; 27 through 31, three drop-out years; 32 through 36, four
12 drop-out years; and anyone over 37 would have five drop-out
13 years.

14 We are talking about, I guess, a total savings of \$7
15 million in fiscal '80. I still think there would be
16 substantial savings in that approach.

17 I do not know whether the administration has tried --

18 Mr. Ross: We agreed with the House drop-out year
19 provision. It seemed the equitable way to go. We also agreed
20 with the child care drop-out year, because we worked out some
21 ways of making it administratively feasible.

22 Our preference would be for the House bill provisions
23 under the dropped years and with the savings involved.

24 The Chairman: What is the difference? Can you give us
25 the difference in the cost between the Dole amendment on this

1 particular item and the House bill?

2 Mr. Stern: If you look at the table at the bottom of page
3 3, Mr. Chairman, the House bill savings for the -- if you look
4 on the line that is called total, reflecting both the decrease
5 in costs of disability and the increase, partial offset of
6 increased costs in the welfare programs, the net figure for the
7 first year is minus \$7 million and under Senator Dole's
8 proposal, it would be minus \$3 million.

9 That would not be much difference, but the fifth year,
10 instead of a difference of \$157 million, you would only save
11 \$50 million.

12 Senator Dole: Why would that be?

13 Mr. Stern: It would save about one-third as much as the
14 House bill, on the average.

15 Senator Ribicoff: Basically on all of these we are
16 guessing, are we not, on everything? We are guessing.

17 Mr. Stern: On the cost estimates?

18 Senator Ribicoff: And everyone of these formulas back and
19 forth. Are we not wandering around in the wilderness.

20 Mr. Ross: The actuaries do have some data where they test
21 the effects. This is probably less of a guess than on others,
22 because they are really working off the basis of looking at
23 average earnings records.

24 Senator Ribicoff: Thinking generally, the Chairman made a
25 statement at the beginning that started off with a figure of

1 one-half of 1 percent of payroll. Then it is up to 2 percent,
2 I think. Those are the figures the Chairman used and, of
3 course, like Medicare and Medicaid and health insurance and
4 everything else, the actuaries are consistently wrong.

5 Now, realize how difficult it is to come up to what
6 happens when programs really go into effect?

7 I am just thinking about the future in all of these
8 measures where you are just taking a stab in the dark, whether
9 there should be some provision in everyone of these programs
10 that once you see what is happening, so you are not faced with
11 one-half of the 2 percent that there should be demonstration
12 projects on all of these programs of the different alternatives
13 that come in later that try to find out what is happening as
14 you go along, before you reach these huge changes that you
15 never anticipated.

16 And even now, I think we are voting -- I do not think any
17 of us are voting for these thoughts and ideas with any idea of
18 whether we are right or wrong. Mr. Chairman, I think we are
19 all guessing. I am not criticizing anybody. There is no way
20 to know.

21 Mr. Ross: Senator Ribicoff, I think this bill represents
22 a demonstration of what you are trying to suggest ought to be
23 done across the board with social programs. This bill
24 represents a product of extensive research and hearings done on
25 the House side and an HEW task force where we looked at various

1 experiments and data, and one of the big things in the bill is
2 to pinpoint the authority to try to see if we cannot do it
3 better.

4 This bill, to me, represents in this area, which is an
5 important area, precisely the kind of approach that you are
6 suggesting.

7 Senator Ribicoff: In this bill that is going to be voted
8 out of this Committee, is there authority in there to continue
9 these experiments and demonstrations?

10 Mr. Ross: Yes, sir. Also to report back to the Congress
11 on many of these things as we gain experience with them.

12 Mr. Stern: Up to this point, Mr. Chairman, the Committee
13 has not cut back on any of the benefit provisions except
14 possibly through some extension of effective dates.

15 The Chairman: How much have we increased the cost of the
16 bill by the things that we have done, compared to existing law?
17 How much have we increased the cost by these more liberal
18 benefits that we are voting?

19 Mr. Stern: It will take a minute just to develop this.

20 Senator Chafee: While he is looking for that, in the more
21 liberal benefits that we have made, have they not all been in
22 the field of disincentive?

23 In other words, if you let somebody keep their medical
24 coverage longer, then there is a greater incentive for them to
25 take a chance to go to work and get off the program.

1 Mr. Stern: Yes.

2 Senator Chafee: If we are right in our gamble here,
3 hopefully these more liberal benefits will result in a
4 reduction in the long run. Is that not what we have done so
5 far?

6 Mr. Ross: That is the hope. The actuaries have refused
7 to give us credit for those longterm savings, saying that they
8 would prefer to see the results that they can very accurately
9 calculate the cost in the short-term, but we were hopeful that
10 it would produce long-range savings for the program.

11 Mr. Stern: Also, Senator Chafee, the House bill conceives
12 of their being three parts to this. If you do not reduce the
13 benefit or put a ceiling on the benefits related to previous
14 earnings and what you do administratively or in terms of
15 positive incentives, probably it will not work very well.

16 Then if you only do the administrative things, they
17 probably will not work by themselves. The theory is you need a
18 combination of not having benefits that are too great compared
19 with previous earnings plus administrative improvements, plus
20 incentives by retaining benefits to go back to work.

21 If you take out any one of the three, I think the other
22 two will not work as well.

23 Senator Chafee: If I may ask one other question, in
24 connection with Senator Ribicoff's question about test programs
25 as it were, experimental programs in effect, they are dealing

1 with just these limited areas within the whole Social Security
2 total provisions.

3 Are not these sort of test programs? In other words, if
4 we had great success with some of these might not you be back
5 here in the future to broaden them into other areas of Title XX
6 or whatever it is?

7 Mr. Ross: Yes, I would hope so, sir. I would hope that
8 the philosophy that Senator Ribicoff articulated is absolutely
9 the right one. You take something like this as a twenty-year
10 program. You look at your experience, you get all the people
11 in and consult with them and you try to put in a balanced
12 package to both make some improvements and make some
13 demonstrations and experiments to see where you can make future
14 improvements.

15 It should be a kind of ongoing process of reform where you
16 are constantly looking at what you are doing and how to make it
17 work better. That is exactly what we want to institute in this
18 bill.

19 Senator Byrd: What is the maximum benefit that can be
20 obtained at the present time and what will be the maximum under
21 the House bill?

22 Mr. Stern: The maximum benefit can be paid to the
23 disabled worker, that is a worker who becomes disabled in 1979
24 under present law, it is \$552 a month for the worker alone, or
25 for a family \$960.

1 Senator Byrd: What was the last figure?

2 Mr. Stern: \$967.

3 Senator Ribicoff: For a family of four.

4 Senator Dole: Are the benefits indexed, Mike?

5 Mr. Stern: Earnings are indexed before you calculate the
6 benefit and also after you start receiving the benefit it is
7 indexed.

8 Senator Byrd: What is the maximum benefit for a worker
9 with a wife and no children, no dependents?

10 Mr. Stern: The answer is \$777 under present law and \$777
11 would also be the maximum under the House bill. The \$552
12 would stay under the House bill but the \$967 would be cut back
13 \$777.

14 Senator Chafee: What is the relationship between this
15 program and other programs? For example, could somebody
16 collect under this program and also be simultaneously
17 collecting under black lung, for example?

18 Mr. Ross: The answer is yes.

19 Senator Chafee: Could you explain the rationale of that?

20 Mr. Ross: Well, I guess the Advisory Council have
21 suggested that there should be an overall limitation based on
22 benefits under all government programs, including black lung
23 and others. There is a workman's compensation offset that
24 integrates those two programs.

25 The problem with that is that different people have

1 different ideas about what the purposes are of some of these
2 other programs and that gets you into questions of what is the
3 purpose of the programs, and we have not taken that within the
4 scope of our review this time. We have tried to work in the
5 context of the disability program itself, without relating it
6 to other programs.

7 It certainly is something that some people have looked at
8 and we are prepared to look at it more deeply.

9 Senator Chafee: I am astonished at that. Where do we go
10 from here?

11 You say you are prepared to look at it. What does that
12 mean?

13 Mr. Ross: Well, I think that you start by getting a
14 reasonable limitation on benefits within the context of this
15 program. You want to do that. Even if you wanted to go beyond
16 that, for example, have something like you have in the
17 Workman's Compensation area where you say the benefits under
18 both programs cannot exceed 80 percent.

19 I think you can start -- what we are doing today does not
20 foreclose the opportunity to go beyond it tomorrow, but this is
21 a first step, is what I am saying.

22 The Chairman: I am sorry I asked the question of staff.
23 I felt sure they would know off the top of their head what they
24 are spending here.

25 Mr. Stern: Yes, sir. The answer is in the fifty of the

1 benefit part of the program add up to \$180 million.

2 The Chairman: All right.

3 Senator Dole: There is not much initial cost on any of
4 them.

5 Mr. Stern: Well, the estimates are low for each of the
6 various parts, because you do not know that that many people
7 are going to be affected by them.

8 The Chairman: Why do we not call the roll on the Dole
9 proposal?

10 Senator Dole: We will end up in conference on drop-out
11 years.

12 Senator Byrd: Is this proposal on drop-outs different
13 from the proposal that you made last week?

14 The Chairman: The administration position on the drop-out
15 thing -- and I think the House bill would cut the costs by --
16 give us a comparison of the House bill, the administration, and
17 what the Dole amendment would do?

18 Mr. Stern: The House bill saves \$7 million in the first
19 year going up to \$157 million by the fifth year.

20 Senator Dole's amendment would start out with savings of
21 \$3 million going up to roughly \$50 million, about one-third of
22 the savings in the House bill.

23 Senator Dole: I think that is on the cost side. There
24 are some other things to consider, in addition to how much you
25 save. Otherwise, we would have no drop-out for anybody and

- 1 Mr. Stern: Mr. Moynihan?
2 (No response)
3 Mr. Stern: Mr. Baucus?
4 (No response)
5 Mr. Stern: Mr. Boren?
6 Senator Boren: Aye.
7 Mr. Stern: Mr. Bradley?
8 (No response)
9 Mr. Stern: Mr. Dole?
10 Senator Dole: Aye.
11 Mr. Stern: Mr. Packwood?
12 (No response)
13 Mr. Stern: Mr. Roth?
14 Senator Roth: Aye.
15 Mr. Stern: Mr. Danforth?
16 (No response)
17 Mr. Stern: Mr. Chafee?
18 Senator Chafee: No.
19 Mr. Stern: Mr. Heinz?
20 (No response)
21 Mr. Stern: Mr. Wallop?
22 (No response)
23 Mr. Stern: Mr. Durenberger?
24 Senator Dole: Aye.
25 Mr. Stern: Mr. Chairman?

1 The Chairman: No.

2 Five yeas and five nays. We will have to poll the
3 absentees and see what they want to do.

4 Senator Dole: If that fails, we would accept this
5 version.

6 We would not have to vote again?

7 The Chairman: Or somebody might offer some other version.

8 What could we do? We are tied on that vote. What could
9 we do in the way of something that might sort of split the
10 difference?

11 You suggested that you might say, have a one-year --

12 Mr. Ross: Give everybody one under age 27 so, in effect,
13 from 27 up to age 31 you have one. Then take the House bill,
14 32 to 36, you have two; 37 to 41 you have three; 42 to 46 -- in
15 other words, get rid of the zero so everybody has at least one
16 in that first bracket. Move somewhat in the direction of where
17 Senator Dole is going.

18 The Chairman: What does the Hous bill have? You just
19 take the House bill after that.

20 It seems to me, in terms of a compromise, you would put
21 something extra in up the ladder.

22 Mr. Ross: It would reduce the savings only \$1 million in
23 1980 and \$18 million in 1984, but it would avoid giving anyone
24 no drop-out years. Somebody would have something.

25 That might meet, I think, some of the problems that

1 Senator Dole sees.

2 The Chairman: Senator Dole indicates, by way of
3 compromise, he would be willing to settle for that, so I
4 suggest that we so amend it that everybody gets at least one
5 drop out year. That is basically what it amounts to.

6 Mr. Ross: Yes, sir.

7 Senator Dole: Everybody under 27, then. From 27 to 31 it
8 would be two years?

9 Mr. Ross: No. I was just making the first bracket from
10 age 22 to 31 so you did not change the whole scaling that was
11 done, but just make sure that everybody has one.

12 Senator Dole: Would that change the cost?

13 Mr. Ross: Yes. Here are the costs, Mike.

14 The Chairman: All in favor, say aye.

15 (A chorus of ayes)

16 The Chairman: Opposed, no.

17 (No response)

18 The Chairman: The ayes have it now.

19 Did you want to amend this other part?

20 Senator Roth: If I could just raise that, Mr. Chairman.

21 There is a loophole in the Social Security law that,
22 according to the GAO this loophole is costing at least \$65
23 million a year in SSI payments. Is it appropriate to bring it
24 up at this time?

25 The Chairman: Go ahead.

1 Senator Roth: To newly-arrived immigrants in five states
2 alone, under the Immigration law, an alien, to be admitted must
3 show that he will be financially able to take either care of
4 himself by having a job or the financial means or having a
5 sponsor.

6 The sponsor promises the government that the immigrant
7 will not become a public charge. The Social Security law,
8 however, permits a new immigrant to apply for, and receive, SSI
9 immigrants 30 days after arrival on American shores.

10 The courts have, unfortunately, ruled that the sponsor's
11 promise to support the immigrant is only, in effect, a moral
12 obligation and not a binding legal document.

13 The Chairman: So it is a complete farce.

14 Senator Roth: That is correct, sir. An immigrant who has
15 been in the country for 30 days is eligible for a gift from the
16 government, an instant pension, and the responsibility for the
17 financial support of this alien is shifted from the alien and
18 his sponsor to the taxpayer.

19 I had proposed to offer an amendment today on behalf of
20 Senators Percy, Cranston and myself, as well as 22 other
21 cosponsors that would eliminate this loophole and deter the
22 sponsors from renegeing on the sponsor's promise of support.

23 First, the bill would require an immigrant to reside in
24 the United States for three years before becoming eligible for
25 SSI benefits and second, we would make the sponsors promise to

1 support an enforceable contract.

2 The bill would waive the proposed requirements for aliens
3 who became blind or disabled after arrival and the sponsor
4 could also be relieved of the support agreement in cases of
5 death, personal bankruptcy, unforeseen changes and financial
6 circumstances or other proved hardship.

7 Mr. Chairman, it is my understanding that, with respect to
8 the enforceable contract, that the judiciary feels that it has
9 jurisdiction and probably would raise a point of order on the
10 Senate Floor if the amendment was reported out by this
11 Committee.

12 What I would like to do is require that the alien or
13 immigrant be a resident three years before he is eligible for
14 the SSI. That is a matter strictly within our jurisdiction,
15 and then on the Senate Floor, we could offer the amendment to
16 make the -- instead of an affidavit, an enforceable contract.

17 I would point out, Mr. Chairman, that we are talking about
18 a fairly substantial amount of money here. It is estimated
19 that this would save as much as \$65 million a year in payments
20 to newly-arrived immigrants in four or five states only, so
21 obviously application is much broader than that.

22 It seems to me only fair to our taxpayers, in view of our
23 budgetary problems, that we not permit people to bring aliens
24 or immigrants here and not intend to take care of them which
25 unfortunately appears to be the case in too many instances now.

1 I would offer this amendment, that the SSI only become
2 available after three years residence in his country.

3 Senator Ribicoff: Why three years?

4 Senator Roth: Currently it was sort of a compromise,
5 Senator Ribicoff. The affidavit actually is for five years,
6 but rather than taking the five years, the people who drafted
7 the legislation decided to use three years.

8 The Chairman: All in favor? You are making it three
9 years?

10 Senator Roth: That is correct.

11 The Chairman: All in favor of the proposal, say aye.

12 (A chorus of ayes)

13 The Chairman: Opposed, no?

14 (No response)

15 The Chairman: The ayes have it.

16 Senator, you might consider offering the other part of it
17 on the Floor. That might not settle it, because it may be we
18 would run into jurisdictional problems from the other side.
19 But the Senate has a right to act on something like that,
20 although this committee does not.

21 Senator Roth: That is our plan, to offer the other part
22 on the Senate Floor Yes, Mr. Chairman.

23 Mr. Stern: Yes, Mr. Chairman.

24 The Chairman: All right.

25 Mr. Stern: Mr. Chairman, there is one part of the part of

1 the amendment that Senator Roth has offered that refers to the
2 other part. For consistency, we would suggest dropping that
3 out at this time. It is just a reference to a support
4 agreement and that assumes that you are enacting the second
5 part of the bill.

6 If that is all right, we would leave that out at this
7 point and then you could offer it on the Floor. You would
8 include it.

9 Senator Roth: I am sorry, Mike. I could not hear you.

10 (Pause)

11 All right.

12 Senator Dole: Mr. Chairman?

13 The Chairman: Yes, sir.

14 Senator Dole: I think that is a good amendment that
15 Senator Roth had; I appreciate that.

16 To move ahead on the benefit, on the cap.
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1 The Chairman: Let me suggest a compromise. The House
2 bill over a five-year period would save \$1,364,000,000. This
3 would save \$290 million.

4 I would like to suggest a compromise which would come
5 halfway between that would say 85 percent. You suggest the
6 House bill is 80 percent. Your amendment will suggest 90
7 percent. I would suggest that we split the difference and go
8 to 85 percent of AIME.

9 What is AIME?

10 Mr. Stern: Averaged Indexed Monthly Earnings.

11 The Chairman: Averaged Indexed Monthly Earnings.

12 And that we go to 160 percent rather than 150 percent.

13 You suggest 175 percent rather than an odd number, going to 160
14 percent of the primary insurance amount?

15 And that would save \$909 million, which is about --

16 Senator Nelson: How much?

17 The Chairman: A little bit better than \$909 million over
18 the five-year period. That would save \$25 million the first
19 year, but it would save over the five-year period \$909 million
20 which would be about \$500 million less and about \$460 million
21 less than the House bill.

22 That would be about \$600 million more than the House bill,
23 so that we will still get a major saving and, at the same time,
24 you would carry out part of what you wanted to do, looking
25 after individuals that you feel might be cut back too harshly

1 under the bill.

2 Senator Ribicoff: I am wondering, while we have those
3 figures around, what 75 percent of the average highest five
4 years, 180 percent of PIA, what would that amount to?

5 Mr. Stern: What the maximum benefits are are the maximum
6 insurance amount today -- 188 percent; 180 percent of primary
7 insurance amount would save very little. If you used the
8 highest five years of a persons lifetime, that also tends to
9 make for no savings.

10 I have -- let me see -- perhaps the Social Security
11 Administration. My guess would be, instead of savings of \$1.3
12 billion, it would save less than \$50 million.

13 Senator Ribicoff: The thing that troubles me, we have all
14 these complicated formulas floating around and I do not think
15 any of us can sort of shift them out in our own mind, and you
16 are dealing with the most severely disabled in the population.

17 I do not know if we know what we are really doing.

18 Mr. Ross, do you have any idea, in all these complicated
19 figures, what they amount to?

20 Mr. Ross: Well, I think that the AIME concept is used for
21 the basis of measuring benefits in all of our programs. The
22 old-aged and survivors, the disability, and I think that a
23 formula based on the AIME is appropriate and your committee
24 staff has done a pretty thorough analysis of what the effects
25 are on that, and on the others.

1 I do think that you have before you a considerable record
2 of information. It is just a question, as I see it, of
3 judgment about where you place the cap.

4 As I explained in my testimony on the House side, they had
5 at least five major alternatives before them and the 8150 was a
6 compromise reached between a lot of different views, and I sort
7 of see the same process taking place here and I really do think
8 that that is a process you have to reach some judgments among
9 yourselves about where you do it. But in terms of the formulas
10 for doing it, AIME and PIA formulas are quite standard and it
11 is a question of judgment about the numbers that you put in
12 there.

13 Senator Ribicoff: You see, you are just dealing with
14 formulas. What would happen with Mr. John Jones, average
15 worker here, with the formula of Senator Dole, Senator Long's
16 suggestion and my suggestion.

17 Let's go to the individual. How does it impact him?

18 Mr. Ross: That is important.

19 The disability program, unlike the old age program, this
20 does not effect anybody on the rolls and determining whether
21 somebody is disabled is not like determining whether they are
22 aged 65, so what you are talking about are people who some time
23 in the future will come in for disability and then the question
24 is to what extent will that coming in, and their feeling that
25 they are entitled to disability, be determined by the level of

1 benefits which are available to them.

2 So what you are speculating about is human behavior of
3 people who are presently workers, and it is kind of
4 unpredictable, I suppose, which of those individuals who
5 ultimately become disability beneficiaries, but what you are
6 worried about is the process.

7 Have you structured a set of benefits which will not
8 provide an economic incentive for somebody at the margin to
9 give up work and come on to the rolls or, having come on to the
10 rolls, to stay there as opposed to seeking return to work?

11 I do not know who these individuals are that we are trying
12 to judge.

13 Senator Ribicoff: We do not, either, but it is going to
14 be some human being who has a serious problem.

15 But I am just curious, if you turn the board over, if we
16 could see what happens in the three formulas that we are
17 talking about, what happens to X, to Mr. Jones.

18 Mr. Ross: We have that.

19 Senator Ribicoff: Where do you have that?

20 Mr. Ross: We have that information.

21 Senator Dole: It does not affect anybody now receiving
22 benefits.

23 Senator Ribicoff: I know that. For the future, Mr. Jones
24 is going to -- what does it look like?

25 Mr. Ross: Here is the chart. Do you want to use it,

1 Mike?

2 Senator Ribicoff: Here is the chart that we used to
3 compare various cap provisions that have been considered in the
4 House and what it did to benefit amounts.

5 Senator Dole: Totals or individuals?

6 Mr. Stern: Senator Ribicoff, there is a guarantee that
7 nobody's benefits are reduced below 100 percent of his own
8 primary insurance amount, so that the individual case would not
9 be reduced here.

10 Senator Ribicoff: That is presently; I am talking about
11 the future. Are we not talking about the future cases?

12 Mr. Stern: That guarantee is written in.

13 Senator Ribicoff: That is a guarantee of the past. You
14 are talking about the future, a concern if somebody gets hurt a
15 year from now, as compared to somebody who got hurt a year ago.

16 Mr. Stern: No family benefit can be reduced 100 percent
17 below the worker's primary benefit.

18 Senator Dole: In the future?

19 Mr. Stern: In the future, of course.

20 Senator Ribicoff: You do not have in here -- you have 75
21 percent in five years. How about 75 percent and 180 percent of
22 PIA. What would that come to?

23 Mr. Stern: If your 75 percent is measured against the
24 five highest years?

25 Senator Ribicoff : The five highest years.

1 Mr. Stern: You take that in conjunction with 180 percent
2 of primary insurance amount. There is almost no savings
3 perhaps over the five years. It would be less than \$100
4 million.

5 Senator Dole: Well?

6 Mr. Stern: Almost no one's maximum family benefit today
7 is more than 180 percent, so that affects quite a few people
8 and also using the highest five years rather than the averaged
9 indexed monthly earnings saves almost nothing.

10 Senator Ribicoff: Is the Dole formula more liberal than
11 the Long formula?

12 Mr. Stern: Yes, sir.

13 Senator Dole: By \$175 million, I think, over the
14 five-year period.

15 Mr. Stern: Right. Even more than that, Senator.

16 Senator Dole: Maybe more.

17 Mr. Stern: Maybe \$600 million.

18 Senator Dole: \$600 million more.

19 Mr. Stern: That is to say it would save about \$600
20 million less than Senator Long's proposals?

21 Senator Ribicoff: Could we vote on the Dole formula?

22 Senator Chafee: Could I ask a question here?

23 The Chairman: Yes.

24 Senator Chafee: On this general discussion here, do I
25 understand that the caps we are talking about solely apply to

1 families, not to individuals?

2 Mr. Stern: There is a limitation on family benefits and a
3 limitation on the individual benefit. The individual benefit
4 cannot exceed 80 percent of average indexed monthly earnings
5 and the family benefit cannot be, under the House bill, 150
6 percent of the primary insurance on that, or 100 percent of the
7 work's primary benefit.

8 No family benefit could ever be lower than 100 percent of
9 the worker's primary benefit.

10 Senator Chafee: It does apply to individuals.

11 Mr. Ross: The answer is yes, it does apply to
12 individuals, the 80 percent, that aspect.

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1 Mr. Ross: We are trying to balance insurance
2 principles and social aims and the cap as applied to these
3 basic formulas, attempts to provide that balance.

4 Senator Ribicoff: Let me ask you, do you have any figures
5 as to how many people who are under the Social Security
6 disability programs are also carrying private insurance, or the
7 same type of disability?

8 Mr. Ross: We do not know, but the private industry
9 figures indicate that they are a considerable number and we do
10 not attempt to integrate with that. That is sort of a problem
11 for the private insurance carriers who are worried about
12 overinsurance, people who get money from us and money from them
13 and build up to a level where it is in their interests to
14 become disabled because of the piling on of private on top of
15 the Social Security program.

16 We have not attempted to address that problem. That is a
17 problem for private industry as they underwrite these things
18 privately.

19 Senator Ribicoff: You must have some figures. What does
20 it look like?

21 Mr. Ross: For people with benefits under \$3,000 -- this
22 is coming from your staff book -- it is about 11 percent have
23 private pensions. People over \$3,000, it is 19.3 percent.

24 Senator Chafee: Mr. Ross, may I ask you a question?

25 As I understand it, the purpose that we are here

1 considering this, considering the House bill, in many instances
2 shown from page 70 in the blue book, people on disability end
3 up collecting more than they would before they are injured and
4 thus there is minimal incentives for these folks to go back to
5 work.

6 Is that not the reason we are considering it?

7 Mr. Ross: Or stay off the rolls to begin with when they
8 are first deciding to apply.

9 Senator Chafee: I notice on table 21, page 70, you are
10 talking there on disposable income. You are talking about
11 income after taxes.

12 Mr. Ross: That is correct, sir.

13 Senator Chafee: If you made these statistics here that we
14 are dealing with, I take it that the 80 percent that we are
15 talking about, that cap does not deal with disposable income,
16 but that is income, is it not? Total income.

17 Mr. Ross: 80 percent of the average indexed monthly
18 earnings, yes. The total income.

19 Senator Chafee: When you say 80 percent, the person could
20 well be ending up with more than he was getting while he was
21 working, because of the Social Security and the minimum tax,
22 which I understand is 14 percent?

23 Mr. Ross: Yes, except our figures show in two-earner
24 couple cases this would prevent anybody from getting more than
25 100 percent.

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1 You would have to know the actual tax rate and tax
2 situation, and I think that all you could do -- it would be, as
3 you set up your formulas, try to presume a tax rate. I do not
4 think you could do it on an individual basis.

5 Senator Chafee: When the suggestion is made here that the
6 formula be changed from 80 to 85, is that what we are
7 considering now?

8 Senator Dole: Right.

9 Senator Chafee: 85.

10 Then it really does not seem to be much of a cap, because
11 the person under that could end up with greater take-home than
12 he would while working. Is that so?

13 Senator Ross: It is more likely at 85 than at 80, yes,
14 but it is still some improvement in that situation.

15 Senator Chafee: Some improvement to no cap.

16 Senator Dole: Over present law?

17 Senator Ross: Over present law, yes.

18 Senator Dole: A substantial improvement, according to
19 this chart.

20 Senator Chafee: Which chart?

21 Senator Dole: The first column is present law. The last
22 column is approximately what it would be with 85, 160. Then
23 you have the House bill, the House version, in the third column
24 from the right.

25 So that it does save -- let's face it, those in the

1 program do not get any cuts at all in the future.

2 It recognizes the need for some balance to start, in any
3 event.

4 Mr. Ross: Yes, you are trying to balance a number of
5 considerations here. I would hope that we could provide that
6 the Secretary would track those who are affected to see if we
7 are really taking care of inequities, or whether we would be
8 causing inequities and that could be written in where there
9 would be a report to the Committees, at least, which would take
10 care of the question that Senator Ribicoff raised earlier.

11 We want the program to be an incentive and hopefully what
12 we are doing will have a positive impact. I think that could
13 be done, could it not?

14 Mr. Ross: Yes. I think that would be fine to say, to
15 have a report in five years on the consequences of the totality
16 of the provisions of this bill as implemented, and try to run
17 some sort of study as we go along of how well this contributes
18 to the reform process.

19 I think if the provisions in the bill for demonstrations
20 and other things are meaningful then whatever administration it
21 is in say five years, it goes on watching this, ought to have
22 more proposals because reform has to be an ongoing process in
23 social programs.

24 Senator Dole: Maybe we could consider what would happen
25 with the cap in the reduced drop-off years.

1 Mr. Ross: And the incentive provisions and new
2 administrative provisions. I would think that you would want
3 to apply it to the total package, because it is a bill that is
4 a total package. It is hard to take apart the individual
5 things and study them when what you are trying to do is produce
6 a more enlightened process in this area.

7 Senator Dole: I would move that we would vote -- is it
8 necessary to vote on the compromise, 85160?

9 The Chairman: Yes.

10 I would suggest we vote on it.

11 Call the roll on it.

12 Senator Nelson: Let me see. What is the difference in
13 the cost between this proposal and the House proposal?

14 The Chairman: The House proposal in the year 1984 would
15 save \$525 million. The Dole suggestion would have saved \$112
16 million that year, roughly one-fourth that amount -- less than
17 one-fourth that amount.

18 I am suggesting that we go for 85 percent of the AIME and
19 160 percent of the primary insurance amount.

20 That would get you a savings of \$350 million in that same
21 year, which would be about two-thirds of what the House would
22 do.

23 Senator Dole: Mike says it is even greater. You are
24 talking about \$600 million.

25 The Chairman: \$600 million, saving more than the Dole

1 amendment would save.

2 Senator Dole: I see. Excuse me.

3 The Chairman: Over the entire five-year period.

4 Mr. Stern: That is correct.

5 Senator Ribicoff: Is that all right?

6 Senator Dole: It is not what I prefer, but looking at a
7 balanced bill with the budget constraints that we are going to
8 include incentives, I guess we would have to include some
9 savings. I would accept it.

10 Senator Chafee: That is 85160?

11 Senator Dole: Right.

12 I propose to offer 85160.

13 The Chairman: I would like to see us compromise if we
14 can. I suggest that is a good compromise. It would give us a
15 major savings, and it would also -- you would have,
16 people, you would not have anybody who is getting more money
17 than they would working under that proposal.

18 Mr. Ross: I think that would still produce that
19 principle, yes, sir.

20 Senator Dole: Just as an example, under present law --
21 let me see. Present law, payment 91350 under this proposal, it
22 would probably, for future eligibles, be about \$930. There is
23 some savings.

24 The Chairman: Call the roll on that.

25 Senator Talmadge: The compromise?

1 The Chairman: Yes, sir.
2 Mr. Stern: Mr. Talmadge?
3 Senator Talmadge: Aye.
4 Mr. Stern: Mr. Ribicoff?
5 Senator Ribicoff: No.
6 Mr. Stern: Mr. Byrd?
7 (No response)
8 Mr. Stern: Mr. Nelson?
9 Senator Nelson: Aye.
10 Mr. Stern: Mr. Gravel?
11 (No response)
12 Mr. Stern: Mr. Bentsen?
13 (No response)
14 Mr. Stern: Mr. Matsunaga?
15 (No response)
16 Mr. Stern: Mr. Moynihan?
17 Senator Nelson: No.
18 Mr. Stern: Mr. Baucus?
19 Senator Baucus: Aye.
20 Mr. Stern: Mr. Boren?
21 Senator Boren: Aye.
22 Mr. Stern: Mr. Bradley?
23 (No response)
24 Mr. Stern: Mr. Dole?
25 Senator Dole: Aye.

1 Mr. Stern: Mr. Packwood?
2 (No response)
3 Mr. Stern: Mr. Roth?
4 (No response)
5 Mr. Stern: Mr. Danforth?
6 Senator Danforth: Aye.
7 Mr. Stern: Mr. Chafee?
8 Senator Chafee: Aye.
9 Mr. Stern: Mr. Heinz?
10 (No response)
11 Mr. Stern: Mr. Wallop?
12 (No response)
13 Mr. Stern: Mr. Durenberger?
14 Senator Dole: Aye.
15 Mr. Stern: Mr. Chairman?
16 The Chairman: Aye.
17 Senator Dole: I will vote Wallop aye.
18 The Chairman: The yeas are ten, the nays are two. I
19 would suggest that we poll the absentees now. That is agreed
20 to.
21 Senator Nelson: Mr. Chairman?
22 The Chairman: Yes, sir.
23 Senator Nelson: I am going to have to leave. Are you
24 going to complete the bill today?
25 The Chairman: I hope to.

1 Mr. Stern: There is only one other matter we are going to
2 bring up.

3 Senator Nelson: I have two amendments on the Social
4 Security payment date and extending the Commission by three
5 months, as well as the appointees to the National Commission on
6 Social Security.

7 One of them is to extend the life of the Commission by
8 three months to April '81 as well as the membership, some of
9 which will expire, I believe, in 1980. I do not think that is
10 controversial.

11 So that I would move adoption of that amendment.

12 The Chairman: That is what?

13 Senator Nelson: The extension of the National Commission
14 by three months to April 1981 instead of through January 1981,
15 as well as the members. Three members' terms will expire early
16 in 1980.

17 The Chairman: All in favor, say aye.

18 (A chorus of ayes)

19 The Chairman: Opposed, no?

20 (No response)

21 Senator Nelson: I have one more amendment, Mr. Chairman,
22 and this was there may be someone here who opposes it. It was
23 cosponsored by 46 members.

24 This proposal allows the states to deposit Social Security
25 contributions related to the employment of state and

1 local employees within thirty days following the end of the
2 calendar month in which the covered wages are paid.

3 Under current law, the states deposit their Social
4 Security contributions four times a year, 45 days after the end
5 of each calendar quarter.

6 On the new, proposed regulations that the Social Security
7 Administration has proposed, effective July 1, 1980, deposits
8 will be required within 15 days following the end of the first
9 and second months of the calendar quarter and 45 days following
10 the close of the third month of the quarter.

11 I conducted hearings on this and the states and
12 municipalities insist tht the time is too short. Obviously,
13 there is, of course, a state industry of about \$200 million
14 that the states and municipalities get from the deposits during
15 the period of time that they are holding the money and the time
16 that they send it into the Social Security Administration.

17 Furthermore, this is, of course, money that belongs to the
18 Social Security fund.

19 However, the states are entitled to the cost -- two
20 points. They are entitled to the cost of the municipalities,
21 the costs of collecting it and handling it and keeping the
22 records and they are entitled to a fair amount of time to turn
23 it in.

24 I conducted hearings in which ---whether they are correct
25 or not and I have no reason to doubt them ---they were

1 unanimous in their testimony. The League of Cities, counties,
2 state governments, that the time proposed is too short for
3 them. That is their argument.

4 The Commissioner does not believe it is. This compromise,
5 allowing them to pay at the end of 30 days, will save \$110
6 million a year for the fund.

7 The administration compromise will save \$125 million so
8 that there is a \$15 million dollars difference. The \$200
9 million you could not get at all unless you had a law that
10 provided instantly the date that you collected it was in the
11 mail, and you still would not save quite the \$200 million.

12 So the municipalities in the states or counties would
13 prefer the current law because it gives them more money or more
14 time, but they are prepared to support this proposal.

15 Senator Dole: Would the Senator yield?

16 Senator Nelson: Yes.

17 Senator Dole: I attended those hearings also. I think
18 they were in April, or early this year. I remember some of the
19 county officials who testified. I think, as you indicated,
20 they do benefit from a longer holding period, but I think the
21 compromise is a good one.

22 I would be pleased to vote for it, whatever we need to do.

23 The Chairman: Well, let me see.

24 Do we have somebody to testify for the administration on
25 this?

1 Mr. Ross: Yes, I would address it.

2 We went through a long process of proposing regulations
3 and hearing from the states who took the position first that we
4 should not do anything.

5 We had been highly criticized by GAO for not having done
6 anything. We finally, after all due notice, and hearing all
7 the comments, arrived at the schedule of 15, 15, 45 and those
8 are now regulations that are going to go into effect, and the
9 savings from those regulations are included in the budget, so
10 that particularly in the first year, fiscal '81, Senator
11 Nelson's bill would lose \$15 million and my question would
12 be what that would do to this bill as to the overall posture of
13 whether it saves money or costs money.

14 So there is a problem there, because the savings from our
15 regulations are in the budget because those are final, legal,
16 et cetera.

17 I would not say that what Senator Nelson is proposing is
18 unreasonable. Certainly if that had been proposed before we
19 finalized our regulations and put them into law, to go into
20 effect, it certainly would have been a proposal that would have
21 received very serious consideration but, from the
22 administration's standpoint, we did what we had to do to solve
23 this problem and we feel that it is behind us now.

24 The Chairman: That is how you want to feel. I understand
25 that. You would like to feel that way.

1 Let me ask you, Senator Nelson, do you think that you
2 could settle for a modification that would have your amendment
3 go into effect the second year so they could keep the \$15
4 million for the first year?

5 Mr. Ross: I think that would create administrative
6 problems, to try to get the states going from quarterly to
7 15-15-45 for one year and then 30-30-30 thereafter. I think
8 you really have to give them something they can look to
9 permanently to gear all their systems to.

10 Senator Dole: Does it create a budget problem, Mike?

11 Mr. Stern: I really do not even see where the \$4 million
12 or \$5 million comes from. In your paper, Senator Nelson, in
13 theory there is no difference at all but you are requiring
14 fiscal year 1980 alone. After that, I can see where it would
15 make a difference.

16 Senator Nelson: My staff, in looking at it, came up with
17 a difference of \$4 million to \$5 million because deposits will
18 be made in July and August. I did not try to verify the \$4
19 million to \$5 million. You are thinking that there would not
20 be any difference?

21 I do not think there would be, because there is a 45 day
22 kicker at the end of the administration proposal. Would that
23 not have an impact on the fiscal year?

24 Mr. Stern: That is after October 1st, so it kicks it in
25 the next fiscal year under your proposal and under the

1 administration.

2 Mr. Ross: It does not affect fiscal '80.

3 Mr. Stern: I do not think there could be any effect in
4 fiscal year 1980. Thereafter, it should be the \$15 million a
5 year you are talking about.

6 Mr. Ross: It scales up a little bit.

7 Senator Dole: There is no budget problem?

8 Mr. Stern: I do not think so.

9 The Chairman: All in favor, say aye.

10 (A chorus of ayes)

11 The Chairman: Opposed, no?

12 (No response)

13 The Chairman: The ayes have it.

14 All right.

15 I note that one of our alumnus is in the back of the room.
16 Senator Curtis, we are pleased to see you here in the room. We
17 miss you up here at the head of the table.

18 Would you stand up so that all the members can see you?

19 We are pleased to have you here.

20 Mr. Curtis: Thank you very much.

21 (Applause)

22 Senator Dole: I am pleased to see him seated next to the
23 press table. We will get some favorable press.

24 Mr. Stern: The only other item that we wanted to bring up
25 on the bill is on th very last page, page 16 of the document.

1 You have, in the past, approved a provision which deals
2 with the relationship between Social Security and SSI benefits.
3 It sometimes happens that an individual's first check where he
4 is eligible for both benefits for SSI and disability insurance
5 is delayed.

6 If it is the SSI check that is delayed and the retroactive
7 entitlement takes into account that extra income from Social
8 Security, but if it is the disability insurance check that is
9 delayed, you do not retroactively reduce the SSI benefits
10 beyond the beginning of the quarter and the way you handle that
11 in the past, to say that the entitlement under both programs is
12 considered a totality for a particular individual so that no
13 matter which one is delayed, you do make an adjustment
14 subsequently for any earlier overpayments.

15 The Ways and Means Committee approved a similar provision
16 in their welfare bill and the Finance Committee had approved a
17 similar provision last year.

18 It does save a small savings that will help you from a
19 budgetary standpoint in fiscal year 1980 and we recommend that
20 you approve the same provision.

21 The Chairman: Is there any discussion?

22 Senator Dole: No objection.

23 The Chairman: All in favor, say aye?

24 (A chorus of ayes)

25 The Chairman: Opposed, no.

1 (No response)

2 The Chairman: We will so agree.

3 Mr. Ross: I have one technical thing that my staff gave
4 me from yesterday when you approved the paying of the travel
5 expenses for a claimant.

6 The Chairman: Travel expenses for what?

7 Mr. Ross: Travel expenses for somebody to go to a hearing
8 for the determination. That was just in Title II because that
9 was the way H.R. 3236 was.

10 We would like that extended, if we could, to Titles XVI
11 and XVIII, since you do not want to treat differently people
12 who you are determining a difference. It is not a significant
13 amount of money.

14 The Chairman: Without objection, approved.

15 Yes, sir.

16 Senator Dole: As a matter of clarification, the staff has
17 pointed out when we considered the bottom of page 7 of this
18 working document, there is a paragraph that states, "The
19 Secretary of HEW will be able to set limits on the expenses
20 which could be deducted as impairment-related work expenses in
21 determining substantial gainful activity."

22 I understand the purpose of the provision to insure that
23 nobody be allowed to deduct expenses that are unreasonable. I
24 do not know whether it is clear, and I think it is important
25 that we make a clarification that such language will only

1 affect unreasonanble expenses and will not have the effect of
2 allowing any secretary to set arbitrary limits on
3 impairment-related expenses.

4 That may be the intent of that paragraph. If we do not
5 allow individuals to deduct their actual, reasonable expenses,
6 we negate the intent of that provision.

7 Is there any problem with that?

8 Mr. Stern: I would not think so, Senator. The purpose,
9 as you say, is so that somebody would not be permitted to
10 deduct some outrageous amount.

11 Senator Dole: Unreasonable.

12 Mr. Stern: Some unreasonable amount.

13 Senator Dole: We would not want to set -- I was not
14 certain of the last paragraph, if somebody could set some
15 arbitrary limits on what could be deducted. That is not the
16 intent of that.

17 The Chairman: Do you want to put the word "reasonable" in
18 there?

19 Senator Dole: Subject to such reasonable limits as the
20 Secretary would prescribe.

21 Mr. Ross: That is fine.

22 Senator Dole: The intent is to deduct reasonable
23 expenses.

24 The Chairman: All in favor, say aye?

25 (A chorus of ayes)

1 The Chairman: Opposed, no?

2 (No response)

3 The Chairman: The ayes have it.

4 Well --

5 Senator Dole: Senator Wallop has an amendment, and he
6 just arrived and I think Senator Talmadge.

7 Senator Talmadge: I have several. The committee has
8 approved them before.

9 The Chairman: Senator Wallop?

10 Senator Wallop: Thank you, Mr Chairman.

11 My amendment is a reflection of the action that the Senate
12 took last year and was dropped in conference, and there was a
13 section 224 in the Social Security Act which I think creates a
14 really bizarre piece of inequity in the program of the country.

15 In essence, what it does, it says that anybody who was on
16 workman's compensation and receives a disability award has an
17 offsetting discount from his Social Security award.

18 And this is the only workman in America for whom that
19 takes place. The Civil Service people do not have their
20 retirements discounted. The Railroad Retirement does not; the
21 Veterans Administration policy for damages received in court
22 actions do not; private disability insurance does not; and
23 black lung does not.

24 But only those people who are under workman's compensation
25 do. They are there not by choice, but by virtue of the fact

1 that that is the circumstance under which they are employed and
2 on top of it, the circumstance under which they are employed is
3 theirs in lieu of their ability to sue their employer which
4 does not necessarily take place in terms of private disability
5 insurance, or anything else.

6 These people are doubly caught in all of it.

7 What I would do is to repeal that inequity, recognizing
8 that it costs money but still recognizing that we ought not
9 save money at the expense of a piece of grossly unfair national
10 policy.

11 These are the only people in the country who have that
12 offsetting provision applied to their benefits and my feeling
13 is that there really cannot be a justification of this kind of
14 problem.

15 There is a very small proportion of the disability
16 beneficiaries that are affected by workman's compensations
17 offset provisions. For example, in '76, benefits were an
18 offset. Only 2 percent of disabled workers' beneficiaries on
19 the rolls, 3 percent of all DI beneficiaries when families are
20 included.

21 Yet the provisions itself requires a disproportionate
22 application of administrative resources -- more time, perhaps,
23 than would seem warranted, spending time processing cases in
24 these offset provisions.

25 Let me point out the calculation made by the Social

1 Security Administration in 1977 estimated that the worker's
2 compensation offset were eliminated, effective with fiscal year
3 '78, 500 man years would be eliminated over the next five-year
4 period ending with fiscal year '82.

5 In addition, they estimated \$7.8 million in administrative
6 savings would be realized over the same five-year period.

7 Admittedly, those savings are not going to be anything
8 like sufficient to offset the cost of this.

9 I realize what we are talking about. I just think that it
10 is a circumstance for one segment of the working population
11 that is just grossly unfair.

12 The Chairman: As I understand this matter, this amendment
13 would cost an average of \$200 million a year, so that in the
14 five-year period it would cost about \$1 billion.

15 Senator Wallop: My figures are a little less than that.
16 Starting in '80 while the Congressional Budget Office figures
17 are \$125 million in '81, \$185 million in '82, \$200 million.
18 The administration figures are slightly different. They do not
19 show it ever getting to \$200 million a year by 1985.

20 Their highest figure is \$170 million in 1984.

21 The Chairman: The CBO figures and administration figures
22 I have indicate, in 1984 the Congressional Budget Office shows
23 \$235 million and the administration figures, \$170 million.

24 Here is how I understand this. This amendment would
25 permit a person to have both the disability benefit and that

1 would not be reduced by the Workman's compensation benefit, and
2 by eliminating the 80 percent of prior year earnings'
3 limitation, this would cost \$1 billion, or a figure approaching
4 \$1 billion over the next five years and virtually, as I
5 understand it, all of this could be used to pay disability
6 people more than their pre-disability take-home pay.

7 Senator Wallop: It depends, Mr. Chairman, on two things.
8 I think the cap that has just been approved would eliminate a
9 good deal of what you are saying.

10 Second is, again, to point out the inequities, the only
11 workers that we do this -- if we wanted to be fair to everybody
12 I guess we could go and take the benefits of the Civil Service
13 retirement, for Veterans policies, private insurance policies
14 and other things, but this is just one segments of the working
15 community that has this offset.

16 Senator Dole: We should be working the other way, should
17 we not?

18 Mr. Ross: Our advisory council urged that we work the
19 other way. That was brought out by Senator Chafee a little
20 earlier this morning.

21 The Chairman: It seems to me that we should move in the
22 other direction.

23 Senator Wallop: I have no problems with offering that
24 amendment, but I doubt I could carry it. I think there is a
25 lot of fervent constituency that goes with the Civil Service

1 and the Veterans benefits and those on private policies. I
2 think it should be all the same, for all workers.

3 Senator Dole: What to the ten states? Do they reduce the
4 workman's comp by the amount of this payment?

5 Senator Wallop: Those are fairly recent.

6 Senator Dole: All states could do that, I assume.

7 Senator Wallop: The thing that bothers me too is that
8 this is by way of to call it that or not, compensation, not
9 disability compensation, but compensation for work. I know
10 that the employer pays it, but it still comes out of the total
11 consideration of what he can afford by way of that workman's --

12 The Chairman: In the last analysis, it is the consumer
13 that has to pay for this. He either pays for it as a taxpayer,
14 or pays for it in the price of the product. But in the last
15 analysis, one way or the other, the consumer has to absorb the
16 cost of this.

17 In the main, that consumer is a part of a working unit
18 where somebody in that family is out there earning a living and
19 so that they have to pay to support these people. And it seems
20 to me it would be unfair to make them take more than they would
21 have to pay if that person were working and earning a
22 full-time take-home pay.

23 That is what I cannot subscribe to. It seems to me, in
24 any event, we should not let them make more than 100 percent of
25 what their take-home pay would be.

1 Senator Wallop: I agree with that. I have no problem
2 with working that into it.

3 The Chairman: Senator Chafee?

4 Senator Chafee: I think what you say is very accurate.
5 Returning to the point that Senator Wallop is making, this is
6 the only benefit that is discounted against, the offset against
7 the disability income and we all agree that we ought to be
8 going the other way.

9 But will we go the other way? That is the question.

10 We have been around here and sees what happens when
11 anybody tangles with black lung payments. There is an
12 onslaught that hits you and yet you said that this is unfair.
13 This does not seem right, that somebody should get more than
14 they had while they were working, or that the public has to pay
15 or the taxpayers have to pay, but the public or the taxpayers
16 have to pay in all these other programs that Senator Wallop
17 mentioned and I would be prepared, if we could get some
18 assurance that an honest effort around here would be made to go
19 the other direction, then I would vote against Senator Wallop.
20 But if we cannot get that assurance, then I think his point is
21 a valid one. We ought to be consistent.

22 The Chairman: I am willing to go the other way. I think
23 taht most of us ought to have the courage to do that.

24 These social welfare costs are eating so much government
25 revenue that we cannot provide adequately for national defense

1 among other things and my concern is that we get into these
2 situations where we simply fail to relate one benefit to
3 another benefit and we wind up paying people far more than
4 anybody had in mind.

5 When we were voting on disability insurance, nobody had
6 any idea that we were going to be paying people more than they
7 would have been making when they were working and goodness
8 knows that you get an explosion. People cannot afford to go
9 back to work.

10 I think that Mr. Ross, your people over there in Social
11 Security and those of you in the administration ought to be
12 coming here with recommendations and that Commission ought to
13 be coming in here with recommendation that these double
14 benefits would be related one to the other so that we would not
15 be paying these people more than they make when they are
16 working.

17 Senator Wallop: Mr. Chairman, would it be appropriate to
18 try that out on the Committee right now and make an amendment
19 that would treat all workers the same by reducing --

20 Senator Dole: Maybe we can solve yours easier. If you
21 put a cap on, as suggested, does that reduce the cost?

22 Mr. Stern: I do not think there is a connection because
23 the disability cap looks at the disability benefits
24 individually without regard to any other benefit.

25 I take what you are suggesting is, you look at not only

1 workman's compensation benefits but also other benefits, and
2 you add them together and you subject them to the same 80
3 percent test as is now applied to disability plus workman's
4 compensation and you reduce the disability insurance benefit,
5 that we keep it entirely within the jurisdiction of the Finance
6 Committee, because all you are doing is affecting disability.

7 The Chairman: We have an 85 percent limitation. Why do
8 we not propose to do that with all of them, say we have an 85
9 percent limitation here, and one 60 percent -- we will just
10 look at all of them. If they are getting more than that, we
11 will just reduce the disability benefit.

12 Mr. Stern: It is possible that that might have a slight
13 net cost, Mr. Chairman, because workman's compensation is, by
14 far, the largest of these other programs that disabled people
15 also have.

16 Senator Wallop: 22 percent.

17 Mr. Stern: The workman's compensation program is a \$13
18 billion program. If you went from 80 to 85 percent, it would
19 actually be an increase in that particular case.

20 Senator Wallop: The problem I have with these, these are
21 the only people who cannot sue. This is their contract with
22 their employer, that they are incapable of suing, while those
23 people who are on private disability programs, or other kinds of
24 programs, are capable of suing their employer for negligence,
25 or what have you. These people are not.

1 The Chairman: Why can they not sue?

2 Senator Wallop: That is the law. They have this in lieu
3 of their right to sue. That is the way it was designed.

4 Senator Dole: You mean workman's compensation?

5 Senator Wallop: Workman's comp. They are the only
6 workers who get caught both ways by this program. They get
7 their disability payments cut and their ability to recover from
8 their employer is gone by virtue of the fact that they are on
9 workman's compensation.

10 Senator Dole: They can appeal the award.

11 Senator Wallop: They can appeal the award, but there is a
12 cap on all of those awards that is statutory, set in every
13 state -- a difference from state to state, but a loss of a
14 arm, \$7500.

15 Senator Dole: Does the administration have a resolution
16 of this?

17 Mr. Ross: It is a complicated problem because each one of
18 these other benefits have particular characteristics including
19 some of them which are means tested, some are set on different
20 formulas. You would have to go in and study each one to get a
21 precise offset.

22 I note for you that the workman's comp offset has a
23 complicated set of formulas in and of itself to try to be
24 tailored to that situation. I have just tried to ask my
25 actuaries here how much money we could save if we could work

1 out something to do everything the way, in the sort of way that
2 we are doing workman's comp, and they are having trouble
3 because of trying ---the fact that all of these are much
4 different programs.

5 We could certainly try to work up a proposal and bring it
6 back to the Finance Committee.

7 Our advisory council recommended such a proposal to us,
8 but also had no cost estimates or details because it would take
9 a considerable amount of technical work.

10 As a kind of soft number, the actuaries have just given me
11 a piece of paper saying that it could be up to .05 of payroll
12 in terms of savings longterm, which would be a very
13 considerable amount, about \$500 million a year.

14 The Chairman: How much?

15 Mr. Ross: \$500 million a year for the next 75 years.

16 Senator Chafee: That is pretty tempting.

17 The Chairman: \$500 million of savings.

18 Mr. Ross: We would be happy if you wanted to put a
19 provision in here to produce a report on this, or something, or
20 even if you just tell us you want that, we will do that.

21 The Chairman: I would like you to prepare an amendment
22 along that line and see if the committee can support it.

23 Mr. Stern: It is not difficult to draw up such an
24 amendment and you could have the time between now, and for
25 consideration or conference, to consider it if you want to make

1 any modifications in it.

2 Senator Wallop: Mr. Chairman, I have no problems with
3 approaching it that way. I just think it is fair to treat them
4 all the same. This is one group that has no choice in the
5 matter.

6 Mr. Stern: I think you could make it 85 percent, the same
7 way you have done on disability insurance too, Mr. Chairman. I
8 do not think that would be the determining factor.

9 The Chairman: You say if you reduce this by that you
10 would pick up \$500 million a year?

11 Mr. Ross: Yes, sir. That is our five-minute estimate.
12 But there is a considerable amount of money in there, no doubt
13 about it.

14 The Chairman: Prepare the amendment. If it is agreeable
15 with the committee, I would just offer it as a committee
16 amendment on the Floor. We have the right to do that.

17 Mr. Stern: Do you want to put it in the bill, Mr.
18 Chairman? We can draft it.

19 Senator Dole: Can we not get the hard numbers before we
20 get all the flak? Maybe \$5 billion a year we may be saving.

21 Mr. Ross: No. That is in the ballpark. They can refine
22 it.

23 Senator Dole: There are a lot of ballparks. One of them
24 is the VFW, the American Legion.

25 The Chairman: By the time we get around to doing this --

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1 discretion is the better part of valor. If we want to do this,
2 let's do it the way we did with this bill. Grandfather in the
3 people who are getting it now and say all right. From now it
4 works this way. Otherwise I know you are going to hear a real
5 explosion.

6 Senator Wallop: I would propose that, in any case. I
7 really feel badly the way this thing has developed for these
8 particular people.

9 The Chairman: There is the money we could use to pay for
10 health insurance, by the way, to launch the health insurance
11 program, to pay for it.

12 Senator Wallop: Mr. Chairman, I am not sure I want to be
13 the father, or the person who found the way to finance the
14 health insurance. If we could just leave it at this one, I
15 will let you take care of that one.

16 The Chairman: Not talking about the catastrophic out of
17 it. All these imaginative benefits that people will come up
18 with.

19 Why do you not prepare an amendment and get us some cost
20 estimates of it? Otherwise we will be accused -- I think it
21 ought to be limited that it should not seek to do anything
22 about those already on the road. It should be for the future.

23 We will propose that for the future we will treat them all
24 alike that that disability benefit will have to be reduced by
25 what they are getting from the other sources.

1 Mr. Stern: Do you want us to come back with something,
2 Mr. Chairman?

3 The Chairman: I think that we ought to see it before we
4 agree to it. We ought to know what the estimate is, and then
5 people in this room expressed their concern, and the
6 organizations that will hear about this suggestion, and let
7 them know about it so that they can express themselves on it.

8 Senator Wallop: Mr. Chairman?

9 Senator Chaffe: Do not encourage them too much.

10 Senator Wallop: I like the turn this has taken. Assuming
11 that we do get this on the bill, you will find me a fervent
12 supporter of it, but assuming that we do not, I would reserve
13 the right to bring this particular provision up on the Floor
14 without too fervent a fight from the Committee.

15 The Chairman: I understand that. Your argument is that
16 it ought to be one way or the other.

17 Senator Wallop: I like this way better, the way we are
18 about to go.

19 The Chairman: It makes better sense that it be the other,
20 that we say that this is a program to help people who would not
21 have this income and if they are being paid because they are
22 disabled from another program, if we are going to limit this to
23 85 percent of what their average monthly earnings have been in
24 the past, that the same limitation would apply against the
25 other benefits, if we just reduce this one to come within that

1 same limitation, so we are not --

2 Incidentally, it is going to take things like that unless
3 you are going to make the taxpayers pay through the nose for
4 all kinds of things we did not have in mind when we started
5 out.

6 Senator Wallop: I like this way much better. I did not
7 feel I would get so much consensus that quickly.

8 Senator Dole: I know Senator Talmadge has some
9 amendments.

10 Senator Talmadge: I have been waiting some time here.

11 Senator Dole: May I say one thing that will bring in all
12 the differences you talked about, differences in the various
13 programs? We will have all the information we need to make a
14 judgment. It sounds like it makes a lot of sense, which makes
15 me leary of the whole thing.

16 Senator Talmadge: I have several amendments that have
17 been on the agenda. I think the Senate Finance Committee has
18 approved all of them. I think the Senate has approved both of
19 them, but never did get to conference on them. They are all
20 calculated to save the government money.

21 Bill Galvin is here to explain them.

22 Mr. Galvin: You will find this in Document E that you
23 have in your folders.

24 The first amendment relates to the Work Incentive Program.
25 It makes improvement in the program by requiring that all those

1 who have a right to participate in the program must participate
2 in employment search activities.

3 This provision would also require such supportive, and
4 social services, as necessary to enable the individual actively
5 to engage in such activities, and for a period as thereafter,
6 as necessary for him to retain his position.

7 It would eliminate the requirement for a 60-day
8 counselling service.

9 Senator Talmadge: Maybe we can simplify this, Bill. This
10 amendment requires somebody in the Work Incentive Program to
11 look for a job. Is that right?

12 Mr. Galvin: That is part of it. That is one of the main
13 parts of it, yes.

14 Senator Talmadge: What else? Explain it in plain English.

15 Mr. Galvin: It eliminates the 60-day counselling period
16 if they refuse to take a job, but it does require that the two
17 Secretaries, Labor and HEW, would provide a time period as a
18 sanction.

19 Senator Dole: I might say, as far as this provision is
20 concerned, we have had staff go over it. S. 1670. We voted on
21 it a couple of times.

22 Senator Talmadge: That is right. The Senate Finance
23 Committee has approved all of these.

24 Senator Dole: I move the adoption.

25 The Chairman: Without objection, agreed.

1 The Chairman: Without objection, agreed.

2 Senator Chafee: Mr. Chairman, if the administration
3 disapproves of these, are they going to speak up? What do you
4 say?

5 Mr. Ross: There was a point of information that I was
6 going to give you, that the House welfare bill scheduled to be
7 voted on, I guess tomorrow, covers these areas and will be
8 before you in that context reasonably soon and these are sort
9 of to the side of the disability insurance reforms that we have
10 been discussing, and it seems to me that taking this up in the
11 welfare context where you are going to have a bill may be
12 desirable.

13 On the other hand, I do not think we can have any
14 particular problems with the provisions.

15 Senator Chafee: Any of them?

16 Senator Dole: This gives us two shots.

17 Mr. Ross: If we do, they are not things that I can
18 articulate in a few minutes.

19 Mr. Galvin: We requested the administration's opinion in
20 the first part of October on all of these decisions and have
21 not received anything to date and I am sorry to have to say
22 that most of these are not included in the welfare reform
23 measure, or if they are included, they are included with
24 different types of restrictions that would cause harm to some
25 of the proposals involved.

1 The Chairman: What else do you have there?

2 Mr. Galvin: The next one is Federal matching for child
3 support duties performed by court personnel.

4 The committee has approved this before. There is a
5 backlog at the present time.

6 Just in the city of Philadelphia, 30,000 paternity
7 cases, simply because they do not have enough court personnel
8 to handle them. It provides basically that they will be able
9 to pay the salaries of judges or magistrates or any other type
10 of person that makes a legal decision or judicial decision.

11 Senator Talmadge: This is a program that saved the
12 government \$4 billion, as I recall. Every time we spend a
13 quarter, we save a dollar. Is that right?

14 Mr. Galvin: 28 cents on the average now to collect \$1 in
15 child support.

16 Senator Talmadge: It reduced the welfare rolls to the
17 lowest level it has been in ten years does it not?

18 Mr. Galvin: In eight years, yes, sir.

19 Senator Talmadge: This is the Fugitive Fathers provision
20 -- chase them down and make them pay.

21 Senator Chafee: You would pay a state half the state
22 judge's pay?

23 Senator Talmadge: Provided the state desires to do that,
24 it would increase the matching to the states to let them hire
25 more judges if they need them. Is that right, Mr. Galvin?

1 Mr. Galvin: That is what it does. The number of cases of
2 paternity that were established under the program in 1976 has
3 increased ten times. By fiscal year 1978, I would estimate
4 100,000 to 200,000 cases of paternity in the country that have
5 not been established and cannot be because there are no judges.

6 Senator Talmadge: The state makes the decision. It is
7 their option.

8 Senator Chafee: My state would be very enthusiastic.

9 The Chairman: Without objection, agreed.

10 Mr. Galvin: The next one, management information system
11 for child support. I think all of you recognize the need for
12 the mechanized computer systems in all of the programs. It was
13 added to 3434 on the Floor, an extension of it for Medicaid.

14 This provides the first one that will ever be authorized
15 for the child support. It provides 90 percent financing for
16 the program.

17 The Chairman: Without objection, agreed.

18 Mr. Galvin: The same thing for the AFDC management
19 program. The administration is in favor of it.

20 Last year, when we had it in the tax bill, they simply did
21 not want it on the tax bill. It proposed 90 percent matching
22 for the planning and development and 75 percent for operation.

23 The Chairman: Without objection, agreed.

24 Mr. Galvin: The next one is a provision that requires the
25 states to report their collection and distribution of child

1 support within nine months, otherwise they would receive the
2 penalty only of not being able to receive advance payments for
3 their expenditures. They would continue to receive the
4 payments, but they would not be in advance.

5 The Chairman: Without objection, agreed.

6 Mr. Galvin: The last one is due to an oversight in a bill
7 that was passed two years ago that provided access to wage
8 information to AFDC but did not provide it for child support.

9 This particular provision allows access to wage
10 information for child support.

11 The Chairman: Without objection, agreed.

12 Senator Talmadge: That is it. Thank you, Mr. Chairman.

13 Senator Chafee: Mr. Chairman, may I say one thing?
14 Philosophically I have great trouble with 90 percent matching
15 programs. As I understand the presentation, the 90 percent
16 here is just for developing these systems, and then it goes
17 out.

18 Mr. Galvin: It goes back to 75 in child support and to 75
19 in AFDC.

20 Senator Chafee: How long. Is there a time limit as to
21 how long the 90 would stay on?

22 Mr. Galvin: All of these have to be concurred with by
23 HEW. They have to send in the plans. They have to be
24 approved, and so on.

25 Senator Chafee: Thank you.

1 Senator Talmadge: This has been one of the most
2 cost-effective programs this government has ever launched and I
3 want to commend Mr. Galvin. He and I have been working in
4 this vineyard for a long time since the inception of the Work
5 Incentive Program.

6 I have been in the Senate for 23 years and the only
7 welfare reform bill that has become law to date is the Work
8 Incentive Program and how many people it would take off welfare
9 and put them in productive jobs, my recollection is one
10 million.

11 Mr. Galvin: It is at least that. In fiscal year 1978,
12 there were 254 million. Three-fourths of those went off the
13 welfare rolls. The others received employment, but their wages
14 were not high enough so that they received just the reduced
15 grant.

16 It is continuing approximately in the same way this year.

17 The Chairman: Are there any further amendments,
18 gentlemen?

19 Senator Dole: I do not have an amendment, but how did we
20 dispose of the waiting period for the terminally ill? That was
21 sort of left hanging yesterday.

22 Mr. Stern: What you agreed on yesterday was to give the
23 Social Security Administration demonstration authority to
24 participate in a demonstration that the Department of HEW is
25 doing relating to treatment of the terminally ill, services and

1 so forth, and you would see what would happen as a result of
2 that in lieu of providing cash benefits.

3 Senator Dole: I do not know how to proceed, but I assume
4 we will have a chance to meet with this on the Floor. I do not
5 know if there has been any effort to work out a solution to the
6 problem or not.

7 Mr. Stern: Well, the proposal that you adopted yesterday
8 was in lieu of going ahead with the cash benefits, to have the
9 Department look at what kinds of things are done for the
10 terminally ill, on the grounds that it is more than just an
11 income maintenance question.

12 Senator Dole: I would think any information we could
13 have by the time this reaches the Floor would be very helpful.
14 They make a powerful case, although I understand the other
15 side, what could happen if the barriers were dropped. It is a
16 rather difficult choice to make.

17 Mr. Ross: We gave the staff this morning some language to
18 indicate the areas that needed to be studied, Senator Dole, to
19 craft some sorts of benefits in this area that would not be
20 inconsistent with the kind of problem that a number of people
21 mentioned yesterday which was you do not want to take away a
22 person's will to go on and act courageously.

23 So we have identified some of the items that would be
24 studied in this demonstration project.

25 Mr. Stern: We will try to get as much information as we

1 can by the time we go to the Floor.

2 The Chairman: Let's vote on reporting the bill. Those in
3 favor of reporting the bill, say aye?

4 (A chorus of ayes)

5 The Chairman: Opposed, no?

6 (No response)

7 The Chairman: The ayes have it.

8 Senator Chafee: Are we going to take up the Wallop
9 provision the next time we meet?

10 Mr. Stern: We will prepare, probably before the bill
11 could come up to the Floor. If you wanted to make it a
12 committee amendment, you could do it.

13 Senator Chafee: The decision is not to have it in the
14 bill?

15 The Chairman: All it would take is a majority of the
16 committee to agree to a committee amendment and as the
17 spokesmen for the Committee I can just modify the Committee
18 bill to add the proposed amendment. That is what I would
19 propose to do.

20 At least at the time that we vote on that, we would have
21 much better information than we would have at this point.

22 I think it would present a better image of having studied
23 these things in somewhat more detail, so we would know what it
24 is we are proposing.

25 Senator Chafee: If the vote were approving, it would go

1 as a part of the bill to the Floor?

2 The Chairman: That is right. It would be added.

3 Senator Chafee: There is a difference between bringing it
4 up on the Floor and having it go to the Floor.

5 Mr. Stern: If it is approved by the Committee before it
6 goes to the Floor -- we assume what you are talking about,
7 everything you have decided as a substitute amendment for H.R.
8 3226, all you would have to do is state that you are modifying
9 your ~~amendment~~.

10 The Chairman: All you have got to do is the bill on
11 behalf of the committee and stand there and say, on behalf of
12 the committee, that you modify the committee amendment as
13 follows, and you could just add the language that you want to
14 add to the bill.

15 Hopefully, we might be in a position that we can discuss
16 the matter in the Committee report and, if so, that would be
17 even better. I think we want to know more information than
18 that, so we can add it to it.

19 While we are preparing the committee report and getting
20 that ready, we might just want to look at the amendment and
21 what the cost figures would be and what the overall impact
22 would be and add it at that point so we can have a subsequent
23 meeting of the committee.

24 Meanwhile, we should go ahead and report the bill and add
25 it to the bill later on.

1 All in favor, say aye?

2 (A chorus of ayes)

3 The Chairman: Opposed, no?

4 (No response)

5 The Chairman: The ayes have it.

6 (Whereupon, at 12:40 p.m. the committee recessed to
7 reconvene on Thursday, November 1, 1979.)

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