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B. Exclusion of Services by Nonresident Aliens

Act of October 22, 1968, to amend the Internal Revenue Code of 1954 with respect to the definition of compensation for purposes of tax under the Railroad Retirement Tax Act, ahd for other purposes (Public Law 90—624, 90th Congress, H.R. 7567)

III. Veterans Pension Amendments

Act of March 28, 1968, to amend title 38 of the United States Code to liberalize the provision relating to payment of pension, and for other purposes (Public Law 90—275, 90th Congress, H.R. 12555)

SOCIAL SECURITY AMENDMENTS OF 1967

Mr. HARTKE. Mr. President, today I wish to outline the importance of what has been done in the Finance Committee regarding the bill which was reported out as H.R. 12080, commonly known as the Social Security Amendments of 1967. It is a monumental bill. It will take more people out of the poverty level than any legislation yet put before this Nation. One million six hundred thousand people will be taken out of poverty. Two hundred thousand will be taken off the welfare rolls. Twenty-three million, eight hundred thousand senior citizens will receive benefit increases averaging 20 percent with a guaranteed minimum increase of 15 percent. The bill would raise the minimum benefit from $44 a month to $70 a month for a single person—an increase of 59 percent. Disabled widows and widowers will receive 82½ percent of the deceased spouse's insurance with a $70 minimum.

The earnings limitation will be raised to $2,000 a year to enable more retirees to accept part-time employment without any penalty. Retirees may also earn up to $3,200 a year with the $1 reduction for $2 earnings between $2,000 and $3,200. The bill provides disability benefits to the blind having less than 20/200 vision and six quarters coverage. Uninsured individuals over 72 receive an increased benefit from $35 to $50 a month if single and from $52.50 to $75 a month for a couple. The bill requires States to pass on increased social security benefits to people receiving old-age assistance by requiring an average increase of at least $7.50 monthly to elderly citizens receiving assistance. This prevents the States from pocketing the windfall. The bill gives individuals an option to retire at age 60 with reduced benefits to reflect the longer period over which the individual would receive the benefits.

This was an amendment sponsored by the Secretary to the majority of the Senate, the Senator from West Virginia [Mr. BYRD].

The maximum benefits that can be paid out are also increased from the present $168 under present law to $288 for a single person, and from $252 to $393 a month for a couple.

In the public welfare section of the bill, the work incentive program has been revised to prevent coercion of young children and mothers with small children, while still providing $20 weekly as incentives for job training. The freeze on the proportion of illegitimate and deserted children covered by the program in the House bill has been deleted, and the services of the Internal Revenue Service are involved to see that runaway fathers are forced to share welfare payment costs.

These are but the highlights of the bill. But will not the cost be excessive? If benefits are increased, will taxes also have to be increased? Actually there has been a great deal of misunderstanding about the actuarial soundness of social security, caused in part by irresponsible misrepresentations in articles and scare letters which have caused many of our elderly citizens to grow concerned about the soundness of the program. Let us set the record straight: The system is so sound that, under the present law, there is a projected increase of revenues over benefits of some $4.1 billion for the year 1968 alone. And that sort of surplus will exist in each of the coming years under present law, and the size of the yearly surplus will be larger than the $4.1 billion each year, and that will not include any of the surplus carried over from the previous years. That means that this money is not needed to keep the system actuarily sound—it is surplus.

There had been a proposal made to increase taxes not only to cover the cost of the 1967 amendments, but to provide for a whopping $5.1 billion surplus or a $6.7 billion surplus over the benefits finally agreed to for the year 1968. This proposal had but two purposes, neither of which was connected with the social security system: One was to create a petty cash fund for the Treasury to borrow to finance the Vietnam war since the administration has not been able to convince the American people that a 10-percent surtax was needed. Second, it was to be a so-called anticyclical measure. Yet it would have, hit those least able to afford the tax increase since it would have fallen on the wage earner without giving him any income tax deductions or exemptions. And the employer tax would probably have been passed on to the consumer in the form of higher prices—hardly an anti-inflationary measure. Furthermore, like a surtax increase, it would have had the effect of reducing the gross national product and consequently the tax base from which the Government gets its revenues—without, however, giving the regular Government budget any increase in revenues. The result would have been an increase in the deficit by several billion dollars. Consequently, I urged the committee to reduce the proposed tax increase by $4½ billion so that the benefit increase would still be covered. As a result, the committee's bill will have a $2.2 billion surplus in the year 1968 with an increasing surplus thereafter. That is very conservative financing.

The increase in taxes is achieved primarily by increasing the tax base, which is as it should be, since retirement benefits increase up to $393 per month for a couple in the upper earnings brackets.

How does this help the young people? Support for their aged parents will no longer be a crushing burden. It is insurance for themselves as well. It is the greatest incentive to get married and live a long and productive life. If we cannot offer this to our senior citizens, what right have we to presume to support the governments of the world?

SOCIAL SECURITY AMENDMENTS OF 1967—REPORT OF A COMMITTEE—AUTHORIZATION FOR PRINTING OF MINORITY VIEWS (S. REPT. NO. 744)

Mr. LONG of Louisiana. Mr. President, on behalf of the Committee on Finance, I report favorably, with amendments, H.R. 12080, the Social Security Amendments of 1967. I file the report of the majority with regard to that bill and ask unanimous consent that the minority of the committee be permitted to file minority views for inclusion in this report by midnight tonight, Tuesday, November 14, 1967.

The PRESIDING OFFICER. The report will be received and the bill will be placed on the calendar; and, without objection, the request of the Senator from Louisiana is agreed to.

PRINTING OF 1,800 ADDITIONAL COPIES OF REPORT TO ACCOMPANY H.R. 12080

Mr. LONG of Louisiana. Mr. President, as the Chair and other Senators will note, this is a voluminous bill and there is a rather voluminous report. There will be a great number of requests for copies of the committee report. I believe it will be necessary to print additional copies.

I, therefore, send a resolution to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The resolution will be stated.

The assistant legislative clerk read the resolution (S. Res. 184) as follows:

S. RES. 184

Resolved, That there be printed for the use of the Senate Committee on Finance one thousand eight hundred additional copies of its report to accompany H.R. 12080, An Act to amend the Social Security Act to provide an increase in benefits under the old-age survivors and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

The PRESIDING OFFICER. Is there objection to the immediate consideration of the resolution?

There being no objection, the resolution was considered and agreed to.

AN EDITORIAL

Mr. LONG of Louisiana. Mr. President, there appeared in the Washington Post of this morning, Tuesday, November 14, an editorial commending the Finance Committee of the Senate for its action with regard to the social security measure which I have reported.

I ask unanimous consent that the editorial be printed in the RECORD at this point.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

SOUND A CHEER

The Senate Finance Committee rates a cheer, not so much for what it accomplished in reporting out a Social Security bill, but for avoiding a pitfall. At one point the Committee embraced the strategy of resolving the dispute over the income-tax surcharge by the backdoor route. It tentatively voted a sharp payroll tax increase, effective on January 1, 1968, which would have increased the surplus in the Social Security fund by more than $5 billion in 1968. But the members beat a wise and hasty retreat when it was protested that their method of reducing the Federal cash deficit would place the principal burden on those in the lowest income brackets.

The Senate Finance Committee's bill contains few surprises. As was anticipated, the majority went beyond the House in increasing benefits and the maximum wage and salary income that would be subject to taxation. It wisely rejected the House freeze on the number of recipients under the aid-to-dependent-children program and raised the funds voted by the House for birth control counseling. But no progress was made in grappling with such fundamental issues as how much revenue should be raised through taxes on labor, which fall heavily on the young and the poor, and how much should be raised by general taxation. Fresh thinking about Social Security, one of the largest and fastest growing of the Federal programs, will be the task of another Congress.

The PRESIDING OFFICER. Is there further morning business?

Mr. LONG of Louisiana. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. LAUSCHE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

THE BLIND AND DISABLED—THE SOCIAL SECURITY BILL

Mr. HARTKE. Mr. President, yesterday I outlined the major provisions of H.R. 12080, the Social Security Amendments of 1967. Today I wish to emphasize those aspects of the bill which are of special concern to the blind and the disabled. I also wish to point out where improvements have been made and where improvement is still necessary.

The committee's bill provides disabled widows and widowers with benefits equalling 82½ percent of the deceased spouse's primary insurance amount or $70, whichever is more. Under the present law, a widow would only be covered if there were children under 18 in her care and if she was not working for that reason. The House bill went further to say that she may receive benefits at the age of 50 whether or not there are children. However, if a widow under 50 is so disabled that she cannot work even if she has no children, she would still be unable to provide for herself, and yet she would not receive any assistance under the House bill. Therefore, the bill reported out by the Senate committee will cover her if she becomes disabled within 7 years after her spouse's death or within 7 years after the youngest child reaches 18. About 70,000 disabled widows and widowers would be covered under these provisions and would be eligible to receive about $71 million in benefits during the first full year of coverage.

Another provision of the bill reported out by the committee would change the definition of blindness to 20/200 or less in the better eye, which is the standard definition of blindness in use today. However many of the blind do not meet the existing definition of disabled because some jobs—frequently only temporary or requiring little skill—are occasionally open to them. Yet these jobs are insecure and pay poorly. This bill would make it automatic for those persons who meet the Internal Revenue blindness standards to receive disability insurance payments. It would also reduce the number of quarters of coverage required from 20

quarters to six quarters of coverage. By giving the blind a modest floor of security, we can give them encouragement to make their own way in the world as many of them do. It is a minimal acknowledgement that we care about them and understand that their inability to see is indeed a disability and handicap in this complex world. Twice before the Senate has passed this amendment by overwhelming majorities. Yet twice it has been killed—once in conference and once when the bill itself was tied up in a deadlock. Let us see that this does not happen again, and that this section of the bill for which the blind have waited so patiently and so long will be the one most certain of success.

But may I remind my colleagues that the job is only partly done by the bill which has been reported. There has been a major omission: The disabled are among those most likely to require medical attention, more so than the ordinary person. Yet they have not been included in medicare. Just as the elderly should obtain health insurance benefits because their age makes them more likely to need medical assistance, so too those who qualify for disability insurance should also qualify for medicare. Many of the disabled have a condition which is chronic. Frequent hospitalization, operations, laboratory work and X-ray treatment are required. It is precisely these people who need medicare the most. When we approved medicare a major argument was made that because those who need care the most were often those least able to pay, they were the ones who should be covered. Yet somehow this argument has been reversed by some who now say that we cannot afford to help those who need it most. If we cannot afford to help those who need it most, how dare we to presume to help those who may not need as much assistance. The first priority coverage for medicare should be those who need it most in combatting the rising costs of medical care. That is why I shall urge the Senate to amend the bill as reported to include those who are disabled under medicare.

Often my constituent mail speaks more eloquently than I can upon these matters. A short while ago I received a letter from Mr. C. Fanticella of East Chicago, Ind. I would like to read his letter:

DEAR SENATOR: I guess there were thousands like me who woke up Thursday morning, got our pins knocked out from under us when we read about the social security bill that was accepted and rejected.

I wrote to you and to other Senators for support on medicare for the disabled under 65. I see where the Senate Finance Committee voted this down 9 to 8. Why Mr. Hartke? Isn't their duty to help those who are in need of help. I notice that whenever anything is voted down its always 9 to 8. Are these nine against everything that is proposed? Does the faith of the American people depend in just 17 men?

I understand you had an amendment favoring medicare for the disabled under 65, is this in the hands of just 17 men or does the whole Senate approve or not of the amendment? Is there any hopes left for us? Couldn't they OK about 12 or 13% raise in benefits and use the other 2 or 3% towards medicare for the disabled? I know with my medical bills I am living in poverty and I know there are thousands like me.

Would you please list me the 9 who rejected this bill. As I said, are we all hopeless or is there still hope? God I hope there is. Thank you.

MR. C. FANTICELLA.

Mr. Fanticella, as long as there are people who can speak for the disabled as you can, there is hope. And I should hope that the full Senate will see to it that the disabled are included in medicare.

THE SOCIAL SECURITY ACT AMENDMENTS OF 1967

Mr. LONG of Louisiana. Mr. President, I move that the Senate proceed to the consideration of H.R. 12080. I do this so that the bill will become the pending business.

The PRESIDING OFFICER. The bill will be stated by title.

The ASSISTANT LEGISLATIVE CLERK. A bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Louisiana.

The motion was agreed to, and the Senate proceeded to consider the bill which had been reported from the Committee on Finance with amendments.

Mr. MORSE. Mr. President, will the acting majority leader yield for an inquiry?

Mr. LONG of Louisiana. I yield.

Mr. MORSE. Mr. President, I have no objection to proceeding with the consideration of the social security bill.

As the Senator knows, I am chairman of the Subcommittee on Education and the majority leader is not here. It was my understanding that the Senate might take up the elementary-secondary school bill on Thursday, the 16th. Perhaps the Senator from Louisiana knows something that he can tell me at the present time. The plan may be to lay aside the social security bill on Thursday and take up the elementary-secondary school bill. I only wish to say to the acting majority leader that I shall be ready to proceed with the elementary-secondary school bill on Thursday.

The Senator from Louisiana knows of a conference in which some of us will be engaged tomorrow with regard to one problem that may be involved in that bill; and what comes out of that conference will, of course, in some measure determine when we proceed with the bill, if we do proceed with it in this session of Congress.

I shall be ready, I say to the acting majority leader, to make my explanatory speech on the bill late tomorrow afternoon, so that it can be a matter of record, and thus save time on Thursday.

I am not asking the Senator to make a decision tonight, but I wish only to serve notice on him that I will be ready to speak late tomorrow afternoon on the education bill, to make the legislative history on it, and then I will be ready to come in early on Thursday morning.

If we can resolve the differences in the informal conference tomorrow afternoon, I hope we can dispose of the bill in 1 day; because I bring to the Senate a unanimous report from the committee on the bill.

Mr. LONG of Louisiana. Mr. President, I would be disposed to follow whatever procedural suggestion in this connection the majority leader cared to make. I in-

quired of the majority leader when he desired to bring up the social security bill, and he said that he would like to have it brought before the Senate this evening and that the debate begin tomorrow.

I am sure we can work the matter out to the satisfaction of the Senator from Oregon. So far as I am concerned, I am disposed to abide by the judgment of the majority leader.

Mr. MORSE. I shall abide by it, also. The majority leader is not here. I have just returned from Columbus, where I addressed the joint conference of the land-grant college presidents and the university presidents. It was my understanding, prior to the weekend, that I should be ready to take up the elementary and secondary education bill on the 16th. I do not care when we take it up. We can take it up at any time later. We can take it up after Thanksgiving or just before Christmas, so far as I am concerned.

Mr. LONG of Louisiana. I hope we can dispose of the matter in short order, because I would like to see Congress adjourn at the earliest time possible. I also hope we can dispose of the social security bill expeditiously. We do not plan to discuss it tonight. As the Senator knows, it is a big bill and has a great deal in it. If we move expeditiously, I would hope that we could dispose of it in a couple of days of debate, if Senators would be willing to limit discussion on some reasonable basis, to try to vote as frequently as possible, because a number of votes will be required in connection with this matter, perhaps including one involving an amendment that the Senator from Oregon joined me in sponsoring, with regard to the manner in which drugs should be bought and paid for, to protect the public interest.

I have nothing further to say on this subject at this time.

SOCIAL SECURITY ACT AMENDMENTS OF 1967

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of the unfinished business.

The PRESIDENT pro tempore. The bill will be stated by title.

The ASSISTANT LEGISLATIVE CLERK. A bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

The PRESIDENT pro tempore. Is there objection?

There being no objection, the Senate resumed the consideration of the bill.

Mr. LONG of Louisiana. Mr. President, I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. WILLIAMS of Delaware. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent, notwithstanding the previous order, that the Senator from Delaware [Mr. WILLIAMS] may be allowed to proceed for 3 minutes.

The PRESIDENT pro tempore. Without objection, it is so ordered.

SOCIAL SECURITY LEGISLATION

Mr. BAKER. Mr. President, the unique importance of the pending legislation is evidenced in many ways. It is made physically manifest by the sheer volume of the documents that lie on our desks in this Chamber. It has been underscored by the long and tireless work of members of the Committee on Finance, under the distinguished leadership of its chairman, the Senator from Louisiana, and the Senator from Delaware. It has been carefully and fully documented by the national press. It is emphasized by the large volume of mail that has flowed steadily into our offices during the course of the year. It is seen in the fact that many of us have canceled or postponed important commitments at home so that we might be here to carefully follow the fashioning of responsible legislation. It will be made more evident as debate proceeds and many able men seek to hone and improve aspects of the bill in which they as individuals and those that they represent have a deep and vital interest.

These, Mr. President, are some of the ways in which the great importance of this bill manifests itself. But what is it about this bill, and about programs that had their genesis over thirty years ago; what is it in the nature of this issue that generates such a unique amount of interest and concern in this country?

The most obvious answer to this question is that the programs represented by this bill provide billions of dollars annually for Americans of all ages. This bill would greatly increase the amount received by those already receiving benefits, and it would include for the first time many who now receive nothing. The sheer fact of providing, Mr. President, alone makes this a vastly important issue.

But the aspects of the bill, and the programs which it seeks to modify, that are of the greatest significance to me, Mr. President, are the questions of why that provision is made and how that provision is made. Because it is these questions, and the answers that we have fashioned and will fashion for them, that bear inestimable significance for the future of this Nation as an enlightened society of civilized men.

Reduced to its most simplified level, Mr. President, what there programs represent, what they give flesh and bone and sinew to, is the conviction of our Nation that it desires to take care of its own. This is a free decision, freely made. Few recipients of these benefits claim any sort of unalienable right to them. This, Mr. President, is the why of these programs.

The how of these programs is a question of infinitely complex mechanics—devising intricate ratios of participation by individuals, employers, and governments. But the how of the programs is also an expression of a more basic determination, which is essentially that of who shall provide these benefits. This, Mr. President, is probably the question around which most of our deliberations this week will revolve. And this is as it

should be, for those who determine to make these transfers should be permitted the authority of determining the manner in which they are made.

Mr. President, there are many aspects of H.R. 12080, as reported in the Senate, which make changes in the system that I have long believed desirable. I am particularly pleased to see increases in benefits for uninsured persons over 72, an increase in amounts that can be earned by retired persons without losing eligibility, and the reduction to 60 of the age at which all aged beneficiaries can receive reduced payments. Committee members in both houses deserve, in my view, particular commendation for these provisions.

There are other provisions, Mr. President, that I wish had been included and that I hope will be included in the near future. One is some sort of automatic cost-of-living increase to provide assurance that the cruel tax of inflation need not be feared by beneficiaries. I do not believe that such a provision would diminish the authority of the Congress over the program. I am also hopeful that, in the near future, provision will be made for widows who are without children and who have demonstrated need but who are not yet eligible for full social security benefits. And I hope that eventually limitations on income for eligibility may be eliminated in their entirety.

I might end, Mr. President, by expressing the further hope that, in our discussions on the complex details of this immensely intricate measure, we do not lose sight of the essential and basic issues at hand: the why and the how of these programs. I hope that in the course of our deliberations on this landmrak legislation we will come to understand more deeply the profound implications of these programs and the way in which they are structured. And I hope that out of this debate the possibility of new departures and directions will emerge.

Such new departures and directions for the future might include some sort of benefit structure, with regard to the welfare programs, that would provide two scales of payment—one bare, minimal payment to those unwilling to work at full capacity, and a second to provide an incentive for those who are. Why, I often wonder, should the many and variegated programs that have been added on to the original concept be paid for out of social security funds, and not out of the general funds o fthe Treasury.

A large volume of the mail received by our office reflects the concern of younger wage earners for the fact that the amount of that they contribute is probably far in excess of their reasonable expectation of return. Generally these correspondents recognize the necessity for increased payments in order to accomomdate the humane demands made of the system for the elderly, the infirm, and the unfortunate; but it seems to me that a basic inequity exists in the present structure and system which might be rectified with a skillful new approach.

I profess no special expertise or competence in this highly complex field and I make no specific proposals, but I think we might all benefit from a reidentification and a reexamination of the fundamentals and relationships of the system to the need.

Therefore, I would propose for consideration in the future, among other things, a system whereby a realistic tax structure would approximate the actuarial requirements of the system for participants who enter the work force at, say, age 18 and continue their contributions through retirement. Such a tax would probably be less than the present rate and far less than the proposed rates.

Perhaps the welfare aspects of the program, the payments which result from extraordinary circumstances and to which people are legally entitled after shortened participation in the system, should be recognized as an additional measure of security which should not be the unique and exclusive burden of the younger work force, and thus might be funded from the general resources of the Federal Treasury.

Notwithstanding the complexities of this bill and the intricacies of the debate which will precede the adoption of the ultimate form, I feel that we owe ourselves the duty and the obligation to bear in mind the fundamental concepts of the system.

I again commend the distinguished members of the Finance Committee for the fruits of their long labors. I will follow the debate with keen interest. And I am confident that the Congress will fashion a piece of legislation that will bring new hope to the lives of many.

SOCIAL SECURITY ACT AMENDMENTS OF 1967

The Senate resumed the consideration of the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

Mr. LONG of Louisiana. Mr. President, there are a large number of amendments to the pending bill, and I ask unanimous consent that the committee amendments be considered and agreed to en bloc, that the bill as thus amended be considered original text for the purpose of amendment, and that the amendments not be printed in the RECORD.

I make the last request because the Parliamentarian has advised me that it would be a great chore to print these amendments in the RECORD, and that doing so would achieve no purpose. The amendments are before us, they are a matter of public record, they are in the bill, and we will print any floor amendments as we proceed.

I am advised by the Parliamentarian that printing them in the RECORD would be a waste of time and an unnecessary expense, and that it would unduly burden the RECORD.

Because of the large number of committee amendments, I ask unanimous consent that we agree to them en bloc, each subject to amendment in the first and second degree, and that they be considered as original text, and that they not be printed in the RECORD.

The PRESIDING OFFICER. Is there objection?

Mr. WILLIAMS of Delaware. Reserving the right to object—I will not object; but, for the record, it should be pointed out that this protects the interests of any Senator who may wish to offer amendments so far as committee amendments are concerned. I believe it would be more advantageous to the Senate to proceed in the manner suggested by the Senator from Louisiana, and I have no objection.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LONG of Louisiana. I thank the distinguished Senator.

PRIVILEGE OF THE FLOOR

Mr. President, in the course of the consideration of the pending bill, it will be helpful for the Senate to have the advice of certain experts in the field of social security and public welfare legislation. We of the Comwittee on Finance asked these experts to help us in the consideration of the measure because the expertise in this field is limited, and it would be somewhat inefficient use of manpower to maintain all this available help on the committee staff for a year, when we call on them to help us and to advise only when we need them.

I therefore ask unanimous consent that Mr. Frederick B. Arner, Chief of the Education and Public Welfare Division of the Legislative Reference Service; Miss Helen Livingston, Assistant Chief of the Division; Mr. William Fullerton, social welfare specialist; and Mr. Francis Crowley, social welfare specialist, be given privileges of the floor during consideration of the Social Security Amendments of 1967.

The PRESIDING OFFICER. Without objection, it is so ordered.

SOCIAL SECURITY ACT AMENDMENTS OF 1967

The Senate resumed the consideration of the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

Mr. LONG of Louisiana. Mr. President, H.R. 12080, the Social Security Amendments of 1967, was reported from the Committee on Finance by a vote of 11 to 6. I regret to say that not a single Republican member of our committee saw fit to vote to improve the plight of our millions of elderly citizens who rely on social security and public welfare as a

bulwark for their very sustenance. I would have hoped that our committee could have brought to the floor a bill which had the same nonpartisan support that H.R. 12080 enjoyed when the House passed it by a vote of 414 to 3 earlier this summer. Unfortunately that is not the case.

A social security bill is always a product of many minds, many conflicting ideas and desires. This program is a program for people—and the people make known to their duly elected representatives their individual needs—pointing out where inequities exist in the program and where improvements can be made.

In acting on such a bill, we in Congress must balance social and economic priorities, keeping in mind always that benefits allowed must invariably be balanced by taxes. The decisions and recommendations of the Committee on Finance are reflected in the documents before the Senate today. As Senators look at this bill, which is over 400 pages, and the report, which is almost as long, they will see the handiwork of many authors. Many of the House bill provisions, which the Committee on Ways and Means had labored on for months, are worthwhile additions and improvements to the Social Security Act. We accepted about 50 of them without amendment. But we had our own ideas also—and many of them were generated by Senators who do not serve on the Committee on Finance. As a result of their suggestions and our own deliberations, Senators will find over 80 items in the bill before the Senate which are either new or which make substantial modifications of features contained in the House bill.

H.R. 12080, as reported by the committee, recommends major improvements in the provisions of the Social Security Act relating to the old-age, survivors, and disability insurance program, the hospital and medical insurance programs, the medical assistance program, the aid to families with dependent children, and other public assistance programs, and the child welfare and child health programs.

Looking first at the cash social security program, the committee bill provides for the payment of additional benefits totaling $5.8 billion during calendar year 1969, the first full year of operation of all the new benefit provisions—$2.4 billion more than would have been paid under the House bill. This cash benefit increase represents the largest percentage increase Congress has considered since 1950. It is the largest Congress ever considered in terms of absolute dollars. In total, $29 billion would be paid out in cash benefits in 1969 as compared to $23.2 billion if present law were not changed.

About 24 million social security beneficiaries would have their benefits increased because of this bill and 1¾ million people would become eligible for benefits under the bill after all the new provisions become operative. By far the most important change is an across-the-board increase in benefit payments which would average about 19 percent, with a guaranteed increase in monthly cash benefits of 15 percent for all beneficiaries on the social security rolls and with a new minimum benefit of $70 a month. Today, the minimum is a pitifully small $44 a month.

The level of living of all of these people would be improved under the committee amendments; 1.6 million aged people would be moved out of poverty, and about 200,000 of the aged could be taken off the public assistance rolls.

The higher benefits under the committee amendments would become payable for March 1968 and the first checks reflecting the increased benefits would be received by beneficiaries early in April 1968.

Moreover, to relieve the plight of people receiving old-age assistance, the committee added a new provision under which State old-age assistance programs would have to provide an average increase of $7.50 a month to elderly people getting assistance payments. The cost of this provision generally would be met out of the savings to the States that would result from the payment of increased social security benefits to people getting old-age assistance. With this amendment we are assuring that the social security increases provided by in this bill will not serve merely to reduce the cost of old-age assistance to the States—they will have to pass much or all of the savings on to the poor and the old people on their welfare rolls.

Let me describe briefly just how these social security increases would affect the average beneficiary.

The average monthly benefit paid to retired workers and their wives now on the rolls would increase from $145 to $171—$164 under the House bill. Monthly benefits would range from the new minimum of $70 to $163.30 for retired workers now on social security rolls who begin to draw benefits at age 65 or later, compared with $44 to $142 under present law and $50 to $159.80 under the House bill. There would be an increase, too, in the special payments for people now age 72 and older—from $35 to $50 for a single person and from $52.50 to $75 for a couple. Moreover, these amendments will have a very beneficial effect on people still working because of the earnings base increases under the bill to $8,000 in 1968, to $8,800 in 1969 and to $10,800 in 1972. This is a feature generally overlooked by those who question a change in the earnings base. A man age 50 in 1968, for example, who earns $8,800 a year until he is 65 will get a benefit of $204 at age 65—32 percent higher than he could get under present law, and about 10 percent higher than he would get under the House bill. If he earns $10,800 a year or more his benefit will be $223—nearly 44 percent higher than he would get under the present law, and 20 percent higher than under the House bill.

Moreover, survivorship and disability protection would be similarly increased for people earning above $6,600. For example, if a worker aged 35 in 1968 with annual earnings of $8,800 died in 1970, his widow and child would receive a monthly benefit of $267.60, or $44—nearly 20 percent—more than is provided now. And his widow at age 62 would get a monthly benefit of $147.10 or $24.10—nearly 20 percent—a month more than under present law. If the worker became disabled in 1970, he would get a monthly disability benefit of $178.30, an increase of $29.30—nearly 20 percent—a month over the amount he would get under present law.

Another important amendment the committee added to the House bill would permit individuals who have attained age 60 to retire and receive social security benefits. This amendment was ably sponsored by the Senator from West Virginia [Mr. BYRD]. It is an amendment that the Senate has agreed to previously. Hopefully, this time we can convince the House to accept it. Under existing law, full benefits can be received only when the individual reaches age 65 but both men and women may voluntarily elect to receive reduced benefits after they attain age 62—widows can now receive benefits on a reduce—basis at age 60. Benefits under this committee amendment would be reduced to reflect the longer period over which the individual would be receiving them. This earlier retirement age feature would become effective December 1968 and the first checks reflecting the change would be received in January 1969. This would mean that an estimated 775,000 people would start getting benefits sooner than they would under present law. Retired workers and their wives, aged parents and widowers, who cannot get benefits before age 62 under present law, will get some $555 million in benefits in the first 12 months of operation under this provision.

Mr. President, I am pleased to see that the Senator from West Virginia [Mr. BYRD] is now in the Chamber. He has fought for this provision over a period of years. At least on one occasion we took it to conference. I say we took it to conference, but the Senator from West Virginia fought valiantly for it, and the Senate went along with him. We labored for it in conference but I was disappointed when the House would not accept any part of it.

The Senator offered the amendment successfully to a bill just this year, but when it was eliminated, we assured him that it would be considered when the finance committee met. I am pleased to see that his handiwork is now a part of the bill before the Senate. I believe that it is a very good proposal and has great merit. I hope that this time we can prevail upon the House to agree to it.

Mr. BYRD of West Virginia. Mr. President, will the Senator from Louisiana yield?

Mr. LONG of Louisiana. I am happy to yield to the Senator from West Virginia.

Mr. BYRD of West Virginia. I thank the Senator from Louisiana for the consideration he has repeatedly given to my amendment. He has been most sympathetic to the idea of allowing voluntary retirement at the age of 60 for those who wish to retire. He has, in the past, been most helpful in promoting the amendment.

I am very glad that the committee has, in its judgment, seen fit upon this occasion to include the amendment in the bill before it was brought to the floor of the Senate.

I hope that the House conferees, in this instance, will accept the amendment. I believe that by virtue of the fact that the Senate has twice or three times accepted the amendment, and that in this instance the committee itself has adopted the amendment, the House conferees will be more persuaded to accept the amendment.

As I see it, many individuals in areas such as the State of West Virginia are to young to qualify under the present law for old-age and survivors insurance, yet because of some physical problem they are unable to find employment, their unemployment compensation may have expired, they have no income, they may or may not have saved a little money during their lifetime of work, or if they had been fortunate enough to have saved some money for a rainy day, they are forced to draw upon that. They may be forced to go to their children and stand at the gate with hat in hand. Their children have problems trying to raise their own families. In some instances, I suppose the only possible alternative that could provide sustenance for them would be welfare; so they are forced to go on welfare.

Thus, it was my thought and, I am sure, the thought also of the distinguished Senator from Louisiana [Mr. LONG] that this proposal would at least give people in such circumstances an opportunity to make a choice, depending upon the facts confronting them at the time; the choice of accepting social security at an actuarially reduced rate, or to wait until later when they might be able to receive a higher payment; but if physical incapacitation or other circumstances dictate that they should retire at the time, at least they would have the opportunity to do so if his amendment were agreed to.

Mr. LONG of Louisiana. The Senator from Louisiana was privileged to offer such an amendment in committee and to press for its adoption. He did so because he had worked with the distinguished Senator from West Virginia down through the years when the Senator from West Virginia had sponsored this proposal.

In the long run the cost would be zero, although in the short run, for its first year of operation, the cost would be approximately $555 million. But it is a very fine proposal, one which should be enacted.

There are all sorts of situations that make this a better proposal now than it was when the Senator from West Virginia first offered it, labored hard for it, and succeeded in persuading the Senate to agree to it.

For those reasons the committee was persuaded to agree to the amendment, notwithstanding the substantial case that could be made that if it were not agreed to in committee, for the Senator from West Virginia could again offer it on the floor of the Senate, and it would prevail.

I regard this as a good amendment. The Senator from West Virginia [Mr. BYRD] labored long and hard for it. It has more merit now than it did in the beginning, and I am satisfied that it was right when it was first agreed to. One reason why it has more merit today is that a person who is unable to find a job—not because he is disabled, but because he just cannot get a job—would be privileged to retire; but even if he could find a job if he met the liberalized earnings test effective in 1969, which we have placed in the bill, namely that he could earn $2,000 a year under the Byrd amendment, he could retire, continue working and still receive all of his reduced benefits. If he could receive that much and in addition receive social security benefits, even though the benefits were reduced by one-third, his retirement benefits plus what he could earn would enable him to get along pretty well. He might earn $150 a month and receive benefits of $75 or $80. Thus he could draw his benefits and supplement them with earnings under the liberalized base provided in the bill. So if the two factors are considered together, such a person would be helped substantially.

In addition, he might be receiving an additional benefit, such as a veteran's compensation check for disability or injuries incurred during wartime. Or he might have other resources which could help him to supplement his retirement benefit. Such income plus the reduced benefit, stretched over a longer period of time, could be of great importance to him.

I personally visualize this proposal as something that will help a large number of people who are not able to get the kind of jobs the Senator from West Virginia and I would like to see them have, but who could find some kind of employment to enable them to earn enough to supplement what they would receive as retirement benefits. In any event, if a person cannot get any employment at all, but assuming he is living with relatives, he can hold his head higher at supper time, knowing that he is helping to bear a part of the family burden.

Mr. BYRD of West Virginia. Do I correctly understand that, even though there will be an initial cost, over the long run the initial cost will be more or less washed out across the board and that there will be an evening out of the cost, so that in the long run there will not be any additional burden on the trust fund?

Mr. LONG of Louisiana. Yes, that is correct. But I must advise the Senator from West Virginia and the Senate that, unfortunately, it will be a considerable number of years—I believe it will be more than 20 to 25 years—before the amendment would begin to reduce the amount of money flowing out of the fund and start to increase the amount the fund would receive. But the long-term cost would be zero. The Senator is correct. However, in the long run, this provision can well be viewed as self-financing because of its reduced-benefits feature.

Mr. BYRD of West Virginia. I should like to see full benefits paid at age 60; but I think we must recognize that that would, indeed, place a great burden upon the social security trust fund. The public must understand that when the payments are increased or when there are costly innovations somebody has to pay the cost.

In this instance, over the long run, there will not be any additional cost. But if full benefits were paid at age 60, the public should realize that that would constitute a considerable additional burden on the fund. An additional tax would have to be imposed on the employee and the employer, and conditions have about reached the point where the tax already constitutes a tight pinch upon the employer. In order to avoid such an additional burden upon the employer and the employee, it was thought by me, in presenting this amendment, that at least an opportunity should be provided for an individual to retire at an actuarially reduced benefit, which would not cost the employee or the employer any additional tax. Otherwise, I think we would meet with considerable opposition in attempting to lower the retirement age to 60. Is that not true?

Mr. LONG of Louisiana. The Senator is correct. We do not, either now or in the future, need to increase the tax to cover this benefit. We feel the savings that will be achieved down through the years at a future point will be such that there is no necessity for increasing the tax on those who perhaps could not stand it, and as people achieve further benefits farther down life's path, the cost washes itself out.

Mr. BYRD of West Virginia. If we were to provide full benefits at age 60—which I think both of us would like to see—we would have to recognize that the cost would be inordinately high, and somebody would have to pay this cost and it would require additional taxes upon the employee and employer, and therefore would engender considerable opposition to the proposal, and we might not be able to get our colleagues to accept the proposal.

Mr. LONG of Louisiana. Mr. President, I am rather fully convinced that, meritorious as the proposal is to reduce the retirement age to 60 with full benefits, the cost would be so great and the group benefiting from age 60 retirement would be so small in number by comparison, that the result would be that there would be strong opposition to it unless we did what the Senator has suggested.

May I say that there is an additional problem here, in that it is not just whether this is desirable. The question is, Is this more desirable than a number of other things we could do if we had the same amount of money with which to work? For example, if we had an equal amount of money available, we might want to completely eliminate the so-called earnings test. As it stands now, when somebody retires, he can make $1,500 a year without reducing the social security benefits he receives. The House raised that limitation to $1,680 effective in 1968. The Senate Finance Committee raises it, starting in January 1969, to $2,000.

To eliminate it completely, as has been suggested, would cost about $2 billion a year. That is indeed a lot of money. The only reason we do not do it, frankly, is that the cost is tremendous—and thus, prohibitive.

That could be compared with the Senator's suggestion that there be full retirement benefits at age 60, which has much to recommend it. Many people would have that privilege and exercise it. It would be a popular thing, but it would cost so much money that it might discount the benefits from the actuarial point of view and undermine the system. When we consider that, we have to think in terms of what that money could buy for some other benefits for the retired workers. Those already retired probably would be in favor of completely lifting the earnings limitation. On the other hand, those who are ill would rather have more medical benefits. So we have to weigh these proposals, which are meritorious in their own right, against what we could do if the same amount of money were used for something else. We must weigh all the equities.

However, I would think that at a later date we could explore it again.

Mr. BYRD of West Virginia. Mr. President, if the Senator will yield, I want to say that if we were suggesting a mandatory or forced retirement at age 60 with reduced benefits it would be an unfortunate thing; but this is entirely voluntary, and if it is the wish of individuals who have jobs to work until they reach age 65, and then receive full benefits at that time, they may do so. But there are those individuals who are unable to work perhaps because of physical reasons but who are not physically incapacitated to the point where they can obtain disability benefits under social security. Yet, they cannot get a job. Their unemployment compensation benefits may have been exhausted. The wolf may be at their door. This amendment gives them an opportunity of making a choice. They may accept benefits at an earlier age, even though the benefits are reduced, and thus keep the wolf away from the door, and thereby avoid imposing themselves on their children, who may have problems of their own in trying to raise families. The amendment therefore benefits not only the prospective recipients but their children as well, and it might help relieve the welfare caseloads in some instances where these particular individuals might have to resort to public welfare to keep body and soul together.

Mr. LONG of Louisiana. If it would not do quite that, at least it would lessen the welfare load, because if a person were drawing $50 a month from social security, he would not need as much welfare assistance as he would need in the event he was not drawing any social security benefits. So he would not be as heavy a burden on the State welfare program, and the two programs working together would be to his advantage.

We provide in this bill that a person can draw public welfare benefits, in addition, and can make certain earnings to go along with them. So his payments would be more on balance, because he would be receiving his voluntary retirement benefits, and if he had some other income to go along with it, the two working together could solve the problem.

If someone loses his job and cannot get another one at age 60, the fact that he is entitled to get social security benefits starting at age 65 does not do him much good if he starves until he gets those benefits. So a large number of people would find it to their advantage to use this provision.

As I have said, we estimate that there would be 775,000 people who would avail themselves of this provision immediately, because of the proposal of the Senator from West Virginia.

Mr. BYRD of West Virginia. Mr. President, I again thank the distinguished chairman, Mr. LONG, for the kind consideration that he has given heretofore, and for the consideration he has given in this instance. I believe that the action we have taken is a humanitarian step. I believe it is a good amendment, and I have greater hopes than ever before that the House of Representatives will accept it.

Mr. LONG of Louisiana. I thank the Senator.

Mr. President, the committee also agreed to liberalize the treatment of disabled widows and widowers of deceased workers. Under the committee amendment, which incidentally was agreed to by a rollcall vote of 15 to 0, these widows and widowers would become entitled to a full benefit of 82½ percent of the amount their spouse would have been entitled to receive if he had retired at age 65. Under the House bill these persons would have received benefits of only 50 percent at age 50. This group was considered particularly deserving of aid because of their inability to go to work and earn incomes after their spouses had died. The provision would be effective in March and would make some 70,000 disabled widows and widowers eligible for benefits. An additional $71 million would be paid out to them in the first 12 months of operation.

The bill also contains a further liberalization of the retirement test in the social security law which today serves to reduce the benefits payable to an individual who earns more than $1,500 a year. The committee amendment authored by the senior Senator from Indiana [Mr. HARTKE] permits a retiree to earn as much as $1,680 a year in 1968 and $2,000 a year after 1968 without reduction of his social security benefits. This amendment would make it desirable for more social security retirees to accept part-time employment without losing any of their benefits.

The committee bill also provides for payment of disability benefits to blind persons having vision of less than 20/200 if they have at least six quarters of coverage under the social security program. This was the same proposal suggested by the Senator from Indiana some years ago, which he suggested again on this occasion.

Mr. RIBICOFF. Mr. President, will the distinguished chairman of the committee yield?

Mr. LONG of Louisiana. I yield.

Mr. RIBICOFF. I take this opportunity, Mr. President, of commending in the highest terms the distinguished chairman of the Committee on Finance for the results of the task that he has undertaken, as chairman, in working out the bill that is before us.

This is the most significant series of amendments to the Social Security Act that has been brought forth since the inception of the social security system itself. I commend the distinguished chairman for his patience, his courtesy, and his understanding in working out solutions to the basic problems that we have.

I think the chairman, on behalf of his committee, here offers to the American people for the first time a social security bill that is responsive to the realities of the economic conditions in America today. It makes it possible for those on social security, for the first time, to share in the generl affluence that this Nation has enjoyed over the past decade, but which has been denied, to a great extent, to the millions of retired individuals who have done so much to build up American affluence.

I believe, too, that we should not overlook the fact that while most of its emphasis is in the field of retirement income, the Social Security Act contains many general social welfare provisions.

Although great advances have been made in social security, the Senator from Louisiana has carefully worked out a series of amendments to the welfare provisions which I consider to be potentially one of the most significant features in the entire war on poverty, and the moving forward of an entirely new emphasis on welfare.

Very little attention has been given to this particular program, because it is so far down in the voluminous document which is the bill before us, covering some 423 pages.

For the first time the committee has included meaningful work provisions. Under the leadership of the Senator from Louisiana, it has worked out a series of provisions that make work training for people on welfare a reality. Not only that but the chairman has worked out a series of provisions under which individuals, once they are trained and qualified, will be afforded opportunities to work in either public institutions or public service institutions.

My prediction is that the future will show that these provisions the chairman has been able to work out will have a most significant impact on the war on poverty, and will have a beneficial effect in taking people off of welfare; and I did not wish to let this opportunity go by without commending the imagination, the leadership, and the depth of understanding of these overall problems of the distinguished Senator from Louisiana, and paying him the tribute he deserves.

Mr. LONG of Louisiana. Mr. President, I thank the Senator for the high compliment he has paid me.

May I say that when I first applied for membership on the Committee on Finance, I was not so much interested in taxes, tariffs, and trade laws, or even in the national debt. The thing that had most impressed me, when I asked to be a member of the Committee on Finance, was that it is the committee that handles social security, public welfare, veterans insurance programs, and other measures to help the disabled and unfortunate veterans who are handicapped as a result of their service to their country. This area of helping people that

comes within the jurisdiction of the Finance Committee impressed me even more than the tax jurisdiction we have, though it, of course, is enormously important.

Therefore, it was a matter of great joy to see the Senator from Connecticut [Mr. RIBICOFF] assigned to the committee. The Senator has tremendous experience in areas of helping people. He has served in the House of Representatives, and has served as Governor of his State, where he had responsibility for administering the welfare program of Connecticut. He came to us after service as Secretary of Health, Education, and Welfare. In that capacity, he brought major bills before us to provide care for the needy and the unfortunate, as well as the social security retirees, and struggled long and hard urging Congress to pass a bill to provide medical care for the aged.

He subsequently ran for and was elected to the Senate, and, to the pleasure of many of us, as one of his first assignments, came to the Committee on Finance. We have had no better qualified Senator to be assigned to work in the social security and public welfare area than the Senator from Connecticut, who has such profound knowledge and such a wealth of experience in this field.

I have sometimes had occasion to point out to the Senate, in reporting a bill, that there is more language in the bill suggested by the Senator from Connecticut than by any other member of the committee. I would not be surprised if that were the case here. If it is not the case directly, indirectly I am sure it would be, because when anyone made a suggestion as to what should or should not be in the bill, the Senator from Connecticut who has usually had more practical, down-to-earth experience than any other member of the committee, has been able to tell us whether he thinks the idea is good or bad.

So on this occasion, as on others, there are a great many things in the bill which the Senator thought should be added as amendments to the House of Representatives provisions.

I particularly appreciate the kind words of the Senator in view of the great contribution he has made in this field.

Mr. RIBICOFF. Mr. President, what I would like to see further achieved by the Finance Committee under the able leadership of the chairman is a little more overview in the whole medicare field.

Medicare has so many problems and has such a great impact that, as I have observed medicare working during the past year, I believe there is much more that we have to do as a finance committee in the field of oversight. If we do not do this as a committee, I have great fears that the burdens will continue to multiply and we may be faced with tremendous costs.

The costs of medicare are going up astronomically, with respect to both medical and hospital fees. I think that the question of the management of medicare is going to require the careful scrutiny of the Finance Committee and the Ways and Means Committee who have the basic task of making sure that this program does not get away from us. But, again, I do want this record to show what the Senator from Louisiana has achieved in the welfare section of the pending bill. In many ways it will have a great impact on the future of our Nation.

I pay my highest compliments to the Senator from Louisiana.

Mr. LONG of Louisiana. I thank the Senator. As the Senator so well knows, in many respects, this is the most important social security bill that we will have passed. We have to judge these things relatively speaking.

The Senator from Connecticut played a major part in the passing of the Social Security Act of 1965, which included the medicare amendment.

That was a tremendous advance in the social security program and a very controversial advancement, may I say. And the Senator is quite correct that just as soon as we can find some time to do it and assign Senators to that task, we should take a greater look in depth at the medicare problem and see if we can find ways in which the law can be improved and see if the law is being administered as efficiently and effectively as it might be.

I know that no one can make a greater contribution in that area than can the distinguished Senator from Connecticut.

I look forward to working with him on this particular problem.

Mr. ELLENDER. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. ELLENDER. Mr. President, I am proud of the fact that the distinguished Senator from Connecticut has paid such high tribute to my colleague. I join in everything the Senator from Connecticut had to say in that regard.

The junior Senator from Louisiana has worked hard and constantly on this program. I know that the bill is in good hands.

I have not had the chance to study the report and go over the bill. However, in view of the fact that larger payments will be made and more people will be taken under social security, I wonder what impact these additions will have on the trust fund that has been created up to this moment.

Mr. LONG of Louisiana. The trust fund in 1968, which is the first year that this law will go into effect, will collect approximately $2.2 billion more in taxes than it pays out in terms of benefits.

The bill as proposed by the Committee on Finance does not start the increased benefits until the month of April. The benefits are payable for the month of March, but the first check will be sent in April. The increase in taxes is not achieved by an increase in the rate of tax in 1968, but is achieved by raising the base from $6,600 to $8,000.

This wage base increase will raise $100 million a year more, when compared to the House bill, than would be paid out.

It was originally estimated that there would be about a $4.1 billion surplus under present law flowing into the fund.

The administration recommended that benefits should be paid to the extent that that surplus would be reduced to $300 million. The House did not see fit to so reduce the surplus flowing into the fund, but did reduce it by approximately $2 billion, with a $2.1 billion excess of income over outgo.

On balance, what the Committee on Finance has done would cause the surplus flowing into the fund to be increased by about $100 million a year over the increase occasioned by the action of the House for the fiscal year 1968.

Mr. ELLENDER. In the long run, is it my colleague's view that the taxes imposed will not in any manner impair the amount necessary to meet all these obligations in the future?

Mr. LONG of Louisiana. They will not. This bill would maintain a surplus flowing into the fund every year.

Mr. ELLENDER. Over and above the payments?

Mr. LONG of Louisiana. The Senator is correct. For example, I show the Senator a compilation here, which I will discuss later, showing that in 1968 we would have a surplus flowing into the fund under the Senate bill of $2,200,000,000. In 1969 the tax would increase, so that there would be a surplus of $3,600,000,000.

Mr. ELLENDER. After paying these additional benefits?

Mr. LONG of Louisiana. The Senator is correct. In 1970, there would be a surplus of $3,600,000,000. In 1971, there would be a surplus of $6,600,000,000. In 1972, there would be a surplus of $8,600,000,000.

I say to my friend, the senior Senator from Louisiana, whom I have always admired for his dedication and service to his country, that this excess is so great that it sometimes causes me to ask whether, perhaps, in some future year we might not want to postpone some of the tax increases we vote here.

It was the judgment of the committee, however, that this amount would be about what would be needed to maintain an amount in the fund adequate to meet about 1 year's benefit payments if no additional money were to flow into the fund.

Mr. ELLENDER. I am certain that my colleague is familiar with many of the charges made to the effect that by adding these additional benefits—and I think we did it in the past on two or three occasions—we would tend to impair the soundness of the fund. The fear was that those who are paying into the fund now in order to be entitled to payments in, say, 25 or 30 years hence, might not be able to collect because the fund would be so taxed by withdrawals that there would not be a sufficiency to meet all obligations.

Mr. LONG of Louisiana. That charge would not be correct at all. It is a false and misleading one. On page 124 of the report, there is a summary of an actuarial study made by the chief actuary of the social security system, a man who is regarded as one of the best experts on the subject. I shall read only one sentence from that page.

He said:

Accordingly, the old-age and survivors insurance program, as it would be changed by

the committee-approved bill, is in close actuarial balance, and thus remains actuarially sound.

Mr. RIBICOFF. Mr. President, will the Senator yield for a comment on this point?

Mr. LONG of Louisiana. Mr. President, I yield to the Senator from Connecticut.

Mr. RIBICOFF. Mr. President, is it not true that before action was taken, the chairman and the majority of the committee were most careful to solicit from the actuarian the assurance that every step that was taken in this bill was actuarially sound and that, as a matter of fact, the amount that the contributions exceed benefits in the Senate bill is in the sum of $100,000,000 more than provided by the House bill, even though the Senate bill contained additional benefits.

Is it not also true that, concerning the soundness of the fund, the Advisory Committee on Social Security, which meets from time to time under the law to make its survey and review to the President and Congress, time and time again has assured the Nation and the executive branch of the Government and the Congress that the social security fund is actuarially sound.

The people who serve on this advisory committee are top people in the field of insurance and banking and time after time they have made very careful scrutiny and surveys of everything that has been done. We have been assured of the actuarial soundness of the fund.

The House bill provided for wages up to $7,600 being subject to taxation, and I believe the chairman insisted that the wages upon which taxes be paid go up to $8,000, to assure that there would be additional revenues in the fund, as well as pay for the additional benefits which the committee approved.

Mr. ELLENDER. I simply wish to express the hope that my colleague and those who helped draft this bill will stick by their guns and make sure that enough funds are provided to take care of the additional expenses caused by drawing many more recipients into social security. It will be an easy matter to increase the payments on the floor of the Senate, or perhaps to leave them as they are. On the other hand, efforts might be made to cut back on the tax portion of it, so that the fund might be impaired unless Congress insists that the tax structure remain in line with what the committee believes is needed in order to pay all recipients.

Mr. RIBICOFF. In watching the chairman work in that committee, I have never known him not to insist that that is exactly what should take place. I believe the chairman has been very careful and very solicitous to be assured that whatever benefits are voted will be more than compensated by the taxes that are received.

There is a difference of opinion as to what method should be used and what timetable should be used; but, basically, so far as the chairman is concerned, the plan ultimately adopted by the majority was one that he was assured was actuarially sound.

Mr. LONG of Louisiana. May I add that in past years, the House Committee on Ways and Means has been most conservative in estimating both receipts and expenditures, to assure that every one of these additional benefits would be accompanied by a tax more than adequate to pay for it. This would, in effect, build up these reserves, with the result that we have projected into the social security trust funds, under present law and at the time the House looked at this problem, a surplus of $4,100 million for 1968.

The Senator well knows that so long as you take in more money than you pay out, you will never go broke.

The $4,100 million of projected surplus was so impressive that at one time the ranking Republican member of the House committee actually suggested an 8-percent increase in social security benefits, without any accompanying increase in social security tax, because of the large surplus coming into the fund. The administration actually recommended that we reduce such surplus by $4 billion. I do not believe the President would press for anything such as that at this time because of other fiscal and monetary problems, with which my colleague is more familiar than I, because he serves on the Committee on Appropriations.

However, the House did not buy all of the suggestion to deplete the surplus. The House chose to fund a part of the benefits that it was voting in this bill; and rather than reduce the surplus by $4 billion, it reduced it by only $2 billion for 1968. Whereas the House would raise taxes to pay for only a small portion of additional benefits voted by the House, the Senate Committee on Finance in a responsible fashion raises $100 million more than necessary to pay for the benefits that we voted.

So this committee has not been at all reluctant to vote for the payment of the benefits we included. At one time, we even went to the extent—I believe, from hindsight, we went too far—of voting to actually raise enough money to fund both what the House had done and what we had done; not only maintain the surplus but even increase it. Frankly, when it was pointed out to us that such action might subject us to the charge that we were trying to balance the budget by raising social security taxes, we decided that we would like to have a second look at the matter. We concluded that so long as we raised as much money as we proposed to pay out, we were being very responsible, so far as the Senate was concerned. We reported this bill with the committee recommendation that everything added to the bill be funded in the year in which the additional increases would be provided.

Mr. ELLENDER. I hope Congress will stick with the amounts fixed in the bill, both as to payments and the tax necessary to meet the additional costs.

Mr. LONG of Louisiana. Please understand that the House voted to reduce the surplus of that fund by $2 billion. Before anyone points a finger of scorn at the House, it should be clearly understood that the House of Representatives—and in particular the chairman of the Ways and Means Committee, Mr. MILLS—is more responsible than anyone else in Congress for the fact that the fund was projected to have a surplus next year of $4.1 billion.

Mr. WILLIAMS of Delaware. The Senator points out that the benefits in calendar year 1968 as approved by the Senate committee would be approximately $300 million more than the House bill, whereas the tax provided in the Senate bill would bring in additional revenue above the House bill of approximately $400 million in calendar year 1968, which leaves a $100 million so-called surplus that would be paid.

Mr. LONG of Louisiana. That is compared with the House bill. I am only talking about what the Senate committee did.

Mr. WILLIAMS of Delaware. That is correct. But it should be pointed out that, to arrive at that figure, the Senator is proceeding on the premise that the Senate bill will be in effect for 9 months of the calendar year 1968, and he is comparing that with the House payments for 12 months. If you put them on the same monthly basis you get an entirely different picture.

Mr. LONG of Louisiana. I do not quarrel with the Senator about that. We put a tax into effect for 12 months, and we bring in $100 million more than we pay out in 9 months. So we assert a tax sufficient to pay the benefits.

To the extent the committee voted additional benefits for calendar year 1968, we put the tax on to pay for it. Similarly to the extent we voted for additional social security benefits in 1969, we put the tax on to pay for it.

Mr. WILLIAMS of Delaware. The bill as reported by the Committee on Finance provides three and a half billion dollars additional benefits for 9 months in calendar year 1968. This amount is over and beyond the benefits which would be paid under existing law. The bill as reported by the Committee on Finance would raise $1.6 billion over the amount provided in existing law, which means that in calendar year 1968 we would pay out $1.9 billion more than would be raised in revenue. So I believe we should have the benefits and the income more properly balanced before we put any halos around our head for balancing the budget.

Mr. LONG of Louisiana. If one adopts the attitude that the Senator from Delaware takes, that you should pay for the benefits for which you voted, this was achieved by the committee since to the extent we added benefits to this bill, we have paid for them, plus $100 million for added good measure.

Mr. WILLIAMS of Delaware. But when the Senate committee reported the bill we did not report just the Senate amendments. We reported the House bill as amended by the Senate, and that is the bill now before the Senate. We are talking about the bill as it is presently before the Senate and its full impact both in benefits and taxes.

Mr. LONG of Louisiana. If one wants to look at the entire matter—what the House did, plus what the Senate committee proposes to do—we would raise

$2 billion more in taxes than we would pay out in 1968. So the fund would have $2 billion more in January, 1969, than it would have if we do not have this bill.

Now, I would be happy to concede that if the President vetoed the bill, there would be $2 billion more in the fund than otherwise. The ranking Republican member of the House Ways and Means Committee, the counterpart of the Senator from Delaware, at one time proposed an 8-percent increase in social security benefits, with no increase in the tax, because there was so much surplus falling into the fund. That suggestion would have completely eliminated any excess. This excess became available to the fund mainly because the chairman of the House committee, the Honorable WILBUR MILLS, the Representative from Arkansas, has been very conservative through the years and has fought valiantly for the position that every time we add benefits, we should add a sufficient tax so that the social security fund would in no way be impaired.

When the House reduces the surplus flowing into the fund I do not point a finger of scorn. The Senate is responsible for what happens to surplus here.

Mr. RIBICOFF. Mr. President, I support the social security bill now before us, and I extend my congratulations to the Senator from Louisiana, who, as chairman of the Committee on Finance, has worked long, hard, and skillfully to produce this bill. The proposed changes in the social security program would continue the progress that has been made toward providing a better life for older Americans. The major part of this progress would be accomplished through substantial improvements in the cash-benefits provided under the social security program. It is important that these proposed changes in the social security program be enacted into law.

The cash benefits that are provided under this program, on which almost 24 million Americans—one out of nine of our people—rely to meet their basic needs, are inadequate in our society today. The level of cash benefits under the current program are too low.

The average benefit for retired workers today is about $85 a month; for aged widows, the average is $74 a month. In a country like ours, our retired citizens should share in the expanding prosperity most of us have come to know and enjoy. The 15-percent across-the-board benefit increase provided by the bill is a needed increase. A great many social security beneficiaries must live only on their social security benefits, and for almost all beneficiaries, social security benefits are their main source of support. It is for this reason that the level of social security benefits is the all-important factor in determining how well these people will be able to live. Under the 15-percent across-the-board benefits that now range from $44 to $142 for retired workers will be increased to a range of $70 to $163. Under the bill, a worker getting a benefit equal to the average benefit now payable—about $85 a month—will get about $98 a month. The average benefit for an aged retired couple will be increased from $145 a month to $171 a month.

The bill not only provides an increase in current cash benefits averaging 19 percent, but, as a result of the higher amounts of annual earnings that would become creditable toward benefits—from the present $6,600 to $10,800 ultimately—provides for an increase of about 70 percent in the maximum benefit that will ultimately become payable under the program. Under present law, the maximum benefit is $168—based on average monthly earnings of $550 to $6,600 a year—under the House bill, the maximum benefit would be $212—based on average monthly earnings of $633 to $7,600 a year—and under the committee bill, the maximum benefit would be $288—based on average monthly earnings of $900 to $10,800 a year.

In general, the new maximum retirement benefits would be paid to workers who are now young, and who consequently will pay contributions on the higher amounts of earnings that would count for social security contributions and benefits purposes over a considerable period of time before they retire. Because of the higher contribution and benefit base, though, benefit amounts would be increased significantly over those that would be payable under present law and under the House bill for workers who are much older now and who consequently will pay on these higher amounts for a much shorter period.

A man age 50 in 1968, for example, who earns $8,800 a year until he is 65 will get a monthly benefit of $204 at age 65—32 percent higher than he could get under present law, and 10 percent higher than he would get under the House bill. If he earns $10,800 a year or more his monthly benefit will be $223—44 percent higher than he would get under present law, and 20 percent higher than he would get under the House bill.

Also, because of provisions of the law which allow the substitution of years of higher earnings after age 65 for years of lower earnings before that age in figuring retirement benefits, workers who continue working after age 65 could get the higher benefits made possible by the increase in the contribution and benefit base even more quickly than those who retire at 65. For example, if the worker described above were able to work 5 additional years before retiring he would get a monthly retirement benefit at age 70 of $249 under the proposal—an increase of $87 a month—54 percent—over the amount he would get under present law and $51 a month—26 percent—more than he would get under the House bill.

Survivorship and disability protection would be even more quickly increased for all those earning above $6,600. For example, if a worker aged 35 in 1968 with annual earnings of $8,800 died in 1970, his widow and child would get a monthly benefit of $267.60—$44 more than is provided now and $11 more than would be provided under the House bill. And his widow at age 62 would get a monthly benefit of $147.10—$24.10 a month more than is provided under present law, and $6 more than would be provided under the House bill. If the worker became disabled in 1970, he would get a monthly disability benefit of $178.30, $29.30 more than is provided under present law and $7.30 more than would be provided under the House bill. In each of these cases, the increase would be 20 percent more than under present law and 4 percent more than under the House bill.

These improvements in benefits will help present and future generations of aged and disabled workers and their dependents and survivors live in decency and dignity when they cannot depend on current earnings.

When the Congress brought the social security program into being in 1935, the purpose was "to assure support for the aged as a matter of right rather than as a public charity" and to provide benefits in "amounts which assure not merely subsistence but some of the comforts of life." This bill will enable us to take a big step forward toward the goal we set for ourselves more than 30 years ago.

The 15-percent increase in benefits and the increase in the minimum benefit provided by this bill will enable retired and disabled workers and their families to take part in the level of living enjoyed by other Americans. Today more than 5 million older Americans live in poverty. The increase provided in H.R. 12080 will remove more than 1½ million of these older citizens from a life of poverty. It will take them away from a life dependent upon public charity.

The social security program is soundly financed and it is a good buy for the covered worker. Both the House Committee on Ways and Means and the Senate Committee on Finance have examined the social security system in great detail and recommended changes to strengthen the present program.

The Congress has always been concerned about the financing of the program and has always made full provision for meeting the cost of the benefits it has provided. This bill also makes full provision for the cost of present benefits and for the cost of the additional benefits that are provided in the bill. We have before us a bill which gives consideration to the needs of the elderly and the disabled and equal consideration to the needs of those who will call upon the program in the future. Every citizen can be assured that his contributions are supporting a sound program and that the schedule of contributions provided in this bill will be sufficient to pay adequate benefits to those who are now eligible and to those who will become eligible in the future.

There is no question in my mind, or in the minds of those on the Committee on Finance who have recommended that the Senate pass this bill, that the proposed improvements in benefit levels are needed and that the bill makes full provision for meeting the cost of the improvements. As in the past, we have adopted, under the leadership of the distinguished chairman of the committee, a financing provision that will assure the financial soundness of the program both in the near future and over the long range.

Under this schedule, the combined employee rate for cash benefits and for hospital insurance for 1968 would be 4.4

percent—the same as provided under present law. The rate would be slightly lower for 1969 and 1970—4.8 percent instead of 4.9 percent—and for 1971 on, the rate would be higher than present law, eventually reaching an ultimate rate of 5.8 percent in 1980, as compared to an ultimate rate of 5.65 percent in 1987 under the present schedule.

This tax schedule, along with the increases in the amount of annual earning subject to the tax and the current favorable actuarial balance of the present social security program, will meet the cost of the additional benefits both in the short run and in the long-range future. In 1968, under the committee bill, an estimated $25.7 billion in cash benefits would be paid out and contribution income to the program for those benefits would be $27.1 billion. This is an additional $300 million in benefit payments and an additional $300 million in contribution income for 1968 over the House bill. Thus, the bill as reported out by the Finance Committee is as financially responsible as was the bill passed by the House.

Social security is the Nation's basic system for assuring income for workers when they retire or become disabled and for their survivors when they die.

This is a program that is vital to our society. As times change, as the needs of the people change, the social security system must stay abreast of the times, to meet new needs and changing conditions.

The social security legislation before us is timely, responsible, financially sound, and responsive to the needs of America as we approach the 1970's. These proposed amendments to social security should be approved.

(At this point, Mr. YOUNG of Ohio assumed the chair.)

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. CURTIS. Is it not true that the increased revenue up through the year 1970 comes from raising the wage base?

Mr. LONG of Louisiana. Partly, there is a scheduled rate increase from 4.4 to 4.8 percent in 1969.

Mr. CURTIS. Is it not true that that will raise social security taxes only for about one-third of the social security tax?

Mr. LONG of Louisiana. For 1968, yes; about one-third.

Mr. CURTIS. Is it not true that the tax rate that will prevail through the year 1970 is lower than that provided by existing law?

Mr. LONG of Louisiana. Will the Senator repeat his question, please?

Mr. CURTIS. Is it not true that the tax rate provided for in the bill before us through the year 1970 is lower than the rate provided for by existing law?

Mr. LONG of Louisiana. I do not know what the Senator refers to. My impression was that the tax is 4.4 percent in 1968.

Mr. CURTIS. I shall restate the question. Under present law, in 1969 the rate goes to 4.9.

Mr. LONG of Louisiana. Yes.

Mr. CURTIS. Under the bill before us the rate goes to 4.8, so that for the years 1969 and 1970, the rate provided in the bill before us is below the rate provided in the present law.

Mr. LONG of Louisiana. Yes; for 1969 and 1970.

Mr. CURTIS. So that in other words we have a bill before us——

Mr. LONG of Louisiana. But the Senator should understand that that does not mean we are not going to collect more money; we increase revenue because we raise the wage base.

Mr. CURTIS. Oh, yes.

Mr. LONG of Louisiana. We are taxing more money but at a lesser rate.

Mr. CURTIS. Fewer people. You have raised benefits for everybody and lowered the tax rate from the existing law from two-thirds——

Mr. LONG of Louisiana. Perhaps two-thirds may think they have gotten a tax cut, because that rate will be 4.8 percent, 1 percent less than present law. As far as those people are concerned they are going to look upon that as a 20-percent increase in the social security tax. The fact that it could have been 4.9 percent is not going to make them happier. The rate will not be as high but we would tax a higher base and bring in more revenue.

Mr. CURTIS. My point is that you are increasing the revenue over existing law by extracting that increase from those who make more than $6,600 a year.

Mr. LONG of Louisiana. One could look at it that way if he chose to.

Mr. CURTIS. Yes.

Mr. LONG of Louisiana. Others view it on the same basis as when inflation shrinks the purchasing power of money. In order to maintain benefits at the same purchasing level one must apply the rate against a larger amount of dollars. Thus benefits could be raised and still have the money to pay for them.

Now let me describe for the Senate how the benefits provided for in the committee's bill will be paid. We propose to put this program on as close to a pay-as-you go basis as we possible can keeping in mind the financing actions taken by the House of Representatives when it approved the bill by a vote of 414 to 3 earlier this summer.

The House proposed to finance its $3.2 billion of benefits for 1968 partly by using up about $2 billion of the excess cash which had built up in the social security trust fund and which was not needed for a long-range solvency of the benefit system. The remaining $1.2 billion of cost would have been financed through additional taxes in 1968 resulting from an increase in the taxable wage base for that year from $6,600 to $7,600.

Our committee bill increases the level of benefits proposed to be paid out in 1968 by $300 million over the level of the House bill—making our total cash payment $3.5 billion for that year. The additional $300 million which the committee added to the House bill would be fully paid for by increasing the wage base limitation to $8,000 in 1968. With this higher wage base our bill will produce $1.6 billion of revenue for the system in 1968—$400 million more than the House bill would raise. Thus the benefits we add to the House bill for 1968 are fully paid for by the taxes we add to the House bill.

There have been discussions of the impact this legislation may have on the economy in 1968. It has been suggested in some quarters that H.R. 12080 would exert inflationary pressures in 1968 and that this would be unwise in light of today's economic situation. This argument develops from the method of financing chosen by the House of Representatives—a method endorsed by a vote of 414 to 3, or almost unanimously. As I have pointed out, that body felt the anticipated trust fund surplus was more than was needed to insure the integrity of the social security system, particularly after the 1966 actuarial revisions revealed significantly lower long-term costs for the old age and survivor insurance portion of the system.

Congress has taken the position for many years under both Democratic and Republican administrations that we should not assess greater taxes through the social security system than are actually needed to keep it sound. The financing features in H.R. 12080 adhere to this principle.

In essence, the committee bill, while increasing 1968 benefits by $300 million over the House bill and by $3.5 billion over the present law, also provides for tax increases sufficient to produce $2.2 billion more revenue for the trust funds than would be paid out in benefits. This $2.2 billion surplus of income over outgo compares with the $2.1 billion surplus which would occur under the House benefit and tax structure. It contrasts sharply with the result which would have come about if the original administration's recommendations had been enacted. Under those proposals the surplus would have been reduced to only $300 million for 1968.

Compared with those recommendations our committee bill cannot be viewed as inflationary. If one chooses not to make this comparison, however, but prefers to relate our bill to the existing law under which the 1968 excess would be $4.1 billion, let me respond by pointing out three facts:

First, the gross national product of our Nation is running at an annual rate of almost $800 billion, and personal consumption expenditures are more than $465 billion a year. The vast nature of these economic indicators cause me to wonder just how significant a factor either the House bill or the Finance Committee bill can be in exerting pressure on our immense economy. And, I would like to remind Senators that the $2 billion we are talking about is almost precisely the amount of the tax handouts this Senate and this Congress voted for big business when it reinstated the investment tax credit earlier this year. Senators who voted for that measure, and I did, were not concerned with inflationary pressure although it was the boom in the capital goods industry which prompted us to suspend the credit in the first instance a year ago, for which I also voted. It is inconceivable to me that a Senator would vote a tax bonanza of almost $2 billion for business and then proceed to

deny widows, widowers, orphans, and poor old retired people a small increase in their social security pension on grounds that that might inflate the economy.

Second, the types of expenditures for which social security checks are generally spent—food, clothing, and shelter—are the least inflationary types that could be imagined. These people do not heat up the economy by buying an extra dozen eggs. They do not start an inflationary panic by purchasing that pair of shoes they had been doing without. They are very likely to want to hoard a part of the increase to help with future doctors bills or for some other unforeseen, but feared, emergency. In my opinion, the inflationary argument when applied to this social security bill is a fiscal bugaboo—a specter designed to frighten, but wholly lacking in substance.

Third, it is an incontrovertible fact that the social security fund is in the black now and will be in the black in 1968, 1969, and 1970, and all into the future to the year 2010 for we do not project beyond that year. Since it is operating with an excess of income over outgo now and will continue to so operate, it can only be concluded that the social security trust fund acts not as a stimulant to the economy, but as a depressant because it is taking more money out of circulation than it is putting back in.

For the benefit of Senators and others who desire more information regarding this aspect of the bill, I refer them to a table which compares the contribution income and benefit outgo of the social security program under present law to the House bill and the Finance Committee bill, and ask unanimous consent to have it printed in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

OASD HOSPITAL INSURANCE INCOME AND OUTGO, PRESENT LAW AND H.R. 12080

[In billions]

Year	Contribution income			Benefit outgo			Excess of contributions over benefits		
	Present law	House bill	Committee bill	Present law	House bill	Committee bill	Present law	House bill	Committee bill
1967	28.5			24.2			4.3		
1968	29.6	30.8	31.2	25.5	[1] 28.7	[2] 29.0	4.1	2.1	2.2
1969	33.7	34.9	36.3	26.9	30.3	32.7	6.8	4.6	3.6
1970	35.2	36.5	38.3	28.2	31.7	34.4	7.0	4.8	3.9
1971	36.2	40.3	42.5	29.4	33.1	35.9	6.8	7.2	6.6
1972	37.2	42.0	46.0	30.8	34.6	37.4	6.4	7.4	8.6

[1] Assumes that increased benefits will be payable for all 12 months of 1968 (as would have been the case if bill had been enacted when it passed the House).
[2] Based on effective date of March (payable at beginning of April) for increased benefits.

Note: Benefit outgo data include increase in hospital insurance benefit-cost estimates made following passage of House bill.

Mr. LONG of Louisiana. Mr. President, the present social security employee contribution rates—4.4 percent for cash benefits and for hospital insurance, combined—would be retained through 1968 and the rate schedule for 1969 would be slightly lower under the bill than under present law—4.8 percent as opposed to 4.9 percent. These rates would be increased in steps until reaching an ultimate rate of 5.8 percent in 1980 and thereafter—an increase of only 15 one-hundredths over the 5.65 percent rate now scheduled as the ultimate rate, and one-tenth of 1 percent lower than the ultimate rate in the House bill.

Our rate structure is identical to that in the House bill through 1980. The House bill would have increased the rate on to 5.9 percent in 1987, but we did not adopt this last step increase because of the higher wage base that we have included in the bill. As I have pointed out, our wage base goes to $8,000 in 1968. In 1969, it would increase further to $8,800 and in 1972 it would go to $10,800 on a permanent basis.

In the area of medicare, the committee made an important improvement in the billing procedures provided for by existing law. Today, a patient must first pay his doctor and receive a receipted bill in order to be reimbursed for his medical expenses under the program—unless his doctor agreed to take an assignment and submit his bill directly to medicare. Under the committee amendment, initially offered by the junior Senator from Connecticut [Mr. RIBICOFF], this pay-first requirement would be deleted, and instead, the patient would be allowed to submit an itemized bill from his physician to medicare, receive his payment under the program, and then pay the doctor's bill. This desirable change should eliminate a great deal of procedural problems in medicare. However, as under existing law, the alternative would be continued under which doctors who choose to do so could elect to take assignments from their patients and bill medicare directly for their fees.

The committee also has improved the medicare program by adding additional days of hospital care, and by including certain services of podiatrists, chiropractors, and optometrists under medical insurance, as well as by making numerous changes which simplify administration and bring greater equity to this fine program passed by the Senate just a little more than 2 years ago. In connection with these changes, I should like to recognize the important roles played by the distinguished Senator from Connecticut [Mr. RIBICOFF]; the Senator from Minnesota [Mr. MCCARTHY]; the Senator from Georgia [Mr. TALMADGE]; the Senator from Montana [Mr. METCALF]; the Senator from Oklahoma [Mr. HARRIS], and the Senator from Kansas [Mr. CARLSON].

The committee also adopted a modification of the amendment introduced by the distinguished senior Senator from New Mexico [Mr. ANDERSON] to coordinate hospital insurance and public assistance reimbursement with State planning under the Partnership for Health Act. The members of the committee felt that the medicare program should not be negative and disruptive to the efforts of local, State and areawide planning agencies who are trying to bring some order to our health care system and thereby help slow down soaring hospital costs. The medicare and medicaid programs would not pay depreciation or interest on debt for a large capital expenditure made by a hospital or other health facility over the specific disapproval of the State "partnership for health" agency.

Another amendment in the medical area deals with the deduction of medical expenses by persons age 65 and over. Until the Social Security Amendments of 1965, these aged taxpayers could deduct their medical expenses without limit, whereas those under age 65 could deduct only their extraordinary medical expenses. The 1965 amendments subjected taxpayers age 65 and over to the same limitations applicable to younger taxpayers and made the restriction effective in 1967. The committee amendment, a modified version of the amendment of the Senator from Florida [Mr. SMATHERS], would restore the full deduction for medical expenses for persons age 65 and over, but only if they elect to forego their rights to all benefits under the medicare program.

Mr. President, in that connection, we felt that something should be done to create a better equity and also to moderate the cost. It was the suggestion of the Senator from Delaware [Mr. WILLIAMS] to make it possible for us to work out an arrangement we thought would be appropriate and feel that it would not be unduly favorable to those with high incomes but would be offering persons the choice of having a higher deduction which, in some instances, would be more advantageous to them. I am very pleased that the Senator from Delaware [Mr. WILLIAMS] was able to work out a way wherein this could be resolved.

Important as the social security and medicare amendments are, this bill may be recognized as the most significant public assistance bill since the 1935 act.

Like the Committee on Ways and Means of the House, this committee has become concerned about the continued growth in the number of families receiving aid to families with dependent children—AFDC. In the past 10 years, the program has grown from 646,000 families that included 2.4 million recipients to 1.2 million families and nearly 5 million recipients. Moreover, according to estimates of the Department of Health, Education, and Welfare, the annual amount of Federal funds allocated to this program will increase greatly—from $1.46 billion to $1.84 billion—over the next 5 years unless constructive and concerted action is taken now to deal with the basic causes of the anticipated growth. Our concern is not only fiscal but human. We are worried about the effect on the human spirit of protracted periods on "welfare"—periods which are beginning to stretch from generation to generation.

Because of its concern, the Committee on Finance recommends the enactment

of a series of amendments to carry out its intent of reducing the AFDC rolls by restoring more families to employment and self-reliance.

The first series of amendments is designed to encourage and make possible the employment of adults in AFDC families. These provisions are aimed at this purpose:

First, the establishment of a work incentive program under the Department of Labor for the purpose of restoring members of AFDC families—including those with little or no work experience—to regular employment through counseling, placement services and training, and arranging for all others to get paid employment in special work projects to improve the communities in which they live;

Second, a requirement that all States furnish day-care services and other social services to make it possible for adult members of the family to take advantage of the work and training opportunities under the work incentive program; and

Third, a requirement that all States exempt part of the AFDC recipient's earnings to provide incentives for work in regular employment.

The second series of amendments would set up new protections for the children in AFDC families and would make more certain the fulfillment of parental responsibilities:

First, a requirement that the States establish a comprehensive plan of social services for each AFDC child to assure the child the maximum opportunity to become a productive and useful citizen;

Second, a requirement that State welfare agencies refer cases of child abuse or neglect to appropriate law-enforcement agencies and courts;

Third, a requirement that protective payments and vendor payments be made where appropriate to protect the welfare of the children;

Fourth, Federal payments for additional foster care situations under the AFDC program;

Fifth, a requirement to assure that fathers who desert or abandon their families will contribute to the support of their families by using available tax records and the tax collecting and enforcement power of the Internal Revenue Service. This is a matter in which I have been particularly interested. In addition, there would be a requirement that the States establish separate units to enforce the child-support laws, including financial help to the courts and prosecuting agencies to enforce court orders for support;

Sixth, a program of emergency assistance to families with minor children for a temporary period; and

Seventh, a more definitive and uniform program for unemployed fathers, under which there would be a Federal definition of "unemployment" and an opportunity for parents with short attachment to the labor force to receive welfare benefits and participate in the work incentive program I shall describe in just a moment.

The third series of amendments would make other changes in the program designed to deal with the expanding AFDC rolls.

First, a requirement that all States establish programs to reduce the number of children born out of wedlock; and second, a requirement that all the States offer family planning services to appropriate AFDC recipients. Although the House bill contained provisions along these lines the junior Senator from Maryland [Mr. TYDINGS] made a number of quite helpful suggestions for improving the House bill.

I would be remiss if I did not express my appreciation to all the members of the Finance Committee for their fine work in this regard. The work incentive program is, indeed, a product of the complete committee, fashioned, designed, and shaped by their hard work.

Now, let me describe the work incentive program. It is one of the main features of our bill—just as the work program was one of the main features of the House bill. It states the position that those persons receiving welfare payments under the aid to families with dependent children programs who are determined by the State agency to be appropriate for work should perform some useful service to society in return for the support they receive from society.

On the other hand, and I want to emphasize this, the work incentive program is not designed to coerce mothers with small children or disabled persons to work under the threat of losing their welfare benefits. As stated in the bill, the purpose of this part of the bill is the establishment of a program utilizing all available manpower services, including those authorized under other provisions of law, under which individuals receiving aid to families with dependent children will be furnished incentives, opportunities, and necessary services in order for first, the employment of such individuals in the regular economy; second, the training of such individuals for work in the regular economy; and, third, the participation of such individuals in special work projects, thus restoring the families of such individuals to independence and useful roles in their communities. It is expected that the individuals participating in the program established under this part will acquire a sense of dignity, self-worth, and confidence which will flow from being recognized as a wage-earning member of society and that the example of a working adult in these families will have beneficial effects on the children in such families.

We modified the House bill by placing the administration of the work program under the Department of Labor and by defining more precisely than in the House bill those AFDC recipients who would be referred to the program. The State welfare agencies would decide who was appropriate for such referral, but would not include first, children who are under age 16 or going to school; second, any person with illness, incapacity, advanced age, or remoteness from a project that precludes their effective participation in work or training; third, persons whose substantially continuous presence in the home is required because of the illness or incapacity of another member of the household; or, fourth, a mother who is in fact caring for one or more children of preschool age, if her presence in the home is necessary and in the best interest of the children; fifth, or persons whose participation in the program would not, as determined by the State, be in their best interest and that of the program.

The Senate committee feels work should not be required as a condition of drawing welfare payments as to certain people. We spell out those people we think should not be required to go to work. We say to the States, "if you want to, go ahead and put some other provisions in here with respect to people whom you do not think should be required to go to work. For example, it might well be that a State would say where a childbirth is imminent, a person should not be expected to go to work. The State might want to add that additional proviso. Thus, having challenged the imagination of the States as well as that of the committee, we ask the question, "Can you tell if there is any other sufficient reason why an individual should not do something and help society as a condition to receiving welfare money?" If the State or the committee or the House or the Senate or the executive cannot think of any additional reason, then it seems to me that person ought to be doing something and that if he should be offered a job be told to either take it, and if he refuses, he will not be entitled to welfare payments.

For all those referred the welfare agency would assure necessary child care arrangements for the children involved. Individuals who are not required to work but who desire to participate in work or training would be considered for assignment and, unless specifically disapproved, then would be referred to the program.

There are many young people, 16, 17, or 18 years of age, whose families are drawing welfare payments, who could do something useful and worthwhile. A great many things occur to the Senator from Louisiana, not the least of which is keeping law and order with regard to our Interstate Highway System, where juvenile delinquents have a habit of standing on an overpass and dropping a Coke bottle as a car goes into the underpass. Some young people might be assigned to keep law and order and protect interstate traffic going under such underpasses, and receive additional money to what is being received as welfare payments.

People referred by the State welfare agency to the Department of Labor would be handled under three priorities. Under phase I, the Secretary of Labor, through the over 2,000 U.S. employment offices, would make arrangements for as many as possible to move into regular employment and would establish an employability plan for each other person.

Under phase II, all those found suitable would receive training appropriate to their needs and up to a $20 weekly incentive payment. After training, as many as possible would be referred to regular employment.

Under phase III, the employment office would make arrangements for special work projects to employ those who are found to be unsuitable for the training and those for whom no jobs in the regular economy can be found at the time.

These special projects would be set up by agreement between the employment office and public agencies or private nonprofit agencies organized for a public service purpose. Private employers generally would not be allowed to utilize this labor service.

Our bill would require that workers receive at least the minimum wage—but not necessarily the prevailing wage—if the work they perform is covered under a minimum wage statute.

Moreover, the work performed under projects created under the committee bill must not result in the displacement of regularly employed workers and would have to be of a type which, under the circumstances in the local situation, would not otherwise be performed by regular employees. We did not want to put other people out of work in order to find jobs for the welfare recipients.

The special work projects would work like this: The State welfare agency would make payments to the employment office equal to: first, the welfare benefit the family would have been entitled to for each individual who works in the project, or, if smaller; second, that part of the welfare benefit equal to 80 percent of the wages which the individual receives on the special project.

The Secretary of Labor would arrange for the participants to work in a special work project. The amount of the funds paid by him into the project would depend on the terms he negotiates with the agency sponsoring the project. The amount of funds put into the projects by the employment office could not be larger than the funds sent to the Secretary of Labor by the State welfare agency.

The extent to which the State welfare expenditures might be reduced would depend upon the negotiating efforts of the Secretary of Labor. If he is successful in placing these workers in work projects where the pay is relatively good, the contribution the State must make into the employment pool would be less.

Employees who work under these agreements would have their situations reevaluated by the employment office at regular intervals—at least every 6 months—for the purpose of moving as many employees as possible into regular employment.

An important facet of this work program is that in most instances the recipient would no longer receive a check from the welfare agency. Instead, he would receive a payment from an employer for services performed. The entire check would be subject to income, social security, and unemployment compensation taxes, thus assuring that the individual would be accruing rights and responsibilities as other working people.

In those cases where an employee receives wages which are insufficient to raise his income to a level equal to the welfare grant he would have received had he not been in the project plus 20 percent of his wages, a welfare check equal to the difference would be paid. In these instances the supplemental check would be issued by the welfare agency and sent to the worker.

A refusal to accept work or undertake training without good cause by a person who has been referred would be reported back to the State agency by the Labor Department; and, unless such person returns to the program within 60 days—during which he would receive counseling—his welfare payment would be terminated. However, protective and vendor payments would be provided to protect dependent children from the faults of others. Under the House bill, such payments would be optional with the States but under the committee proposal the children must be given this protection.

These modifications of the House provisions on the AFDC work incentive program include the contributions of many members of the committee. They were worked out with the detailed comments and reactions of the whole committee.

Because of the constructive provisions of the bill, particularly those relating to the work-incentive program, family planning, and parental support, the committee has stricken from the House bill the provision which would impose a limitation, for Federal financial participation purposes, on the number of children whose eligibility is based upon the absence from the home of a parent. The committee believes that these other provisions will do what the House had in mind without running the risk of depriving needy children of the assistance they require.

The bill also contains a provision which, like the House bill, places limitations on the amount of Federal funds that would be made available to States for the purpose of financing their medicaid programs. These provisions provide for medical care for welfare recipients, and in many States they also provide medical care for persons characterized as medically indigent under the State laws—those with enough money to meet everyday living costs but not expensive medical care.

The committee bill limitation would reduce Federal expenditures for this purpose by over a billion dollars a year after 1970—approximately the same amount the House bill would save. The philosophy of the committee bill varies somewhat from that of the House bill in that it would allow more latitude to the States to determine the medically indigent they may cover under their medicaid program. On the other hand, the committee bill would reduce the Federal matching share for medically indigent persons from a range—based upon the per capita income of the State—of 50 percent to 83 percent under present law to a lower range of 25 to 69 percent, with the larger amount going to the poorer States. The committee reemphasizes the original purpose of title XIX that needy persons have first call on Federal funds and, thus, the bill would not change Federal participation for persons whose income qualifies them for cash welfare payments.

Other medicare amendments would allow States, with respect to the medically indigent, first, a broader choice of required health services under the program; or, second, the option of imposing deductibles or cost-sharing requirements for hospital care. The committee bill also contains an important package of amendments related to nursing homes and other institutions. These would require the States, as a condition of participation in the program, to have a professional medical audit program, and to license only nursing homes which meet certain health care and safety conditions. Further, nursing home administrators would be licensed as properly qualified health professionals. Additionally, Federal matching would be available for care in facilities which provide more than skilled nursing home care. All of these amendments will operate to improve quality of care and reduce costs.

A final but important amendment would provide Federal matching on behalf of individuals who live in intermediate care homes which do not meet the standards of a skilled nursing home under the medicaid program. Principal credit for these amendments goes to the Senator from Utah [Mr. MOSS], the Senator from Iowa [Mr. MILLER], and the Senator from Massachusetts [Mr. KENNEDY], who proposed amendments of this nature to the committee.

The committee bill also makes significant liberalizations in both the child health and the child welfare programs. Increased authorizations in child health are earmarked for family planning, due primarily to the efforts of the Senator from Maryland [Mr. TYDINGS] who has worked diligently in this area, and dental health projects for children are provided for. Increased authorizations under the child welfare provisions are intended to strengthen foster care and day care services. The increase in the emphasis on day care is due to joint efforts of Senators RIBICOFF and HARRIS.

All in all, this bill must rank as one of the greatest social security bills ever placed before the Senate. The committee bill not only introduces new programs, but it corrects, in the light of subsequent experience, deficiencies in existing programs. It proves once again that the Social Security Act is dynamic legislation geared responsibly to its clients—all the people of the United States.

Mr. President, I am pleased to see the Senator from Nebraska [Mr. CURTIS] in the Chamber. The Senator made a number of important contributions to the bill, particularly in the area of insuring adequate child care, which I believe very much improved the bill. I am also pleased that the Senator from Kansas [Mr. CARLSON] is present. He made a number of important and significant suggestions which I believe will improve the measure. I regret that when the time came to report the bill in its final form, we could not all vote affirmatively on it. I believe every member of the committee has made his best efforts to improve the bill as he felt it should be. We have worked on this measure for more than 10 weeks, and while we may not all agree on everything in it, there are in it a number of provisions to which I think we all do agree.

Mr. CURTIS. Mr. President, will the chairman yield?

Mr. LONG of Louisiana. I yield.

Mr. CURTIS. I thank the chairman for his kind remarks. I am sure that every member of the committee appreciate the courtesies extended by the chairman. We appreciate his fairness to every member who suggested amendments.

This bill contains a number of helpful features intended to correct undesirable features in the newly enacted medicare program, and corrects some features in the old-age survivors' insurance program. We are not faced here with an issue where the minority is opposing the legislation.

Actually, the position the minority has taken, as shown by the report, is in support of the tax rates, the wage base, and the level of benefits enacted by the House of Representatives.

In other words, our minority report is, in fact, in support of the position taken by the distinguished chairman of the House Ways and Means Committee, Representative WILBUR MILLS. And to that extent, there was disagreement in committee and in the final reporting of the bill. However, I believe that it should be fully understood that, rather than advancing a minority plan, the minority are supporting the financial provisions of the pending bill, including benefits, taxes, and wage bases proposed by the Ways and Means Committee headed by the distinguished Representative WILBUR MILLS.

Mr. LONG of Louisiana. I thank the Senator.

Mr. CARLSON. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. CARLSON. Mr. President, I commend the distinguished chairman of the Finance Committee for his patience and diligence and hard work in getting the pending bill to the floor.

As the chairman has stated, it took weeks of time to do so. The pending bill is a very controversial and complicated piece of legislation. It required great patience and skill.

The distinguished chairman of the committee, the junior Senator from Louisiana, has demonstrated that he has both.

We have a bill pending that, as the chairman has so well stated, did not meet with the approval of every member of the committee. However, there is much merit in the bill. It is a good bill. And while there will be differences of opinion, as we debate the measure and have some votes on amendments, I am confident that in the final analysis we will report a good bill.

The Senator from Louisiana is entitled to much credit for this.

Mr. LONG of Louisiana. Mr. President, I thank the Senator very much.

Mr. President, it has been a great honor for me to work on this measure, because I do believe there is a great deal in it that certainly deserves the approval of the Senate. And, of course, there will be changes and modifications made in the bill on the floor.

In order that a full description of the bill be available, I ask unanimous consent that the following summary of all of the provisions of the bill be printed at this point in the RECORD.

There being no objection, the summary was ordered to be printed in the RECORD, as follows:

I. OLD-AGE, SURVIVORS, DISABILITY AND HEALTH INSURANCE PROGRAMS

A. Old-age, survivors, and disability insurance

Increase in Social Security Benefits

The bill would provide an increase in benefit payments averaging 19 percent, with a guaranteed increase in monthly cash benefits of 15 percent for all beneficiaries on the social security rolls. The benefit increases proposed by the Senate Finance Committee are the same as those recommended by the President and exceed those adopted by the House. The House bill would have provided for an increase in cash benefits of 12½ percent, with a minimum worker's benefit of $50 per month. Under the provisions adopted by the Finance Committee, the average monthly benefit paid to retired workers and their wives now on the rolls would increase from $145 to $171 ($164 under the House bill). The minimum benefit would be increased from $44 to $70 a month ($50 under the House bill). Monthly benefits would range from $70 to $163.30, for retired workers now on social security rolls who began to draw benefits at age 65 or later, compared with $50 to $159.80 under the House bill. Under existing law, the benefit range for such retired people now receiving old-age benefits is $44 to $142 a month.

The amount of earnings which would be subject to tax and could be used in the computation of benefits would be increased from $6,600 to $8,000 in 1968, $8,800 in 1969, and to $10,800 in 1972. The House bill provided for one increase in the base—to $7,600 a year, effective January 1, 1968.

The $168 maximum benefit (based on average monthly earnings of $550—or $6,600 per year) eventually payable under present law would be increased to $193.20 compared with $189 under the House bill. The increase in the amount of earnings that can be used in the benefit computation would result in a maximum benefit of $288 (based on average monthly earnings of $900—$10,800 a year) in the future; the maximum benefit under the House bill would be $212 (based on average monthly earnings of $633—$7,600 a year). The maximum benefits payable to a family on a single earnings record would be $540 ($423.60 under the House bill). Of course, to qualify for the maximum retirement benefits just outlined, a wage earner must have earned the maximum under the new earnings bases for a number of years.

Although to qualify for the maximum retirement benefits just outlined, a wage earner must have earned the maximum under the higher bases for many years in the future, benefit amounts would be increased significantly over those that would be payable under the House bill in the near future.

The increased benefits would be first payable for the month of March 1968 and will be reflected in checks received early in April. It is estimated that 23.8 million people would be paid increased benefits beginning early in April. As a result of the benefit increase, $4.1 billion in additional benefits would be paid out in the first 12 months.

Special Benefits for Uninsured

The special payments made to uninsured individuals aged 72 and over would be increased from $35 to $50 a month for a single person and from $52.50 to $75 a month for a couple. Under the House bill these payments would be increased to $40 and $60, respectively.

Reduced Benefits at Age 60

Under present law, full-rate benefits are payable at age 62 to people qualifying for benefits as widows and parents, and reduced benefits are payable at age 62 to workers and to people qualifying for benefits as wives and husbands. Only people getting benefits as widows now have the option of taking reduced benefits at age 60.

Under the bill, the age of eligibility would be lowered to 60 for all categories of aged beneficiaries, with the benefits payable before age 62 reduced according to the same principle as that applied under present law. The reduction rate in present law for a wife's (or a husband's) benefit is twenty-five thirty-sixths of 1 percent, and for a worker's (and a widow's) benefit it is five-ninths of 1 percent, for each month that the beneficiary is under age 65 (62 for a widow) when he begins to get benefits.

H.R. 12080, as passed by the House of Representatives, contained no comparable provision.

Monthly benefits would be payable under this provision beginning with the month of December 1968 and will be reflected in checks received in January 1969. An estimated 775,000 additional people would get benefits amounting to $555 million during the first 12 months of operation. Since the benefit amount payable at age 60 would be reduced to take account of the longer period over which benefits would be paid, the payment of these benefits would not result in any additional long-range cost to the program.

Retirement Test

The committee modified the provision of the House bill which would have increased from $1,500 a year to $1,680 the amount a person may earn without having his social security benefits withheld. Under the committee bill the House provision would apply in 1968, but the amount of the exemption would be increased to $2,000 a year in 1969. The amount to which the $1 for $2 reduction would apply would range from $1,680 to $2,880 in 1968 and from $2,000 to $3,200 in 1969 and thereafter. Also the amount a person may earn in 1 month and still get benefits for that month (regardless of how much he earns in the year) would be $140 in 1968 and would increase to $166.66⅔ in 1969 and thereafter.

Disabled Widows and Widowers

The committee's bill would provide full-rate benefits for many totally disabled widows and widowers—the benefits equalling 82½ percent of the deceased spouse's primary insurance amount. Under the provision in the House bill, reduced benefits—ranging from 50 percent to 82½ percent of the spouse's primary insurance amount—would have been provided for disabled widows and widowers aged 50 and over. The committee's bill would not only increase the benefit amounts provided by the House but would also eliminate the requirement that the disabled widow or widower be at least age 50 to receive benefits on the basis of disability. As in the House bill, to be eligible for the benefits, the widow or widower must have become totally disabled not later than 7 years after the spouse's death, or in the case of a widowed mother, before the youngest child reaches age 18 or within 7 years thereafter. About 100,000 disabled widows and widowers would be eligible for benefits and about $72 million in benefits would be paid during the first 12 months of operation.

Benefits for the Blind

The committee added a new provision (to be effective with respect to checks received in January 1969) which would make blind persons with at least six quarters of coverage eligible for disability insurance benefits without regard to their ability to work. In order to qualify for benefits a person would have

to have vision of less than 20/200, rather than 5/200 as in present law.

Family Employment

The committee added a provision to the House bill to extend social security coverage to employment performed in the private home of the employer by a parent in the employ of his son or daughter where there is a clear need for the parent to perform the work. The employment would be covered if the son or daughter is (*a*) a widow or widower with a child under age 18 or a disabled child or (*b*) a person with such a child who either is divorced or has a disabled spouse. The bill would continue to exclude from coverage employment performed in a private home by a parent when these conditions are not met, employment of a child under age 21 by his parent, and employment of a husband or wife by the spouse.

Financing of Social Security Program

Taxes, tax rates, and the taxable wage base under present law and under H.R. 12080 as passed by the House of Representatives and as ordered reported by the Senate Finance Committee are shown in tables 1 and 2. Income and outgo are shown in table 3.

TABLE 1.—MAXIMUM TAX CONTRIBUTIONS UNDER PRESENT LAW AND UNDER H.R. 12080

Period	OASDI			HI			Total		
	Present law	House bill	Committee bill	Present law	House bill	Committee bill	Present law	House bill	Committee bill
By employee:									
1967	$257.40	$257.40	$257.40	$33.00	$33.00	$33.00	$290.40	$290.40	$290.40
1968	257.40	296.40	304.00	33.00	38.00	48.00	290.40	334.40	352.00
1969–70	290.40	319.20	369.60	33.00	45.60	52.80	323.40	364.80	422.40
1971	290.40	349.60	404.80	33.00	45.60	52.80	323.40	395.20	457.60
1972	290.40	349.60	496.80	33.00	45.60	64.80	323.40	395.20	561.60
1973–75	320.10	380.00	540.00	36.30	49.40	70.20	356.40	429.40	610.20
1976–79	320.10	380.00	545.40	39.60	53.20	70.20	359.70	433.20	615.60
1980–86	320.10	380.00	545.40	46.20	60.80	81.00	366.30	440.80	626.40
1987 and after	320.10	380.00	545.40	52.80	68.40	81.00	372.90	448.40	626.40
By self-employed:									
1967	389.40	389.40	389.40	33.00	33.00	33.00	422.40	422.40	422.40
1968	389.40	448.40	464.00	33.00	38.00	48.00	422.40	486.40	512.00
1969–70	435.60	478.80	554.40	33.00	45.60	52.80	468.60	524.40	607.20
1971	435.60	524.40	607.20	33.00	45.60	52.80	468.60	524.40	660.00
1972	435.60	524.40	745.20	33.00	45.60	64.80	468.60	570.00	810.00
1973–75	462.00	532.00	756.00	36.30	49.40	70.20	498.30	581.40	826.20
1976–79	462.00	532.00	756.00	39.60	53.20	70.20	501.60	585.20	826.20
1980–86	462.00	532.00	756.00	46.20	60.80	81.00	508.20	592.80	837.00
1987 and after	462.00	532.00	756.00	52.80	68.40	81.00	514.80	600.40	837.00

TABLE 2.—TAX RATES UNDER PRESENT LAW AND H.R. 12080

[In percent]

Period	OASDI			HI			Total		
	Present law	House bill	Committee bill	Present law	House bill	Committee bill	Present law	House bill	Committee bill
	Employer-employee, each								
1967	3.9	3.9	3.9	0.5	0.5	0.5	4.4	4.4	4.4
1968	3.9	3.9	3.8	.5	.5	.6	4.4	4.4	4.4
1969–70	4.4	4.2	4.2	.5	.6	.6	4.9	4.8	4.8
1971–72	4.4	4.6	4.6	.5	.6	.6	4.9	5.2	5.2
1973–75	4.85	5.0	5.0	.55	.65	.65	5.4	5.65	5.65
1976–79	4.85	5.0	5.05	.6	.7	.65	5.45	5.7	5.7
1980–86	4.85	5.0	5.05	.7	.8	.75	5.55	5.8	5.8
1987 and after	4.85	5.0	5.05	.8	.9	.75	5.65	5.9	5.8
	Self-employed								
1967	5.9	5.9	5.9	0.5	0.5	0.5	6.4	6.4	6.4
1968	5.9	5.9	5.8	.5	.5	.6	6.4	6.4	6.4
1969–70	6.6	6.3	6.3	.5	.6	.6	7.1	6.9	6.9
1971–72	6.6	6.9	6.9	.5	.6	.6	7.1	7.5	7.5
1973–75	7.0	7.0	7.0	.55	.65	.65	7.55	7.65	7.65
1976–79	7.0	7.0	7.0	.6	.7	.65	7.6	7.7	7.65
1980–86	7.0	7.0	7.0	.7	.8	.75	7.7	7.8	7.75
1987 and after	7.0	7.0	7.0	.8	.9	.75	7.8	7.9	7.75

Note: Maximum taxable earnings base under present law is $6,600. Maximum taxable earnings base under House bill is $7,600, beginning in 1968. Maximum taxablee arnings base under committee bill is $8,000 in 1968, $8,800 in 1969–71, and $10,800 in 1972 and after.

TABLE 3.—COMPARISON OF CONTRIBUTION INCOME AND BENEFIT OUTGO UNDER PRESENT LAW, HOUSE BILL AND FINANCE COMMITTEE BILL, 1967–72

[In billions of dollars]

Calendar year	Present law	House bill	Finance Committee bill
	Contribution income		
1967	28.5		
1968	29.6	30.8	31.2
1969	33.7	34.9	36.3
1970	35.2	36.5	38.3
1971	36.2	40.3	42.5
1972	37.2	42.0	46.0
	Benefit outgo		
1967	24.2		
1968	25.5	[1] 28.7	[2] 29.0
1969	26.9	30.3	32.7
1970	28.2	31.7	34.4
1971	29.4	33.1	35.9
1972	30.8	34.6	37.4
	Excess of contributions over benefits		
1967	4.3		
1968	4.1	2.1	2.2
1969	6.8	4.6	3.6
1970	7.0	4.8	3.9
1971	6.8	7.2	6.6
1972	6.4	7.4	8.6

[1] Assumes that increased benefits will be payable for all 12 months of 1968 (as would have been the case if bill had been enacted when it passed the House).

[2] Based on effective date of March (payable at beginning of April) for increased benefits.

Note: Benefit outgo data include increase in HI benefit-cost estimates made following passage of House bill.

Child's Benefits for Those Disabled Before Age 22

The committee added to the House bill a provision which would provide child's insurance benefits for an otherwise qualified disabled child if his disability began after age 18 but before age 22. Under present law, a person must have become disabled before age 18 to qualify for childhood disability benefits as the son or daughter of an insured disabled, retired, or decreased worker.

Policemen and Firemen

The committee added a provision to the House bill to permit Nebraska and Puerto Rico, if they so desire, to provide coverage under social security for policemen and firemen who are now covered only under a State or local retirement system. Present Federal law prohibits social security coverage of policemen and firemen who are under retirement systems but excepts 19 specified States from this prohibition; the addition of Puerto Rico and Nebraska would raise the number of excepted jurisdictions to 21.

In addition, as part of any coverage extension, the State of Nebraska would be permitted to validate the coverage of certain firemen, in the group being covered, for whom social security contributions were erroneously paid.

Coverage of Firemen

The committee added a new provision which provides that social security coverage could be extended under the referendum provisions to firemen under a retirement system in States not listed in the Social Security Act as States permitted to cover policemen and firemen retirement system members if the Governor of the State certifies that the overall benefit protection of the group of firemen which would be brought under social security coverage by the referendum would be improved by reason of the extension of social security coverage to the group.

Employees of the Massachusetts Turnpike Authority

The committee added a new provision to permit the State of Massachusetts to modify its agreement for social security coverage so as to exclude employees of the Massachusetts Turnpike Authority who are in positions being brought into a new State retirement system.

State and Local Employees Receiving Fees

The committee added a provision to the House bill modifying the social security coverage provisions applying to State and local government employees who are compensated solely on a fee basis (such as constables and justices of the peace). Under present law, fee-basis employees, like other State and local government employees, may be covered only under a State coverage agreement. Under the provision approved by the committee, in the case of employees who are compensated solely on a fee basis, fees received after 1967 which are not covered under a State agreement would be covered under the self-employment provisions of law, except that people in fee-basis positions in 1968 could elect not to have their fees covered under the self-employment provisions. Under the com-

mittee bill, a State could, as under present law, modify its coverage agreement to provide coverage for fee-basis employees as employees. However, unlike present law, the committee bill would permit States to remove from coverage under its agreement persons who are compensated solely on a fee basis.

Coverage for Erroneously Reported Former State or Local Government Employees

The committee added a provision to the House bill to permit a State, when it provides retroactive coverage for a coverage group under a modification of the State's agreement, to provide coverage for former employees of the coverage group with respect to earnings that previously had been erroneously reported for them for quarters in the retroactive period, if no refund has been made of the taxes paid on the erroneously reported earnings.

Exclusion of Prisoners From Coverage Under Certain Programs

The committee bill provides that any employment by an inmate of a prison will not be creditable for purposes of establishing entitlement to unemployment insurance compensation, or for purposes of the Federal civil service retirement system. The bill would also broaden the present exclusion from social security coverage of most Federal employment to exclude all employment performed by a prison inmate for a Federal agency.

Coverage of Ministers

The committee amendment would modify the House-passed bill by deleting the provision providing coverage for members of religious orders who have taken a vow of poverty (thus retaining present law for this group). It would also permit a clergyman to elect not to be covered if he is conscientiously opposed to social security coverage, as in the House bill, or if he opposes such coverage on grounds of religious principle.

Benefits Paid on Basis of Erroneous Reports of Death in Military Service

The committee added a new provision which would provide that all benefits paid on the basis of official reports of death issued by the Department of Defense will be considered lawful payments even though it is later determined that the person who was reported dead is still alive.

Payments to Certain Children

The House bill provided that benefits payable to certain children who became entitled to benefits under the 1965 amendments could not exceed the difference between the total amounts payable to other persons and the family maximum amount. As a substitute, the committee bill would provide that the benefits payable to a person on the effective date of the 1965 amendments which were reduced because a child became entitled to benefits under the 1965 amendment will not be reduced in the future. For people who became entitled after the effective date of the 1965 amendments or become entitled in the future the provisions of present law will apply.

Underpayments

The committee modified the House-passed provision relating to benefits due after a person has died. The committee's amendment would provide that amounts due under supplementary medical insurance (pt. B) of medicare after the beneficiary's death be paid first to the person who paid for the services or the person who provided the services. (If the person who paid for the services is the decedent, the payment would be made to the legal representative of his estate, if there is one.) If there is none, the benefits would be paid under the following uniform order of payment for both cash benefits and part B benefits:

1. Spouse living with individual at time of his death or to spouse not living with individual but entitled to benefits on same earnings record.

2. Child entitled to benefits on same earnings record.

3. Parent entitled to benefits on same earnings record.

4. Spouse who was neither entitled to benefits on same earnings record nor living with individual.

5. Child not entitled to benefits on same earnings record.

6. Parent not entitled to benefits on same earnings record.

7. Legal representative of individual's estate, if any.

8. Person related to individual by blood, marriage, or adoption determined by Secretary to be proper person to receive the payment due.

Recovery of Overpayments

The committee bill would authorize the Secretary of HEW to recover overpaid benefits by requiring the overpaid beneficiary or his estate to refund the overpayment or by withholding the benefits payable to him, his estate or to any other person entitled to benefits on the same earnings record. A similar provision was adopted by the Senate in 1965 but was deleted in conference. A provision of this type was suggested in a GAO report dated July 25, 1961. (Under present law, overpayments may be recovered from the overpaid person while he is getting benefits; recovery may not be made from any other person getting benefits on the same account. There is no specific provision for recovering an overpayment while the beneficiary is alive if he is not getting benefits.)

Marriage of Child in School

Under present law a child's benefits generally stop when the child marries. The committee bill would provide that a child's benefits would not stop when the child married if the child was under age 22 and a full-time student and, in the case of a girl, her husband was also a full-time student.

U.S. Treaty Obligations—5-Year Residence Requirement

The bill would provide that the present 5-year residence requirements that uninsured people must meet in order to qualify for hospital insurance, or for special age 72 payments, or under the supplementary medical insurance program would not apply where they would be contrary to treaty obligations of the United States.

Payments to Aliens Outside the United States

The committee bill would modify the effective date of the provisions in the House bill which would (a) restrict benefit payments to an alien while outside the United States, and (b) prohibit payment of more than 12 months of accumulated benefits, and all future benefits, to an alien who is living in a Communist-controlled country. Under the committee amendment, the effect of these House provisions would be delayed until after December 31, 1968.

Separate Authorization for Social Security Research Programs

The committee bill includes a provision under which there would be a separation of the authorizations for cooperative research and demonstration grant programs (now one combined program) of the Social Security Administration and the Social and Rehabilitation Service. (This amendment would not increase the funds available for these research programs.)

State and Local Divided Retirement Systems

The committee added a provision to the House bill to grant an additional opportunity, through 1969, for election of social security coverage by employees of States and localities who did not elect coverage when they previously had the opportunity to do so under the provision of present law permitting specified States to cover only those members of a retirement system who desire coverage.

Expedited Benefit Payments

The committee bill would provide for the establishment of special procedures to expedite the payment of benefits. The provision would not apply to disability benefits or negotiated checks. Also, the provision would not limit the Secretary's authority to make earlier payments in appropriate cases.

Advisory Council on Social Security

The committee's bill would modify the House-passed provision relating to the time at which Advisory Councils would be appointed and would issue reports to provide that the Advisory Councils be appointed at any time after January 31 (rather than in February as in the House bill) in 1969 and every 4 years thereafter. As in present law each Council would report to the Secretary not later than the first day of the second year following the year in which it is appointed, such report to include any interim reports the Council may have issued.

Extension of Retroactivity of Disability Applications

The committee added a provision to the House bill to allow a longer period of time after termination of disability for the filing of a disability freeze application by an individual whose mental or physical disability interfered with his filing a timely application. This would enable workers who are totally disabled over an extended period but fail to file timely applications to nevertheless have the period of disability frozen, and thus not counted against them in subsequent determinations as to whether they are insured for social security benefits or the amount of such benefits.

B. Health insurance benefits

Payment of Physician Bills Under the Supplementary Medical Insurance Program

The committee modified the provision in the House bill which would provide for payment under the medical insurance program on the basis of an itemized bill submitted by a patient who has not paid the bill. Under present law, payment may be made only upon assignment to the physician or to the patient upon presentation of a receipted bill. The House bill provided for retention of present law provisions and added new ones for payment to the physician or patient on the basis of an unpaid bill. As modified by the committee, only two methods of payment would be provided. The committee's bill would permit payment either to the patient on the basis of an itemized bill (which could be either receipted or unpaid) or to the physician under the present assignment method. This provision would make it possible for patients to pay their medical bills, without depleting their savings or resorting to loans.

Payment for Services in Nonparticipating Hospitals

The committee added a provision to the House bill which would permit payment for services received in certain nonparticipating hospitals. At present, payments can be made to participating hospitals and, in an emergency case, to a nonparticipating hospital which meets certain standards only if the hospital agrees to accept the reasonable costs as full payment for the services rendered.

For a temporary period, almost all of which has already expired, the committee bill would permit direct reimbursement to be made to an individual who was furnished hospital services during the period in a nonparticipating hospital. This coverage would not extend to admissions after 1967. Payment would be limited to 80 percent of the hospital ancillary charges and 60 percent of the room and board charges, for up to 20 days in each spell of illness (subject to the $40 deductible and other statutory limitations of payment in present law) if the hospital did not formally

participate in medicare before January 1, 1969. If it did participate in medicare before that date and if it applied its utilization review plan to the services it provided before it regular participation started, the full 90 days of coverage could be provided. Thus, there would be an incentive for presently nonparticipating hospitals to participate because participation is a condition for covering past services beyond 20 days and a condition for future coverage.

A similar provision would apply beginning January 1, 1968, but only as an alternative to present coverage of emergency care. Hospitals could apply for payment for a period of up to 90 days under present law provisions, or if the hospitals did not apply, the patient could obtain payment on the basis of 60 percent of room and board charges and 80 percent of ancillary services charges under the new provision.

A new definition would be used for hospitals eligible under these transitional and emergency care provisions. Under it, a qualifying hospital must have a full-time nursing service, be licensed as a hospital, and be primarily engaged in providing medical care under the supervision of a doctor of medicine or osteopathy. This definition would apply back to July 1, 1966 so that some hospitals which today would be ineligible to receive payment for emergency services may receive such payments in behalf of beneficiaries back to the beginning of the program provided they apply for such payments. If they do not apply, the patient would be paid under other provisions.

This provision would afford financial relief to those medicare beneficiaries who have received services in certain nonparticipating hospitals since July 1966, sometimes entering such hospitals without realizing the services would not be covered under medicare.

Payment Under the Medical Insurance Program for Noncovered Hospital Ancillary Services

The committee added a provision to the House bill which would permit payment under the medical insurance program for presently noncovered ancillary hospital and extended care facility services, principally X-ray and laboratory services, furnished after the patient has been covered for the full period of eligibility. Under present law if a person is in a hospital or extended care facility qualified to participate under medicare, payment may not be made for services which could be paid for under part B if not received in a qualified hospital or extended care facility. As a result, sometimes the services are not covered under either part B or part A. The committee bill would allow payment to be made for services ordinarily not paid for under part B, wherever part A payments could not be made, if the appropriate hospital or independent laboratory standards are met. Payment would be made to participating providers under the usual part B provisions applying to the $50 deductible and 20 percent coinsurance.

Limitation on Special Reduction in Allowable Days of Inpatient Hospital Services

Under the House bill the limitation on payment of hospital insurance benefits during the first spell of illness for an individual who is an inpatient of a psychiatric or tuberculosis hospital at the time he becomes entitled to benefits under the hospital insurance program would be made inapplicable to benefits for services in a general hospital if the services are not primarily for the diagnosis or treatment of mental illness or tuberculosis. The committee accepted the change in the House bill with respect to psychiatric hospitals, but modified that part relating to tuberculosis hospitals. The committee would remove such hospitals from the provision in present law under which days in a tuberculosis institution immediately before entitlement to hospital insurance are counted against the days of coverage an individual would otherwise have. In effect, the committee's change would make an individual's entitlement to hospital insurance benefits the same if he received hospital services in a tuberculosis hospital as it would be if he received services in a general hospital.

Payment for Blood

The committee modified the provision in the House bill which provides that the patient would have to replace 2 pints of blood for the first pint of blood received for purposes of the 3-pint deductible. Under the committee's bill, replacement would be on a pint-for-pint basis, as under present law. The committee accepted the provisions of the House bill that would broaden the definition of "blood" to include packed red blood cells as well as whole blood and would extend the application of the 3-pint deductible provisions to the supplementary medical insurance program as well as to the hospital insurance program. The provision would encourage donations of blood, as under the House bill, but would not require the beneficiary to increase his payments for blood when he is an inpatient of a hospital and unable to replace as many as 4 pints.

Payment for Certain Hospital Services Furnished Outside the United States

The committee added to the House bill a provision which would permit payments of medicare benefits to the individual for certain inpatient hospital services furnished in a country contiguous to the Unitd States by a hospital which is not more than 50 miles from the border of the continental United States. In the case of nonemergency care, the patient would have to be a U.S. resident and the hospital would have to be the nearest one to the patient's residence which is suitable to treat his illness. Benefits would be payable for the nonemergency services covered under this provision only on the basis of an application for direct reimbursement filed by the medicare beneficiary and only if the hospital met standards that are essentially comparable to those required of hospitals participating under the program in the United States. This provision would relieve the hardship imposed on the medicare beneficiary who, living in an area of the United States that is directly adjacent to the continental border, finds that the nearest hospital suited to his care is located outside the United States. The committee bill also provides that payment may be made for emergency inpatient hospital services furnished outside the United States in a hospital within 50 miles of the border if the beneficiary is a U.S. resident temporarily outside the United States (present law provides emergency coverage outside the United States only if the emergency occurs in the United States).

Hospital Insurance Benefits for State and Local Employees

The committee added to the House bill a provision which would permit the States, at their option, to contract with the Secretary of Health, Education, and Welfare for hospital insurance coverage for State and local governmental employees, retired or active (and their dependents and survivors), age 65 or over who do not otherwise qualify for medicare hospital insurance protection. The States would reimburse the medicare program for the actual costs of benefits paid and administrative expenses incurred with respect to these employees.

Services of Podiatrists, Chiropractors, and Optometrists

The House bill modified the definition of a physician to include a doctor of podiatry. The committee would also include within the definition of physicians, a chiropractor and a doctor of optometry but only with respect to functions the practitioner is authorized to perform by the State in which he practices. With respect to coverage of podiatry services, no payment would be made for routine foot care whether performed by a podiatrist or a medical doctor; with respect to optometric services, no payment would be made for services involving the diagnosis or detection of eye diseases unless the optometrist is legally authorized to treat the disease or for an optometrist's diagnostic services where the optometrist provides no treatment. In addition, no payment would be made for expenses for eye refraction procedures (other than procedures performed in connection with furnishing prosthetic lenses) whether performed by an optometrist, a medical doctor, or other physician.

Physical Therapy

The committee extended the provisions of the House bill which cover physical therapy when provided in a patient's home under the supervision of a hospital to also cover outpatient physical therapy services furnished by physical therapists employed by or under an agreement with and under the supervision of hospitals and other providers of services as well as approved clinics, rehabilitation centers, and local public health agencies. The patient would not have to be homebound for the physical therapy services to be covered.

Supplementary Medical Insurance Enrollment Periods

The committee added to the House bill a provision effective January 1, 1969, under which the general enrollment periods of the supplementary medical insurance program would be placed on an annual basis and run from January 1 to March 31, rather than October 1 to December 31 of each odd-numbered year as under present law. The Secretary would determine and promulgate during December of each year the premium rate which would be applicable for a 12-month period to begin the following July 1. When the Secretary promulgates a rate change for part B, he would also be required to issue a public statement setting forth the actuarial assumptions and other bases upon which he arrived at the new rate. Persons wishing to disenroll could do so at any time, but such disenrollment would not take effect until the close of the calendar quarter following the quarter in which the notice of disenrollment was filed.

Additional days of hospital care

The committee modified the provisions of the House bill which extend the number of hospital days covered during a "spell of illness" from 90 to 120 days, with a $20 coinsurance requirement from the 91st day through the 120th day. Instead, each medicare beneficiary would be provided with a lifetime reserve of 60 days of added coverage of hospital care after the 90 days covered in a "spell of illness" have been exhausted. Coinsurance of $10 for each day would be applicable to such added days of coverage. Under the House bill persons who are more or less permanently institutionalized, and who therefore have only one spell of illness during their lifetime would qualify for only 30 additional days of hospital care. Under the committee provision they would qualify for up to 60 additional days of care during their lifetime.

Incentive Reimbursement Experimentation

The committee modified the House provision which would authorize the Secretary of Health, Education, and Welfare to experiment with various methods of reimbursement to organizations and institutions participating under medicare, medicaid, and the child health programs which would provide incentives for keeping costs of the program down while maintaining quality care. Under the committee bill, the authorization

would also cover similar experiments with respect to physicians' services, but only with physicians who wished to take part.

Coordination of Reimbursement With Health Facility Planning

The committee added a provision under which the Secretary of Health, Education, and Welfare would take into account any disapproval by State agencies, normally those carrying on planning under the Partnership for Health Act, of expenditures by hospitals or other health facilities for substantial capital items. Depreciation and interest attributable to substantial capital items found in accordance with a State's overall plan would not be includable as a part of the "reasonable cost" of covered services provided to individuals under titles V, XVIII, and XIX. The provision would be effective with respect to depreciation and interest attributable to items purchased or otherwise acquired after June 30, 1970, or earlier at the option of a state.

Study of Drug Proposals

The committee added to the House bill a provision which would require the Secretary to study and report to the Congress, prior to January 1, 1969, the savings which might accrue to the Government and the effects on the health professions and on all elements of the drug industry which would result from enactment of two proposals relating to drugs: (1) a proposal to cover prescription drugs under medicare, and (2) a proposal to establish, through a formulary committee, quality and cost control standards for drugs provided under the various Federal-State assistance programs and the hospital insurance part (part A) of the medicare program.

II. PUBLIC WELFARE AMENDMENTS

Work Incentive Program for AFDC Families

The committee modified the provisions of the House bill by establishing a new work incentive program for families receiving AFDC payments to be administered by the Department of Labor and by defining more precisely than in the House bill those AFDC recipients who would be referred to the program. The State welfare agencies would decide who was appropriate for such referral but would not include (1) children who are under age 16 or going to school; (2) any person with illness, incapacity, advanced age or remoteness from a project that precludes effective participation in work or training; (3) persons whose substantially continuous presence in the home is required because of the illness or incapacity of another member of the household; or (4) a mother who is in fact caring for one or more children of preschool age, if such mother's presence in the home is necessary and in the best interest of the children; (5) or persons whose participation in the program would not as determined by the State be in their best interest and that of the program. For all those referred the welfare agency would assure necessary child care arrangements for the children involved. An individual who desires to participate in work or training would be considered for assignment and, unless specifically disapproved, would be referred to the program.

People referred by the State welfare agency to the Department of Labor would be handled under three priorities. Under phase I, the Secretary of Labor, through the over 2,000 U.S. employment offices, would make arrangements for as many as possible to move into regular employment and would establish an employability plan for each other person.

Under phase II all those found suitable would receive training appropriate to their needs and up to a $20 weekly incentive payment. After training as many as possible would be referred to regular employment.

Under phase III, the employment office would make arrangements for special work projects to employ those who are found to be unsuitable for the training and those for whom no jobs in the regular economy can be found at the time. These special projects would be set up by agreement between the employment office and public agencies or nonprofit agencies organized for a public service purpose.

It would be required that workers receive at least the minimum wage (but not necessarily the prevailing wage) if the work they perform is covered under a minimum wage statute.

Moreover, the work performed under such projects must not result in the displacement of regularly employed workers and would have to be of a type which, under the circumstances in the local situation, would not otherwise be performed by regular employees.

The special work projects would work like this: The State welfare agency would make payments to the employment office equal to:

(1) The welfare benefit the family would have been entitled to for each individual who works in the project, or, if smaller,

(2) That part of the welfare benefit equal to 80 percent of the wages which the individual receives on the special project.

The Secretary of Labor would arrange for the participants to work in a special work project. The amount of the funds paid by him into the project would depend on the terms he negotiates with the agency sponsoring the project. The amount of funds put into the projects by the employment office could not be larger than the funds sent to the Secretary of Labor by the State welfare agency.

The extent to which the State welfare expenditures might be reduced would depend upon the negotiating efforts of the Secretary of Labor. If he is successful in placing these workers in work projects where the pay is relatively good, the contribution the State must make into the employment pool would be less.

Employees who work under these agreements would have their situations reevaluated by the employment office at regular intervals (at least every 6 months) for the purpose for making it possible for as many such employees as possible to move into regular employment.

An important facet of this suggested work program is that in most instances the recipient would no longer receive a check from the welfare agency. Instead, he would receive a payment from an employer for services performed. The entire check would be subject to income, social security, and unemployment compensation taxes, thus assuring that the individual would be accruing rights and responsibility as other working people. In those cases where an employee receives wages which are insufficient to raise his income to a level equal to the grant he would have received had he not been in the project plus 20 percent of his wages, a welfare check equal to the difference would be paid. In these instances the supplemental check would be issued by the welfare agency and sent to the worker.

A refusal to accept work or undertake training without good cause by a person who has been referred would be reported back to the State agency by the Labor Department; and, unless such person returns to the program within 60 days (during which he would receive counseling), his welfare payment would be terminated. Protective and vendor payments would be provided to protect dependent children from the faults of others. Under the House bill, such payments would be optional with the States but under the committee proposal the children must be given this protection.

Earnings Exemption

Under the present aid to families with dependent children program, the States, at their option, may disregard not more than $50 per month of earned income of each dependent child under age 18 but not more than $150 per month in the same home in computing a person's income for public welfare purposes. The States also have the option of disregarding $5 of income from any source before applying the child's earned income exemption.

Under the House bill, all earned income of each child recipient under age 16 and of each child age 16 to 21 who is a full-time student would be excluded in determining need for assistance. In the case of child over 16 who is not in school or an adult relative the first $30 of earned income of the group plus ⅓ of the remainder of such income for the month would also be exempt. The option of the States to disregard $5 a month of any type of income would be continued. The provision exempting $50 a month of a child's income would be superseded by these provisions.

Under the committee bill, the earnings exemption provision would be enlarged to require States to exempt the first $50 and one-half of family earnings over $50 rather than $30 and one-third of family earnings above $30. After July 1, 1969, the same earnings exemption would have to be extended to the old-age assistance program and the aid to the permanently and totally disabled program.

Under the committee bill the exemption of all earnings would not be available to any child whether above or below age 16 unless he was attending school full time.

Limitation on Federal Participation in Medical Assistance (Medicaid)

Under the House bill, States would be limited in setting income levels for Federal matching purposes to the lower of (1) 133⅓ percent of the AFDC income level, or (2) 133⅓ percent of the States per capita income applied to a family of four.

In lieu of the House provisions the committee bill would apply *both* of the following provisions:

(1) Beginning July 1, 1968, the Federal Government would not participate in matching the cost of medical assistance to persons whose income exceeds 150 percent of the old-age assistance standards in a given state; *and*

(2) Beginning July 1, 1969, Federal participation will be at the rate of—

(1) The Federal medical assistance percentage (which varies according to States per capita income from 50 percent to 83 percent) applicable with respect to all cash assistance recipients and persons whose incomes are less than 100 percent of the cash assistance standards in a State; *and*

(2) The square of the Federal medical assistance percentage (which gives a result which varies between 25 percent and 68.89 percent) with respect to the medically needy (subject to the limitation in (1)) above.

This formula results in savings to the Federal Government of the following amounts.

Year:	*Amount (in millions)*
1969	$45
1970	702
1971	998
1972	1,294

After the squaring rule becomes effective in 1969 the savings under the House bill and the Senate amendment are approximately the same. The lower savings under the amendment estimated for 1969 results entirely from the application of a higher standard (the old-age assistance standard) in determining who may be covered under the State plan than the House bill employed (the aid to families with dependent children).

Skilled Nursing Home Standards Under Medicaid

The bill would require the States, as a condition to participation in the medicaid

program, to place assistance recipients only in those licensed nursing homes which meet certain conditions. The conditions include requirements which relate to environment, sanitation, and housekeeping now applicable to extended care facilities under medicare, as well as fire safety standards of the Life Safety Code of the National Fire Protection Association (unless the Secretary finds that a State's existing fire code is adequate).

The committee amendment would also require the States to have a professional medical audit program under which periodic medical evaluations of the appropriateness of care provided title XIX patients in nursing homes, mental hospitals, and other institutions will be made.

Effective July 1, 1970, States which provide skilled nursing home care under medicaid will also be expected to provide home health care services.

Federal Matching for Assistance Recipients in Intermediate Care Facilities

Under current law, vendor payments may be made with Federal sharing only in behalf of persons in medical facilities, such as skilled nursing homes. There is no Federal vendor-payments matching for people who need institutional care in the intermediate range between that which is provided in a boarding house (for which eligible persons may receive a money payment under the money payment programs), and those who need the comprehensive services of skilled nursing homes.

The committee bill would provide for a vendor payment in behalf of persons who qualify for OAA, AB, or APTD, and who are living in facilities which are more than boarding houses but which are less than skilled nursing homes. The rate of Federal sharing for payments for care in those institutions would be at the same rate as for medical assistance under title XIX. Such homes would have to meet safety and sanitation standards comparable to those required for nursing homes in a given State.

This provision should result in a reduction in the cost of title XIX by allowing States to relocate substantial numbers of welfare recipients who are now in skilled nursing homes in lower cost institutions.

Maintenance of State Effort

Present law contains certain provisions which in effect require that the additional Federal dollars States received as a result of the Social Security Amendments of 1965 are passed on to recipients or are otherwise used in the State's welfare program, for a period ending July 1, 1969. The House approved bill modifies the provisions describing the kinds of expenditures States may count toward meeting this provision to broaden the scope of expenditures which may be counted. Under the committee bill, the House provisions are retained, but the expiration date is advanced to July 1, 1968, and the effective date changed from January 1, 1966, to July 1, 1966.

Direct Billing

Under present law, the States are required to pay for health services under medical assistance programs directly to the provider of the services. The House bill would permit States to make a direct payment to the recipients who are not also receiving cash assistance. Under the committee bill, the provision is broadened to include dentists as well as physicians and to apply also to those recipients who are receiving cash assistance. The Secretary would establish safeguards to assure that charges by physicians to the welfare recipients are reasonable, and that the State agency has methods and procedures to safeguard against unnecessary utilization of care, and to assure the reasonableness of any charges paid by any welfare recipient.

General Accounting Office and Department of Health, Education, and Welfare Audit Authority

Under the committee bill, it would be made clear that auditors of the General Accounting Office and Department of Health, Education, and Welfare are authorized, on a spot check basis or in cases where there is good cause to believe fraud may be present, to review records and inspect premises of providers of services who receive funds through medical assistance (title XIX) and other medical assistance programs in which there is Federal participation.

Required Services Under Medicaid

Under current law, States must provide, as a minimum, five basic services: Inpatient hospital services, outpatient hospital services, other laboratory and X-ray services, skilled nursing home services, and physician's services. States may select a number of other items from an additional list in the law. The House bill provided that a State, as an alternative to taking the basic five items of services, may select any seven of the first 14 services listed in the law. In addition to the basic five, the additional services from among which States can make their selection are: (1) Medical care or any type of remedial care recognized under State law, furnished by a licensed practitioner within the scope of his practice as defined under State law; (2) home health care services; (3) private duty nurse services; (4) clinic services; (5) dental services; (6) physical therapy and related services; (7) prescribed drugs, dentures, and prosthetic devices and eyeglasses; (8) other diagnostic, screening, preventive, and rehabilitative services; and (9) inpatient hospital services and skilled nursing home services for individuals over the age of 65 in an institution for mental diseases.

Under the committee bill, States would be required to provide the basic five services for all money payment recipients, the most needy receiving help under the program. With respect to the medically indigent, States would be allowed to select either the first five, or seven out of 14, services authorized under present law, except that if nursing home or hospital care services are selected, a State must also provide physician's services in those institutions. Subsequent to July 1, 1970, a State would also be required to provide home health services for its cash assistance recipients.

Christian Scientists—Welfare Health Programs

The committee added a provision to the House bill under medical assistance (title XIX) and the child health programs (title V), to make clear that no provision in such titles would require an individual to undergo medical screening, diagnosis, or treatment except in cases involving contagious disease or environmental health.

Hospital Deductibles and Copayment for Medically Indigent

Under present law, States may not impose any deductibles or cost sharing provisions with respect to hospital care under the medicaid program. Under the committee bill, the costs of hospital care received by the medically needy could be subject to deductibles or other cost sharing if a State desired to have such provisions in its program. No such deductible or cost sharing could be imposed with respect to the money payment recipients, as under existing law.

Essential Person—Medicaid

The committee bill extends medical assistance to certain "essential persons." At present there is no provision in title XIX which permits a State to receive Federal matching for medical assistance provided to "essential persons." An "essential person" is defined as the spouse of a cash public assistance recipient who is living with him, and essential or necessary to his welfare and whose needs are taken into account in determining the amount of his cash payment. The wife of an OAA recipient, for example, who herself is not eligible for cash assistance because she is under age 65 could be eligible for medical assistance if the State plan so provided.

Licensing of Nursing Home Administrators Under Medicaid

The committee bill includes an amendment which would require States to license administrators of nursing homes. Administrators currently operating a home who do not qualify initially would have until July 1, 1972, to qualify. In the meantime, the States would be required to offer programs of training to assist administrators to qualify.

Optometric Services Under Child Health Programs

The committee bill includes a provision to insure that persons receiving health services under child health programs are free to utilize the services of optometrists when appropriate. The provision recognizes that when health services are provided through a public clinic or on a similar basis that the inclusion of optometric services may not always be feasible.

Family Planning

Family planning expenditures are now made under the maternal and child health program in title V and through medical assistance under title XIX, as a medical services expenditure. States are free to offer family planning services to AFDC recipients under title IV, but there are no Federal requirements. Under the House-approved bill, the States would be required to offer family planning services to all appropriate AFDC recipients. Federal matching of these expenditures would be provided. Under the House bill, authorization for the maternal and child health programs would be increased and, though funds are not earmarked for family planning, an estimated $15 million would be spent for that purpose under the 1969 authorization, with some increases thereafter. Demonstration projects would need to be developed for the provision of family planning services for mothers in needy areas.

Under the committee bill, the House provisions in the AFDC program are retained with language added to clarify that the acceptance of family planning services would be voluntary and not a requisite for the receipt of assistance. The House-approved amounts for the maternal and child health program would be raised by $30 million in 1970, and $60 million for later years, with an eventual 20 percent of all maternal and child health funds earmarked for family planning purposes.

Administration of the Program for Services for Crippled Children

The House bill combined maternal and child health services and crippled children's services into one program and consolidated the authorizations. The committee bill goes further and assures administration of the crippled children's program by the Children's Bureau.

Training of Personnel for Health Care and Related Services for Mothers and Children

The committee has modified the House language to direct the Secretary of Health, Education, and Welfare "to give special attention to" rather than "priority to" programs providing training at the undergraduate level in making grants for training of such personnel.

Increased Authorizations for Child Welfare Services

The House bill increased child welfare authorizations from $55 million for fiscal year 1969 to $100 million, and from $60 million for later years to $110 million. The committee bill would further increase these authorizations to $125 million and $160 million respectively. The greater amounts in the committee bill are designed to meet the day care costs of working women who are not AFDC recipients.

Provision of Family Service State Plan Requirement

There is a provision in present law requiring State welfare agencies to make a plan for providing welfare service for each child in an AFDC family. Under the committee bill, the plan would also have to provide for welfare services for the adults in the family.

Study of Services Given to Recipients

The committee bill directs the Secretary to study and report to the Congress, by July 1, 1969, the extent to which staff of welfare agencies are serving the needs of assistance recipients in securing the full benefits and protection of local, State, and Federal laws relating to health, housing, and related laws and the degree to which assistance recipients are helped to take advantage of the public welfare and other related programs in the community. The report is to contain the Secretary's recommendations on how these services might be made more effective. The study is to include the Secretary's findings and recommendations on the extent to which public assistance programs may be used as a means of enforcing State, local, and Federal law in the field of health, housing, and related laws.

Use of Subprofessional and Volunteer Staff

The committee bill requires the States, effective July 1, 1969, to train and use subprofessional staff, with particular emphasis on the use of welfare recipients and other persons of low income, as community service aides for the kinds of jobs appropriate for them in the public assistance, child welfare, and health programs under the Social Security Act. The committee amendment would also direct the States to make use of volunteers in the program both for the provision of service to recipients, and to serve on advisory committees.

Parent Involvement in Day Care—Day Care Standards

The committee bill adds a State plan requirement to the child welfare day-care provisions for development of arrangements for the more effective involvement of parents in day care programs. Also, the day care standards in the child welfare services programs will be made applicable to day care provided to AFDC children.

Repatriation Extension

The committee bill would extend for 1 year, until July 1, 1969, the temporary legislation which authorizes assistance to Americans who have been repatriated to the United States by the Department of State from foreign countries.

Demonstration Projects

Two million dollars annually is currently available to encourage the States to develop demonstrations in improved methods of providing service to recipients or in improved methods of administration. The House approved bill increased this amount to $4 million annually. The committee amendment provides for $10 million a year.

Increasing Income of Old-Age Assistance Recipients

Under the committee bill, the States would be required to adjust their standards of need and maximum payment provisions to guarantee that old-age assistance recipients, both those eligible for social security benefits (about 1 million) and those who are not (also about 1 million) will receive, on the average, an increase in total income equal to $7.50 a month. Any increases the States have made in OAA payments since January 1, 1967, would count toward this requirement. The effect of this requirement is that old-age assistance recipients as a group will share in the savings which the States will realize because of reduction in assistance payments for those recipients who are also eligible for the social security benefit increase.

Many States can finance this increase in payments out of the savings they will realize from the increase in social security benefits. For those States unable to finance the cost of this increase from the savings it will achieve from the social security increase, the Federal Government will pay the cost for a 2-year period. This provision would also apply to the blind and disabled public assistance recipients.

Limitation on Federal Matching in AFDC Program

The House bill sets a limitation on Federal financial participation in the AFDC program related to the proportion of the child population that could be aided because of the absence from the home of a parent. Federal financial participation would not be available for any excess above the percentage of children of absent parents who received aid to the child population in the State as of January 1, 1967.

This limitation is not retained in the committee bill.

Single State Agency

Under the House approved bill, States would be required to provide all the child welfare services needed by children under the program of aid to families with dependent children under a single State and local agency. The committee bill modifies this to exempt those separate State agencies which were in existence on July 1, 1967, namely those agencies in Illinois and Kentucky.

States are also exempted from the requirements for single local agencies.

Simplicity of Administration

The committee bill includes a requirement that States determine eligibility and provide assistance under their cash assistance program in a manner consistent with simplicity of administration and the best interest of recipients.

Emergency Assistance

The committee bill would extend from 30 to 60 the number of days during a 12-month period during which emergency assistance authorized by the House bill may be provided to a child under 21 and to his family. This emergency aid could also be extended to migrant workers who have dependent children.

Protective or Vendor Payments

The House bill removes the limitation of 5 percent of recipients for whom protective payments could be made because they were unable to manage their funds. The committee bill would put a 10-percent limitation on the number of recipients for whom the State can make vendor payments or protective payments but excludes from this overall limitation those recipients for whom such payments have been made because of the refusal, without good cause, of an individual to work, register for work, or to participate under a training or work program.

Payment for Home Repairs

The House bill amended the cash public assistance programs, other than the AFDC program, to allow 50 percent Federal matching for home repairs (up to $500) if to do so would be more economical from the standpoint of the program. The committee bill would extend this provision to the AFDC program.

Unemployed Fathers Program

The committee bill removes certain provisions contained in the House bill which affect eligibility of children on AFDC when their father is unemployed. Specifically, the requirement that the father have six calendar quarters of work or have been entitled to unemployment compensation would be removed. In addition, the committee bill would restore present provisions under which a State may at its option make payments for any part of a month in which the father received any unemployment compensation. Under the House bill, receipt of any unemployment compensation would bar assistance for the month.

Purchase of Social Services

The House bill permits the purchase by welfare agencies of child care and other services under title IV of the act, aid to families with dependent children. Such services may now be provided by welfare agency staff but existing law does not permit their purchase except from other State agencies.

The committee bill makes a similar change in titles I, X, XIV, and XVI under which Federal participation in payments to aged, blind, and disabled persons is authorized, thereby permitting the purchase of such services as homemaker or rehabilitation services under programs authorized under those titles.

III. EMPLOYMENT AND INCOME TAX AMENDMENTS

Runaway Parents Location and Liability

In an attempt to compel a parent who deserts or abandons his dependent child to comply with a child-support court order, the House bill required disclosure of the address of the parent or his employer to the court issuing the order and provided for Federal participation in the cost of a State agency entering into an agreement with law-enforcement personnel to press collection of the support payment.

The committee added a provision to give the State agency making payments to the family with a dependent child in which a parent has deserted and failed to make support payments, the assistance of the Department of Health, Education, and Welfare, and the Treasury Department in locating the parent. If the runaway parent is located outside the State where his dependent children reside and if he refuses to comply with the court order for their support, the tax collector is to collect by levy or distraint an amount equal to the Federal share of the welfare payments to his family or the court-ordered support payment whichever is lower.

The committee amendment also makes information regarding the runaway parent's whereabouts available to both courts in interstate support proceedings.

Tax-Exempt Status for Entities Servicing Tax-Exempt Hospitals

The committee added to the House bill a provision which would extend tax-exempt status to a joint enterprise organized and operated on a cooperative basis to perform joint services solely to its members all of which are tax-exempt hospitals or governmentally owned hospitals and which services would be considered an integral part of the tax exempt or governmental functions of the hospitals if performed by the hospitals individually.

Medical Expense Tax Deduction for Aged

The committee added to the House bill a provision that would restore with a qualification the Federal income tax treatment of medical care and drug expenses of persons 65 years of age and over which had been changed by the Social Security Amendments of 1965. Before the 1965 change, an income tax deduction was permitted for all the medical care and drug expenses of a tax-

payer 65 or over or of the dependent parents, age 65 or over, of the taxpayer or his spouse. However, the 1965 amendments provided, effective in 1967, that the deduction for persons 65 and over would be limited to expenses of medical care in excess of 3 percent of the taxpayer's adjusted gross income, and the cost of medicines and drugs would be treated as a medical expense only to the extent they exceed 1 percent of the taxpayer's adjusted gross income. (These limitations generally have applied in the case of taxpayers under age 65.)

The committee amendment would make the medical care and drug expenses of a person 65 or over fully deductible without regard to the 3-and-1-percent limitation, if the person 65 or over waives all future entitlement to all medicare benefits upon reaching age 65, or within 1 year after enactment of the bill, whichever is later.

Hospital Insurance Contributions by Persons Employed Both Under Social Security and Railroad Retirement

The committee has added to the House bill a provision under which, beginning with 1968, persons employed both under the social security and the railroad retirement programs who pay hospital insurance contributions on combined wages which are in excess of the taxable wage base would be entitled to a refund of the excess contributions.

Truckloaders and Unloaders and Certain Fishermen

This committee amendment clarifies the status of truckloaders and unloaders and certain commercial fishermen by fixing rules under which the trucker or owner of the vessel will be treated as their employer for employment tax purposes. It also provides rules for treating other persons as the employer in appropriate situations. Under the amendment the persons treated as employers would be liable for employment taxes in 1968 but the employees would be treated as if their work had been in covered employment from 1951 on.

Time for Filing Applications for Exemption From Self-Employment Tax by Amish

The committee added an amendment to permit members of a religious sect which is opposed to social insurance to file an application for exemption from the self-employment tax by December 31, 1968, if the person has self-employment income for years ending before December 31, 1967. If he first receives self-employment income in later years, the application would be timely if filed by the due date for the income tax return for the year in question. However, in these latter cases, the amendment also provides that valid applications may be filed within 3 months following the month in which the person is notified in writing by the Internal Revenue Service that a timely application has not been filed.

Designation of Employer of Employees Performing Services for Tax-Exempt Organizations

The committee added to the House bill a provision which would authorize the Treasury Department, upon the request of tax-exempt organizations all of which are being provided with services by the employees of one, to designate which organization is to be considered the employer for purposes of employment taxes and pension plans.

PROVISIONS OF H.R. 12080 WHICH WERE NOT CHANGED BY THE COMMITTEE

I. Old age, survivors, disability, and health insurance program

The committee accepted the following provisions of the House bill:

A. Old-Age, Survivors and Disability Insurance

The dependency of the child on his mother

The provision under which a child would be deemed dependent on his mother under the same conditions that, under present law, a child is deemed dependent on his father. As a result, a child could become entitled to benefits if at the time his mother dies, or retires, or becomes disabled, she was either fully or currently insured. Under present law, currently insured status (coverage in six out of the last 13 quarters ending with death, retirement or disability) is required unless the mother was actually supporting the child.

Eligibility of adopted child for monthly benefits

The provision which would permit a child adopted by a surviving spouse to get benefits even though the adoption is not completed within 2 years after the worker's death, if adoption proceedings had begun before the worker died.

Definition of "disability"

The provision which would provide a more detailed definition of "disability." New guidelines would be provided in the law under which a person could be determined to be disabled only if he is unable to engage in any kind of substantial gainful work which exists in the national economy even though such work does not exist in the general area in which he lives.

Insured status for workers disabled while young

The provision which would allow a worker who becomes disabled before the age of 31 to qualify for disability insurance if he worked in one-half of the quarters between the time he is 21 and the time he is disabled, with a minimum of six quarters of coverage. This requirement would be an alternative to the present requirement that the worker must have had a total of 5 years out of the last 10 years in covered employment.

Additional wage credits for servicemen

For social security benefit purposes, the provision which would provide that the pay of a person in the uniformed service would be deemed to be $100 a month more than his basic pay. The additional cost of paying the benefits resulting from this provision would be paid out of general revenues.

Definition of "widow," "widower," and "stepchild"

The provision under which a widow, widower, or stepchild would be considered as such for social security purposes if the marriage existed for 9 months, or, in case of death in line of duty in the uniformed service, and in case of accidental death, if the marriage existed for 3 months, unless it is determined that the deceased individual could not have reasonably been expected to live for 9 months at the time the marriage occurred. Under present law a marriage must have existed for 12 months.

Disability benefits affected by the receipt of workmen's compensation

The provision would modify one of the provisions in present law for determining the amount of combined social security and workmen's compensation benefits that can be paid when a disabled worker is eligible under both programs. In cases where social security disability benefits are subject to reduction because the combined benefits would otherwise exceed 80 percent of the disabled worker's average current earnings, the computation of average earnings can include earnings in excess of the annual amount taxable under social security.

Limitation on wife's benefit

The provision under which there would be instituted a limitation on the wife's benefit of a maximum of $105 a month. The effect of this provision will not be felt until many years into the future.

Requirements for husband's and widower's insurance benefits

The requirement in present law that a dependent husband or widower may become entitled to social security benefits on his wife's earnings only if his wife is currently insured at the time she died, became disabled, or retired would be repealed.

Retirement income of retired partners

The provision under which certain partnership income of retired partners would not be taxed or credited for social security purposes.

Simplification of benefit computation

Where wages earned before 1951 are used in the benefit computation, the provision which would allow certain assumptions to be made so that the benefit could be computed by mechanical means.

Extension of time for filing reports of earnings

The Secretary of Health, Education, and Welfare would be authorized to grant an extension of the time in which a person may file his report of earnings for earnings test purposes if there is a valid reason for his not filing it on time. Permission to file a late report may be given in advance of the date on which the report is to be filed.

Penalties for failure to file timely reports of earnings

Under the present law, it is possible for a person to be penalized, because of his failure to file a timely report of earnings under the retirement test, in an amount in excess of the benefit that must be withheld. The provision which would eliminate the possibility of this occurring in the future.

Coverage of State and local employees ineligible for membership in a State retirement system

The provision that would facilitate social security coverage for workers in positions under a State or local government retirement system who are not eligible to join the system. Under present law, these workers cannot be covered under social security in connection with the procedure for extending coverage to members of a retirement system by means of the provision permitting specified States to cover only those members of a retirement system who desire coverage. The provision in the bill would permit these workers to be covered under this procedure.

Exclusion of emergency services by State and local employees

The provision that would mandatorily exclude from social scurity coverage services performed for a State or local government by workers hired on a temporary basis in case of emergencies such as fire, storm, flood, or earthquake.

Election officials and election workers

The provision which would permit a State to exclude from social security coverage, prospectively, service performed by election workers and election officials if they are paid, for such services, less than $50 in a calendar quarter. The exclusion could be taken for the election officials and workers of the State or any of its political subdivisions either at the time coverage is extended to employees of the State or the subdivision or at a later date. Under present law these services may be excluded only at the time coverage is extended to the employees of the State or the subdivision.

State and local coverage in Illinois

The provision to add Illinois to the list of States (19 under present law) which are permitted to extend social security coverage to those current members of a State or local retirement system who desire coverage, with all future employees being compulsorily covered.

Report of board of trustees

The date on which the annual report of the trustees of the social security trust funds is due would be changed from March 1 to April 1. The report would contain a separate actuarial analysis of the benefit disbursements made from the old-age and sur-

vivors insurance trust fund with respect to disabled beneficiaries.

General saving provision

Where a person becomes entitled to benefits as a result of the Social Security Amendments of 1967, the benefit paid to any other person on the same account would not be reduced by the family maximum provision because the new person became entitled to benefits.

Disability insurance trust fund

The bill would increase the percentage of taxable wages appropriated to the disability insurance trust fund (now at 0.70 of 1 percent) to 0.95 of 1 percent and would increase the percentage of self-employment income (now at 0.525 of 1 percent) to 0.7125 of 1 percent.

B. Health Insurance

Physician certification

The provision under which physican certification of the medical necessity for hospital outpatient services and admissions to general hospitals would be eliminated. Such services and admissions are almost always medically necessary. The change would simplify administration of the program by eliminating unnecessary paperwork.

Transfer of outpatient hospital services to the supplementary medical insurance program

The provision which transfers hospital outpatient diagnostic services from the hospital insurance program to the supplementary medical insurance program. The effect of the change is that all hospital outpatient benefits would be covered under the supplementary medical insurance program and thus subject to the deductible ($50 a year) and coinsurance features (20 percent). This provision would simplify the procedure for paying benefits for hospital outpatients by making such payments subject to a single set of rules for determining patient eligibility, patient and medicare liability and trust fund accountability.

Hospital billing for outpatient services

The provision which permits hospitals, as an alternative to the present procedure, to collect small charges (if not more than $50) for outpatient hospital services from the beneficiary without submitting a bill to medicare. (The amounts collected would be counted as expenses reimbursable to the beneficiary under the medical insurance plan.) The payments due the hospitals would be computed at intervals to assure that the hospital received its final reimbursement on a cost basis. This provision would bring the requirements of the medicare program more closely into line with the usual billing practices of hospitals.

Radiologists' and pathologists' services

The provision which would permit the payment of full reasonable charges for radiological or pathological services furnished by physicians to hospital inpatients. Under existing law, a 20 percent coinsurance is applicable. This provision would improve the protection of the program as well as facilitate beneficiary understanding and simplify hospital and intermediary handling of medicare claims by bringing the requirements of the medicare program more closely in line with the usual billing practices of hospitals and the payment methods of private insurance.

Payment for portable X-ray services

The provision which would permit payment for diagnostic X-rays taken in a patient's home or in a nursing home. These services would be covered under the supplementary medical insurance program if they are provided under the supervision of a physician and if they meet health and safety regulations.

Payment for purchase of durable medical equipment

The provision which would permit payment to be made for durable medical equipment needed by an individual whether rented or purchased. If purchased, payment would be made periodically in the same amount as if equipment were rented, for the period the equipment was needed but without covering more than the purchase price.

Reimbursement for civil service retirement annuitants for premium payments under the supplementary medical insurance program

The provision under which the Federal employee health benefit plans would be permitted to reimburse certain civil service retirement annuitants who are members of group health plans for the premium payments they make to the supplementary medical insurance program.

Date of attainment of age 65 of persons enrolling in SMI program

The provisions under which a person who is over 65, but believes, on the basis of documentary evidence, that he has just reached age 65, would be allowed to enroll in the supplementary medical insurance program as if he had attained age 65 on the date shown in the evidence.

Use of State agencies to assist health facilities to participate in the various health programs under the Social Security Act

The provisions whereby States could receive 75-percent Federal matching for the services which State health agencies perform in helping health facilities to qualify for participation in the various health programs under the Social Security Act (including medicare, medicaid, and the child health programs) and to improve their fiscal records for payment purposes. Similar provisions in the medicare program (which finances such services on a 100-percent basis from the Federal hospital insurance trust fund) would be repealed effective July 1, 1969, when this provision would go into effect.

Transitional provisions for uninsured individuals under the hospital insurance program

The provision which provides that a person who attains age 65 in 1968 could become entitled to hospital insurance benefits if he has a minimum of three quarters of coverage (existing law requires six), with the number of quarters of coverage needed by persons who reach age 65 in later years increasing by three in each year until the regular insured status requirement is met.

Appropriation to supplementary medical insurance trust fund

The provision which provides that whenever the transfer of general revenue funds to the supplementary medical insurance trust fund, after June 30, 1967, is not made at the time the enrollee contribution is made, the general fund of the Treasury would pay, in addition to the Government share, an amount equal to the interest, that would have been paid had the transfer been made on time. Also, the contingency reserve now provided for 1966 and 1967 would be made available through 1969.

Health Insurance Benefits Advisory Council

The provision whereby the Health Insurance Benefits Advisory Council established under present law would assume the duties of the National Medical Review Committee called for under present law. The Medical Review Committee has not yet been formed. The Health Insurance Benefits Advisory Council membership would be increased from 16 to 19 persons.

Study of coverage of services of health practitioners

The provision which requires the Secretary of Health, Education, and Welfare to study the need for, and to make recommendations concerning, the extension of coverage under the supplementary medical insurance program to the services of additional types of personnel who engage in the independent practice of furnishing health services.

Creation of an Advisory Council to make recommendations concerning health insurance for disability beneficiaries

The provision which would require the Secretary of Health, Education, and Welfare to establish an Advisory Council to study the problems relative to including the disabled under the health insurance program, and also any special problems with regard to the costs which would be involved in such coverage. The Council is to make its report by January 1, 1969.

II. Public assistance amendments

A. AFDC and Child Welfare

Federal payments for foster home care of dependent children

Effective July 1, 1969, States would have to provide AFDC payments for children who are placed in a foster home if in the 6 months before proceedings started in the court they would have been eligible for AFDC if they had lived in the home of a relative. The provision would be optional with the States before July 1, 1969. Under present law, children in foster care are eligible for AFDC payments only if they actually received such payments in the month they were placed in foster care. Federal matching would be available for grants up to an average of $100 a month per child.

Social work manpower and training

The bill authorizes $5 million for the fiscal year ending June 30, 1969, and $5 million for each of the 3 succeeding fiscal years for grants to public or nonprofit private colleges and universities and to accredited graduate schools of social work, or an association of such schools, to meet part of the costs of development, expansion, or improvement of undergraduate programs in social work and programs for the graduate training of professional social work personnel. Not less than one-half of the amount appropriated would have to be used for grants for undergraduate programs.

B. Title XIX Amendments

Coordination of title XIX and the supplementary medical insurance program

States would have until January 1, 1970 (rather than Jan. 1, 1968, as under present law), to buy-in title XVIII supplementary medical insurance for persons eligible for medicaid. Also, the bill would allow people who are eligible for medicaid but who do not receive cash assistance to be included in the group for which the State can purchase such coverage and would make persons who first go on the medicaid rolls after 1967 eligible to be bought in for. There would be no Federal matching toward the State's share of the premium in such cases. The bill would provide that Federal matching amounts would not be available to States for services which could have been covered under the supplementary medical insurance programs but were not.

Modification of comparability provisions

States would not have to include in medicaid coverage for recipients less than 65 years old the same items which the aged receive under the supplementary medical insurance program which is furnished to them under the buy-in provisions discussed above.

Extent of Federal financial participation in State administrative expenses

States would be able to get the same 75-percent Federal matching for physicians and other professional medical personnel working on the medicaid program in the State health agencies which they now get when such personnel work in the "single State agency," usually the public assistance agency. Under present law, the matching is 50 percent in such cases.

Advisory Council on Medical Assistance

An Advisory Council on Medical Assistance, consisting of 21 persons from outside the Government, would be established to advise the Secretary of Health, Education, and Welfare in matters of administration of the medicaid program.

Free choice for persons eligible for medicaid

Effective July 1, 1969 (July 1, 1972, for Puerto Rico, the Virgin Islands, and Guam), people covered under the medicaid program would have free choice of qualified medical facilities and practitioners.

Use of State agencies to assist health facilities to participate in the various health programs under the Social Security Act

States could receive 75-percent Federal matching for the services which State health agencies perform in helping health facilities to qualify for participation in the various health programs under the Social Security Act (including medicare, medicaid, and the child health programs) and to improve their fiscal records for payment purposes. Similar provisions in the medicare program (which finances such services on a 100-percent basis from the Federal hospital insurance trust fund) would be repealed effective July 1, 1969, when this provision would go into effect.

Payments for services and care by a third party

States would have to take steps to assure that the medical expenses of a person covered under the medicaid program, which a third party had a legal obligation to pay, would not be paid or if liability is later determined that steps will be taken to secure reimbursement.

III. Child health amendments

Consolidation of Earmarked Authorizations

In place of a number of separate earmarked authorizations in present law, the bill consolidates all authorizations into one single authorization with three broad categories.

Additional Requirements on the States Under the Formula Grant Program

The bill requires that State plans provide for the early identification and treatment of crippled children. Title XIX is amended to conform to this requirement. The States must also devote special attention to family planning services and dental care for children in the development of demonstration services.

Project Grants

Until July 1972, the bill authorizes project grants (1) to help reduce the incidence of mental retardation and other handicapping conditions caused by complications associated with childbearing, and to help reduce infant and maternal mortality; (2) to promote the health of children and youth of school and preschool age; and (3) to provide dental care and services to children. Beginning July 1972, responsibility for these projects will be transferred to the States.

The fiscal year 1968 authorization for maternity and infant care special projects grants would be increased from $30 to $35 million.

Limitation on Federal Matching for Puerto Rico, Guam, and Virgin Islands

The dollar limit for Federal financial participation in public assistance for Puerto Rico would be raised from the present $9.8 million to $12.5 million for 1968, $15 million for 1969, $18 million for 1970, $21 million for 1971 and $24 million for 1972 and thereafter. Up to an additional $2 million could be certified for family planning services and expenses to support work incentive programs.

Under medicaid an overall dollar limit of $20 million would be imposed (in lieu of the limitation made applicable to the States by the bill) and the ratio of Federal matching would be changed from 55 percent to 50 percent.

Proportionate increases in the dollar maximums for Guam and the Virgin Islands would be made.

Mr. LONG of Louisiana. Mr. President, it is my hope that we will be able to proceed expeditiously to consider and discuss the various amendments that Senators may wish to offer, and that we may in the very near future enter into an agreement to limit debate on amendments and provide both sides a chance to be heard and to vote on the amendments.

I know that the Senate would like to adjourn sine die as soon as possible. I would certainly like to see this happen.

I urge Senators who want to offer amendments to bring them forth as soon as it is appropriate for them to do so.

Mr. President, I yield the floor.

The PRESIDING OFFICER. The Senator from Nebraska is recognized.

Mr. CURTIS. Mr. President, at a later time I expect to speak in detail on the various provisions of the bill.

I rise at this time merely to state the general position that I hold. In doing that, I want to pay tribute to the House Ways and Means Committee. No one in Congress has a better grasp of tax legislation and social security legislation than has the distinguished chairman of the House Committee on Ways and Means, Representative WILBUR MILLS.

There is a vast difference in the ultimate impact of the House-passed bill and the measure that was recommended to the Senate by the majority members of the Finance Committee.

Let me say first that there are many amendments recommended by the Finance Committee that are not in dispute, but they do not involve the long-range financial implications that are in dispute.

In the case of medicare, at present either the doctor has to make out the papers and be reimbursed from the medicare intermediary, or the patient must pay the bill and send in a receipted bill and ask for reimbursement. This procedure is changed so that the patient under medicare can merely obtain an itemized bill and submit it, because many old people are unable to advance the money. There is no dispute about doing that. We find a number of amendments of that nature in the Senate bill.

There is disagreement on the financing. There is disagreement on the level of benefits. There is disagreement on the wage base. At the time social security started, the wage base was $3,000. That means that regardless of how high wages were paid, the tax was applied to the first $3,000 or as much thereof as the worker earned in a given year. Under the Committee on Finance bill, the wage base is raised to $10,800—not right now, but in a few short years.

The House of Representatives accepted the findings of the Committee on Ways and Means, headed by the distinguished WILBUR MILLS, and fixed the increase in benefits at 12½ percent. The Committee on Finance raised the percentage of benefits from 12½ percent to 15 percent and provided a certain minimum benefit of $70. The 15 percent, however, is a small part of the raise that is actually carried in the Committee on Finance bill. Here is the reason:

By raising the wage base, the benefits are automatically raised, because the benefit formula is applied to the average monthly wage, so-called, covered as wages. As a result, there is a sharp difference between the Mills bill and the Long bill, if we may so distinguish them. By the Mills bill, I mean the bill that was written by the Committee on Ways and Means and passed the House of Representatives. The Committee on Ways and Means is presided over by the distinguished gentleman from Arkansas [Mr. MILLS].

I can illustrate in this way: Under the Mills bill, which is the House bill, the maximum employee annual tax, which will be reached in the year 1987, is $448.40. Under the Committee on Finance bill, the maximum employee tax will be reached in the year 1980, 7 years earlier, and it will be $626.40. In other words, the difference between the House bill and the bill recommended by the majority of the Committee on Finance involves, to a large degree, the magnitude of the future commitment for social security. It involves the burden that we will place upon the young worker, the worker who will enter the labor force next year, 5 years from now, or 10 years from now. In this regard, the House bill shows more restraint and more regard for the burdens that must be borne by the young people of the future, the workers who will work and pay the taxes at the present time.

By the very nature of social security, sometimes the real costs are difficult to detect. We pick up our newspapers and we read that $21 billion is in the reserve of the trust fund. Actually, it is only enough to pay the present benefits for 12 months to those on the benefit rolls. When we started to pay benefits, there was sufficient money for 29 years. Of course, the benefits did not amount to very much then. But the amount has decreased steadily.

If we have a dip in our economy, more benefits will be paid out, because more people will retire and more people will retire earlier. Fewer people will be working, and they will be working for less, and there will be less income.

So this reserve cannot accurately be measured in dollars. It must be measured in the length of time it would carry the program.

It is my belief—and I believe it is shared by the minority—that the Mills bill, the bill that passed the House of Representatives, is better for the economic well being of our country than those features relating to the tax rate, the wage base, and the level of benefits

which have been recommended by the majority of the Committee on Finance.

I hope that every Member of the Senate will read the minority views. They are found in the report beginning on page 335. They are rather brief and extend from page 335 to 341. As Senators read the minority views I would remind them that this is not a statement in support of any proposal that the minority have devised, but it is a statement in support of the House bill, and it gives the reasons therefor.

Many things can be said about the proposal that was recommended by the Senate Committee on Finance. One of them is that benefits would generally be raised for everybody beginning next year and that two-thirds of the social security taxpayers would pay less taxes through the year 1970 than they would if existing law were allowed to operate.

One of the principles that have been helpful in social security in years past has been the balance between those who pay taxes and those who receive benefits. We cannot act responsibly unless we give consideration to both groups. The people who are eligible for benefits are entitled to consideration. We of the majority say that they should receive increased benefits, because of the increase in the cost of living. But we also point out that the young person, who will be paying social security taxes for 30 or 40 or 45 years, is entitled to consideration. I doubt that the majority of the Committee on Finance realized fully the burden they were placing on these people when they chose the particular method of financing this program. I do not believe it was intended, but I believe it will be an unjust burden not only on young workers who are in the work force now, but also on those who will enter in the years to come. And it will be an unjust burden on the middle class, because they will bear the brunt of the increase in social security taxes from a dollar standpoint.

It begins right away: Under the Finance Committee bill, the wage base is raised to $8,000 for next year. It is now $6,600. That means that the middle-class person who is making in excess of $6,600 has a substantial increase in his social security taxes. That is one-third of the people.

That is the group that produces our leaders. That is the group that is buying homes. That is the group that is supporting every good cause in the country. And they would be called upon alone—alone—to carry an increase in social security taxes.

Under existing law, the tax rate for 1969 and 1970 would be 4.9 percent. In this bill, it is actually reduced to 4.8 percent. I contend that that would produce an undesirable result. It would not be good for our economy. It is not fair to pick out the middle class and give them a tax rate, a substantial one, and a graduated one, and actually reduce the burden for others at a time when all people are getting an increase in benefits.

This would be a marked injustice right away, but in the long run it would place a burden on these middle-class people. It is not only unjust, but also it is not good for our economy. It will very likely discourage the establishment of private pension plans. It will very likely prevent existing private pension plans from being further liberalized. It will make it more difficult for these middle-class people to save and accumulate for themselves, so that they have money to provide for both their needs and luxuries throughout life and in old age. It will make it more difficult for this middle-class to buy Government bonds that need to be purchased.

Mr. President, I cannot overstress the point that the choice that the Senate will have to make is narrowed down to the financial part of the social security problem.

The Mills bill provided for an immediate 12.5-percent increase in benefits. The majority of the Committee on Finance went up to 15 percent, and along with that bill there was a great increase in the wage base that brought about a new turn in social security. I do not think it was intended, but it places the added burden on a few people.

The long-range impact on the middle class is discriminatory. I would point out that the people of the country are very sensitive to taxes. A vote to support the House bill on the subject of tax rate, wage base, and level of benefits means that Senators are voting for an ultimate maximum social security tax of $448.40; but if we accept the recommendation of the Committee on Finance, the recommendation of the majority, Senators are casting a vote for a system of social security that will lead to a maximum tax, not of $448.40, but $626.40, and we will arrive at that maximum 7 years early.

Now, what does that all amount to, in addition to shifting an undue proportion of the burden onto the middle class? It has other damaging effects. I am convinced that it will be detrimental to private pension plans.

But, listen to this. If a young man at age 21 enters the work force in 1972, under the Senate Finance Committee bill that young man and his employer would pay in $16,528 in additional taxes by the time he was 65. This would accumulate, at 4-percent interest, during those 44 years, up to $43,449.96.

What could that young man buy for that amount of money and its accumulation?

Here is what he could buy:

A single life insurance annuity, beginning at age 65, which would pay him $354.00 a month.

How much would he gain under social security from that extra money? $120 a month.

That young man could buy a joint survivors' annuity for himself and wife which would pay $312 a month during their joint lives, and $171 for the survivor.

What would he get in added social security benefits from the increased taxes? $141 during his life with his wife, as compared to $312. The survivor would get only $99 compared to the $171.

In other words, it would be a very poor bargain.

Unwittingly, the majority of the Senate Finance Committee made some drastic changes in the long-range course of social security.

When we provide for most of the increased money by raising the wage base, we are, in effect, financing on a graduated tax basis.

Mr. LONG of Louisiana. Mr. President, will the Senator from Nebraska yield?

Mr. CURTIS. I yield.

Mr. LONG of Louisiana. The Senator starts out by doing two things. He wants, one, to assume that a worker takes what he paid, plus what his employer paid on his behalf, adds them together, and purchases an annuity benefit. He is not talking about the hospital benefits that man would get when he is old and needs it—when most older people require health care. He is not talking about the benefits his wife would get in addition to his annuity, in the event he dies before she does. He is not talking about what his wife would get if he dies and she is disabled, or if he dies and she has a lot of children to look after. He is not talking about many other benefits which are less important to the program but are, nevertheless, a part of it.

He is talking about only one benefit. He is talking about what that one benefit would be if one bought it with what he puts in, plus what the employer puts in. This, it seems to me, is not a fair comparison.

My thought would be that if we want to try to see what a person could buy for the same amount of money, we should take what a person could buy with what he alone puts up, looking at the employer's contribution as a tax on employees to help the program take care of all working people, plus some who are only incidentally covered by social security.

If we take a look at what that man buys, and what he puts up, even if we assume that he is a single man and never marries and will live a great number of years, the annuity he would have available to him would still be more insurance, if he lived the normal life expectancy, than he could buy under any insurance program available anywhere in the United States.

So that if we look at all the benefits available, if a man assumes that he would marry at some time in his life and that he would be blessed with children, even if he is in the highest bracket or is self employed, he could not buy anything like the protection he would get under this program.

I think the Senator knows that. My guess is that he will find that to be true even with the committee amendments added.

In regard to some of the things in the bill—one may call it the Long bill—and I am flattered if it is referred to as the Long bill—but many other Senators made material contributions to it. In fact, the able and distinguished Senator from Nebraska himself made suggestions for improving the program which were adopted and have made the Committee bill a better bill.

But if we look at the various things in the bill and what one would pay even in the highest bracket, I believe that we would find every one of the benefits for retirement and protection of a wife and

children which becomes available if the husband dies. Regardless of whether he leaves a large family or a small one—just look at what his wife gets. Even if he is self employed, the rate will be approximately 50 percent higher than an individual worker—he still could not buy that much protection with a private company.

I have seen the comparison the Senator makes, but I do not think it will stand up under close analysis, particularly when viewed solely upon the individual contribution of the worker.

Mr. CURTIS. I should like to answer the distinguished chairman of the committee. I have a complete answer to his contentions.

The social security system has estimated that 28 percent of the taxes are required to carry the disability and survivor benefits. Thus, in this computation, we did not take the total increased taxes that the man would pay, but 72 percent of it. Thus, in this illustration, we are directing our remarks to the added taxes that he must pay into that portion for retirement benefits. We have excluded the 28 percent.

Now, it is true that this actuarial statement was worked out on the basis of including both employee and employer.

Here is how it figures out:

After excluding 28 percent of the tax for things other than retirement, the private annuity would pay him $354 for the added tax. Social security would be $120. So, if we cut the $354 in half, it would still be substantially over the $120.

Thus, while it is true I asked for the computation to be made, and it was made on the basis of employee and employer taxes both, it still shows a mighty poor bargain under social security. There are two factors entering into this. I am sincere in my statement of belief that I do not think it was fully realized what the future impact of the Senate committee amendments would be on the financing of the program.

There are two factors involved. One is that our system generally, our social security system at the very best, is going to have a heavy burden on future taxpayers, and has had and is having a light burden in the past and the present.

Senators will find in the minority views some figures showing how this system works. It is not a system under which, in the past, individuals and even employers, have paid into the fund, or for some time in the future will pay into the fund, sufficient to pay for the benefits. The system is kept in motion and keeps going because of the taxes that are paid this month, next month, and in the future.

For example, at the end of 1966 there were 4,500 individuals receiving benefits who had started to receive them in 1940. The most any one of them could have paid into the fund, as a total in his lifetime, was $90. Each one of them already has drawn, through September 1967, $22,458.90.

How about the individual who is retiring this year at age 65? If he has paid all the taxes that he could pay from 1937 through 1966, including accumulated interest at 3¾ percent, it would amount to $3,449. If that man of 65 has a wife who is 65 years of age, the present value of the couple's future benefits is $26,844.

Where will the difference come from? It will come from the people who are working now and will work in the future.

The average benefit drawn by someone who retired this year illustrates the same principle. The person who has paid the average amount—in other words, paid a tax on the median income each year from 1937 through 1966, together with accumulated interest at 3¾ percent—has paid in $2,564. If he has a wife and they are both 65 years of age, the present value of the couple's future benefits is $23,901.

It is also possible for someone to retire this year at age 65 and not have paid in more than $16 total in his lifetime, including accumulated interest. If he is married, the present value of the couple's future benefits amounts to $9,022.

At the very best, the burden is on our future employees and our future self-employed, and the burden upon individuals who provide employment in the future is going to be very, very hard. By action of the Finance Committee, that is now accentuated.

When social security started, it cost $300 a year to employ 10 men. By the time this bill gets in motion, what will it cost an employer to employ 10 men? If they reach the maximum pay, it will cost $6,264 to employ 10 men. Is he likely to provide a company pension? No. Will he have to raise prices on products he sells? Surely, he will.

So we see here the chickens coming home to roost. We have had a level of benefits all through the years far beyond the taxes paid for those benefits. So, at best, the future load will be greater. Now the committee bill accentuates that burden more than does the House bill, and it adds that burden in a different way. It raises so much of the added revenue by raising the wage base, which is a penalty on effort. It is a penalty on those young people who belong to the middle class, who work hard and succeed and keep our communities going.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. CURTIS. I yield.

Mr. LONG of Louisiana. I am advised that the average person who is retired today will receive benefits, if he lives out his life expectancy, 10 times as much money in cash, as both he and his employer paid into that fund. If one looks at just what that man himself paid into the fund, he will receive, by the time he lives out his normal life, 20 times as much in cash payments as he paid into that social security fund. I refer to those who have retired and who are retiring today.

Anything of that sort would be impossible if someone had been providing for his own retirement income with a private insurance policy, even so fine a policy as that suggested by the Senator from Nebraska. The reason for that is that insurance companies are not permitted—there are none of them, so far as I can determine, that pay more in benefits than the premiums of the group provide. That is something we have been able to do with the social security program that cannot be done with private insurance policies. If someone had taken out a private insurance policy, as the Senator knows, he would be receiving dollars that had depreciated in value, through no fault of anyone in particular. When those events occur, that person's insurance income could not be boosted, as social security can, to offset the fact that the purchasing power of the money has depreciated. But under the social security programs, retirees can be protected. As a matter of fact, under the committee bill, we have gone beyond offsetting the cost of living and added higher benefits to make possible a good retirement.

While there are some things in the bill put in by the Senate committee that the Senator does not like, he knows, as well as I do, that there are some things in it that he does like. I can recall some years ago when the Senator from Nebraska stood on the floor and made a speech in which he urged eliminating the earnings test under the social security program. It had a good bit of appeal. One of the most expensive things we have in this bill is the liberalization of the retirement provisions so a person can earn $2,000 without reducing his social security income. So while I know there are some things in the bill the Senator does not like, I know there are some things he likes, because he has advocated and fought for them over the years.

Mr. CURTIS. I thank the Senator. I repeat, there are many things in this bill which are not in dispute. The dispute is narrowed to the financing of the program and the level of the benefits.

I want to thank the Senator for reenforcing my argument. He says someone retiring now draws in benefits more than what the individual and his employer paid into it. Who pays the difference?

The kids; our grandchildren. The individuals who go into business tomorrow, next year, or 5 years hence, who try to find employment for them.

When my distinguished chairman points out that we have been paying a benefit 10 times what the employee and the employer paid for, we must also follow that with the statement that that burden will have to be carried by the young. The past is past; we cannot change that; and it is doubtful whether at any time we could have had a social insurance system that would have eliminated that difference altogether.

But we should practice a minimum of restraint. The least we should do is try to impose gently the burden that we place on the future, and seek to distribute that burden equitably.

I say that in this bill we have done neither. It is very simple. We have, under the Mills bill, a maximum tax increase of $448. That is what the minority are contending for. That is the maximum. Under the Senate Finance Committee bill, the maximum increase would be $626. That is quite a difference; and that is the issue.

Under the Mills bill, more of the added income will come from increasing the tax on all, and less of the added income will be from increasing the charges upon the middle class.

In this bill, by raising the taxable base from $6,600 up to an ultimate $10,800, per year, we put the burden of all that increase on one-third of the workers—the middle class; that group who, in every community, in every organization, in every neighborhood, carry the burdens which propel America forward.

I say we are doing too much to them. Examine the bill. The benefits always have been proportionately greater, and I think rightly so, for people of low income, who have been treated more generously. I believe that should be true. I think the people who make more money should pay some more taxes. But I do not believe they should pay as much more tax as this measure provides.

So the issue here is not a dispute over these many corrective amendments we have brought in, that everybody agrees to. Some of them, in fact, I proposed. The issue is on the financial provisions, on whether we enact a reasonable increase, as suggested by WILBUR MILLS, with some restraint on the amount of taxes to be paid, or whether we impose much higher taxes on the middle class in the future.

Mr. President, it was not my purpose to speak as long as I did. I shall have something further to say before action on this legislation is completed. I again commend to the attention of every Senator the minority report, which is found at pages 335 to 341, not because it supports some theory of the minority, but because it supports the House bill and the recommendations of Chairman WILBUR MILLS and the majority of his committee, who, I believe, have sent over a good bill.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. CURTIS. I yield.

Mr. WILLIAMS of Delaware. In addition to that, it supports the position taken by 414 Members of the House of Representatives.

Mr. CURTIS. Yes.

Mr. WILLIAMS of Delaware. Who likewise voted for this same position which the minority members of the Senate Finance Committee support.

Mr. CURTIS. In that regard, I wish to say this: I have a very high regard for the U.S. Senate and its Members, but I have always felt that the House of Representatives, the Members of which stand for reelection every 2 years, has its finger more surely on the pulse of America than does the body in which we serve.

The House of Representatives said that a maximum increase of $448 is enough. They will all be up for reelection next year. This is a proposal to come in 7 years earlier with a maximum tax of $626.

I yield now to the distinguished Senator from Kansas.

Mr. CARLSON. Mr. President, I commend the distinguished Senator from Nebraska for an excellent and thought-provoking statement on a very difficult problem contronting the Senate.

I know of no one better qualified to discuss this problem than the distinguished Senator from Nebraska. He served for many years as a member of the House Committee on Ways and Means. He not only served as a member of that committee, but took a very active interest in the social security program. He held some very lengthy hearings, and distinguished himself as a member of that committee by the thorough study he made, for some years, of that program. So I think his statement is not only timely, but thought provoking, and needs to be called to the attention of the country.

I expect to speak later on the matter, but I should like at this time to mention one item, if the Senator will give me about a minute.

Mr. CURTIS. I am happy to do so.

Mr. CARLSON. One of the problems in this legislation which required much time on the part of the chairman and the committee, as I am sure the chairman will agree, was how to furnish an incentive program for mothers with dependent children who are AFDC recipients.

The committee wrote language that would seek to furnish training and financial support for the children. It is interesting to find that Geary County, Kans., has demonstrated that a program of training for mothers can be carried on locally, without Federal funds. I can assure the Senate that that is unusual, when there are Federal funds available for both Federal and State programs. I call that matter to the attention of the Senate, because this demonstration project for working mothers, which started 2 years ago, is the only one in the Nation being carried out under title I, section 115 of the Social Security Act which has not requested Federal funds.

I think these people in Kansas deserve some credit for this achievement. The program has been handled by Mr. Claude Frese, who is director of the Geary County Department of Social Welfare.

A newspaper article, which I shall ask to have printed in the RECORD, states:

> This project encourages full- or part-time employment of mothers receiving welfare assistance for dependent children by providing for job related expenses.

It is interesting that 33 mothers who have participated in the program are no longer on the welfare rolls. Nineteen left the program and are still receiving assistance. Currently, 24 mothers are enrolled. They qualify for $8,160 in welfare assistance, but are earning $3,839 of that amount. With the approximately $1,450 in extra grants for job-related expenses, the savings in this welfare program in that county is $2,339 a month.

In view of the extended discussions we had on this problem—and they were quite lengthy, and sometimes we really entered into it with some vigor, and we came out with what I hope will be a solution—it is interesting to know that such a matter can be handled and funded locally; and I feel this one such county in the Nation is entitled to much credit.

I ask unananimous consent, Mr. President, to have printed in the RECORD an article entitled "Aid Program for Working Mothers Here Operates Without U.S. Help," written by Bob Honeyman, and printed in the Junction City, Kans., Union.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

AID PROGRAM FOR WORKING MOTHERS HERE OPERATES WITHOUT U.S. HELP

(By Bob Honeyman)

A demonstration project for working mothers started here two years ago is the only one in the nation being carried out under Title I, Sec. 1115 of the Social Security act which has not requested federal funds. Claude Frese, director of the Geary County Department of Social Welfare, said today.

Miss J. Shiveley, consultant, regional office, Department of Health, Education and Welfare, was told by HEW officials in Washington that "Operation Fair Play" in Geary county hasn't used any federal grants.

"It is unusual in this day and age when someone doesn't ask for federal funds when they are available," Dr. Freses said. "I am proud this is not the only county in the United States to carry out a project by using its own and state resources. "Operation Fair Play," has actually reduced the cost of assistance."

The pilot project encourages full or part-time employment of mothers receiving welfare assistance for dependent children by providing for job related expenses. Thirty-three mothers who have participated in the program are no longer on the welfare rolls. Nineteen left the program and are still receiving assistance.

Currently 24 mothers are enrolled. They qualify for $8,160 in welfare assistance, but are earning $3,839 of that amount. With the approximately $1,450 in extra grants for job related expenses, the savings to the welfare agency is $2,339 monthly.

Based on an average of $200 per month welfare grants to Geary county mothers receiving aid-to-dependent children, the savings on the 33 clients no longer on the welfare rolls is approximately $80,000 annually.

Marvin Larson, Topeka, director of the State Department of Social Welfare, said the Kansas Welfare board is interested in implementing the program on a statewide basis.

"The results of the Geary county project indicates "Operation Fair Play" has produced the desired results and it would be a wise policy to extend it to the entire state," Mr. Larson said. "This will require budget approval from the state legislature for initial starting funds, although over a long period of time a substantial savings would result."

Under provisions of the program, working mothers are allowed extra funds to cover food, clothing, incidentals, transportation, child care and miscellaneous expenses which are job related. The average for the mother currently enrolled is $60 per month.

Purchase of uniforms, tools and other necessary items is allowed at the time the mother starts work. Replacements are considered to be included in the standard monthly allowance.

The extra funds bring the net amount left to the working mother for ordinary living expenses in line with welfare clients who are not employed so there is no financial penalty for working. The mothers must have the dual responsibility of caring for minor children and being the principal wage earner.

Originated in September, 1965, the project requires a waiver from the Department of Health, Education, and Welfare because the extra payment to the working mothers deviates from statewide rules and regulations. It was designed to cover three years and an annual renewal of the waiver is necessary.

An application, approved by the state agency, is pending in Washington.

Mr. Frese said 10 mothers started on the program in the 12 month period ending September 30. Their assistance grants without employment totaled $2,513 monthly. After employment they totaled $1,807, a reduction of $706.

"When the project was implemented I thought that with the increased grants most of the working mothers would stay on the welfare rolls," said Mr. Frese. "It didn't work that way.

"A great majority of the women had a desire to be self-sustaining and 'Operation Fair Play' enabled them to get over the hump.

"By being gainfully employed, the working mother greatly enhances her chances for remarriage. A man is more apt to marry a woman with children if she is earning part of her needs rather than depending 100 per cent on welfare."

Sixteen of the 33 persons who were able to leave the welfare program after participating in "Operation Fair Play" did so because of remarriage. Five others did so because of better income.

Mr. Frese said case workers in counseling with clients found that many of the mothers receiving aid to dependent children would like to earn part of their income.

Eight of the 19 persons who dropped from the program but are still receiving assistance did so because of a reduction in force. Seven dropped because of illness.

Occupations of the current participants include nine waitresses, four clerks, three laundry workers, two sales clerks, two cashiers, and one each beautician, bus driver, clerk-typist, and telephone operator.

Occupations of the 52 persons who participated in "Operation Fair Play" since its beginning, but are no longer enrolled, included 18 waitresses, eight maids, five laundry workers, four each telephone operators, clerks and cooks, two dispatchers, and one each auditor, beautician, bookkeeper, cafeteria supervisor, nurse's aid, secretary, stenographer.

Mr. Larson said Senator Abraham Ribicoff, former secretary of Health, Education and Welfare, has introduced an amendment to the Social Security act which would allow mothers receiving aid to dependent children to retain the first $50 of income without deduction from her welfare grant.

"If the bill passes we will have to follow the federal law and "Operation Fair Play" would become a moot point because it accomplishes the same thing," Mr. Larson said.

If the Geary county project is implemented statewide a waiver of federal regulations will not be necessary, according to Mr. Larson. The waiver is necessary only when the rules are not applied to all counties of the state.

Mr. Frese said the local project has had the full support and encouragement of the Geary county commissioners, who comprise the county social welfare board, since its inception.

"The county welfare director, case workers and members of the state welfare department staff put in extra work so that extra federal funds weren't needed," Mr. Frese said. "This is work all were willing to do because they believed in the program.

"One of the things that pleases me the most is that there hasn't been one word of criticism of "Operation Fair Play" from citizens of the county and we have received a lot of support from community leaders."

Taking part in a review October 11, of the program's first two years were Miss Shiveley; Miss Ruth Lainge, director, public assistance division, Mrs. Annabelle Long, home economist, both of Topeka, and Mrs. Miriam P. Harper, social service supervisor, division of field services, state department of social welfare.

Mr. CARLSON. I thank the Senator from Nebraska.

Mr. CURTIS. Mr. President, I say to the distinguished Senator from Kansas that his people who pioneered in this project are entitled to our consideration and applause. Its success bears out what I have always contended: That Kansas is next to the best State in the Union.

Mr. CARLSON. I thank the Senator.

Mr. CURTIS. Mr. President, I yield the floor.

The PRESIDING OFFICER. The Chair recognizes the Senator from Delaware.

Mr. WILLIAMS of Delaware. Mr. President, I shall discuss this measure in more detail at a later time, but I do wish to point out certain facts.

So that we may understand the scope of the pending bill I point out that it would provide for approximately $6.5 billion in benefits when it becomes fully operative. These are payments over and beyond the amount provided for in the existing law.

The bill as passed by the House of Representatives would have increased benefits in the first full year of operations by $3.2 billion.

The bill with amendments as reported by the Finance Committee, when it gets into the first full year of operaitons, would cost practically double. It would produce increased benefits of $3.5 billion in 1968, $5.8 billion in 1969, and $6.2 billion in 1970.

These are extra benefits that will be paid from the trust fund. In addition, there will be increased payments under the welfare sections of the bill, which in the first full year of operation, 1969, will cost around $700 million.

Much has been said by the President and by the Secretary of the Treasury about their concern over inflation. There has been a suggestion that we should even enact a 10-percent surtax to combat the inflation and to help the Government finance its operations. This deficit today is estimated at $20 billion to $25 billion annually.

It should be pointed out that the pending bill has a directly opposite effect. The pending bill would provide for a period of 9 months in the calendar year 1968 additional benefits of $3.5 billion, assuming that the first payment is on April 1.

It provides additional benefits in 1969 of $5.8 billion over and beyond the existing law.

This bill would provide additional benefits in 1970 of $6.2 billion.

This would amount to a total of $15.5 billion in extra payments for the first 3 years of operation.

To offset this cost the pending bill would raise taxes during that same 3-year period sufficient to provide additional revenue over and beyond that provided for under existing law. In 1968 it would increase revenue by $1.6 billion in additional taxes; in 1969, $2.6 billion; in 1970, $3.1 billion. This would amount to a total of $7,300,000,000 in additional taxes over and beyond what would be collected under the existing law in the first 3 years of its operations.

That means that additional benefits in the amount of $15.5 million would be paid out. We would raise $7.3 billion of that in new taxes. Thus this bill would pump an extra $8.2 billion into the economy in the next 3 years over and beyond the amount which would be pumped into the economy under existing law.

I recognize that as we deal with a social security measure and consider providing the revenue to pay for the new benefits we do not plan to regulate the economy, and we should not. However, we do have to take into effect the impact the law would have on the economy if enacted.

When we examine the effect in 1971 we find that the pending bill provides additional benefits of $6.5 billion over the amount in the existing law, and the additional tax revenue in 1971 as a result of the tax formula under the pending bill would be $6.3 billion.

So it would practically cancel out, within $200 million, in 1971. Beginning in 1972, the additional benefits would be $6.4 billion whereas the additional taxes levied under the bill are $8.8 billion. In this year an extra $2.4 billion would be added to the trust fund.

Under the Hartke-Long tax plan we would collect in taxes $2.4 billion more in 1972 than we would pay out in benefits. This would be done in order to replace the loss in the trust fund as a result of the first 3 years of operations, when we would be paying out $8.2 billion more than we took in.

This is what has been referred to as the Hartke-Long fly-now, pay-later tax plan.

I point out that the pending bill does not reduce taxes one iota from the tax formula which was first approved by the Finance Committee by a vote of 10 to 6 the week before the pending bill was reported.

All that the Hartke-Long tax formula does is to change the effective date of the taxes so that the effective date of the increase in these taxes would come after the 1968 elections, not before.

However, the effective date of the benefits would begin April 1, 1968, or 7 months before the election.

The increased benefits would be received before the election, but the increased taxes to pay for this increase would not take effect until January 1, 1969, and beginning in 1972 the full impact of the tax load would go into effect.

Why should the tax and the benefits not be effective the same date?

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. LONG of Louisiana. Mr. President, I have listened to the arguments of the Senator from Delaware [Mr. WILLIAMS] and found them to be very persuasive statements, so much so that, from my point of view, I voted for at least a part of the measure. At one time I voted to impose a tax of as high as 5 percent, to be matched by 5 percent, starting next year to pay not only for everything that the House did and that the Senate did, but also to increase the surplus flowing into the fund.

Having voted that way, I realized that it would be a very heavy tax increase and would be levied in a highly retrogressive manner, one that would hit harder on the workingman than any other tax.

I felt it would be rather useless for the Senate to think that we could make the House levy a tax to pay for what the House does if the House does not see fit to do it themselves. I am constrained to believe that the House would not have accepted any big increase in the rate, even if we had voted it and taken it to them.

I assume that the Senate will sustain us, but we did vote to raise the tax by enough to pay for the increased benefits that we voted for this next year, 1968.

It seems to me that, at least to that extent, I was doing what the Senator from Delaware wanted me to do. I was voting to pay for everything we voted to put in the bill.

We voted to raise the tax next year to pay for all of the benefits we placed in the bill that year. So to that extent we were following the John Williams doctrine.

I am somewhat dismayed that, having done so, we did not attract the support of the Senator from Delaware. I thought we were doing it the way he wanted us to do it.

There is no doubt that these benefits will be expensive and my guess is that in the future years we shall probably be compelled to take a look and see whether we should try to fund this program completely with the payroll taxes or consider looking at some other source of revenue, the more general revenues, or some less regressive tax with which to pay for a part of these benefits.

I thought that, to a very large extent, we did—and certainly I did—vote to support the position that the Senator from Delaware would have liked us to take.

A rate high enough to do what the Senator would have liked to do, I believe, would have been extremely high. I believe he will agree that we are following a position that will allow us to pay for everything that the House voted and everything that the Senate committee voted.

Mr. WILLIAMS of Delaware. Mr. President, I thank the Senator from Louisiana for his remarks. He did vote for the so-called Williams formula which would put this program on a pay-as-you-go basis. I appreciated his support for the brief time I had it. I only regret that he reversed his position. If he had stood pat we would be together today.

When the Senator points out that the Senate committee——

Mr. LONG of Louisiana. Mr. President, if the Senator will yield, I regret to say that I am afraid we would not be together today.

I detected this difference as we proceeded with the deliberations. I believe the Senator's position would have been that, while he is in favor of those of us on our side voting to fund immediately everything we propose to do from now into the future, as well as everything that the House would do, he did not intend to vote for that much tax because he did not want to vote for that much in benefits.

Mr. WILLIAMS of Delaware. I was and still am in favor of a 12½-percent increase in social security benefits and stand willing to vote not only for these benefits but also for the necessary tax to pay for them. My argument is that the same Senators who want to increase the benefits should provide a method of financing with the effective date of such taxes to be the same day as the benefits. Then when Members of the Senate go back home and stand on the platform boasting to their constituents of all the increased benefits we are giving them they can look at us and say, "Yes, but you also raised our taxes."

The Senator from Louisiana wants to distribute the benefits before election and have the tax go into effect after the election.

Much has been said about a 5-percent wage tax being regressive; 5 percent is a staggering tax rate, but I call attention to the fact that under the Hartke-Long formula it goes not to 5 percent but to 5.2 percent in 1971.

Under the Hartke-Long plan it goes to 4.8 percent in 1969, just 60 days after the election. It goes to 5.65 percent in 1973. It goes to 5.7 percent in 1976. The Hartke-Long plan would jump to 5.8 percent in 1980 and thereafter.

It is true that the tax rate would increase somewhat under existing law, but it is an indisputable fact that the Hartke-Long tax formula increases taxes a substantial percentage for the individual wage earner over both the existing law and the rates in the bill as it was approved by the House.

In fact, unless reversed by the Senate the Hartke-Long tax formula for 1968 may go down in history as the largest social security tax increase ever approved by the Congress.

Let us examine this Hartke-Long new tax plan. In 1969 a man earning $8,800 would pay 45 percent more wage tax than he is paying in 1967. In 1972 a man earning $8,000 would pay 43 percent more tax. A man earning $10,800 under the Hartke-Long formula would pay 93.4 percent more wage tax in 1972 than he pays today. A man earning $1,000 in 1972 would have an 18-percent increase in his wage tax over the 1967 rates under the Hartke-Long formula.

I mention this to show that the Hartke-Long formula is not a tax reduction as it has been hailed. It is only a tax postponement with the real impact coming after the Members have been reelected. So let us get it straight. Taxes would not be reduced under the Hartke-Long formula; they are only being postponed. Taxes would be increased.

Why not let the voters in Louisiana, in Delaware, and in every other State know that when Members of Congress voted for the benefits they also voted for the tax increase.

What is wrong with a little truth in Government?

As one Member of the Senate, I have become rather impatient with a group of free-wheeling spenders who vote for the benefits and then shout, "Hallelujah. Look at what we are giving away"; and then the next moment shed crocodile tears for the poor taxpayer. Let the record be clear to the taxpayer before the votes are counted in November.

Certainly the Hartke-Long formula is more harsh than the existing law. The Hartke-Long formula provides for taxes much higher than the House bill. All their new plan does is to delay the day of reckoning.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. LONG of Louisiana. Mr. President, the rates to which the Senator has made reference—he can call them the Hartke-Long rates if he wishes—were sent to us by the House. We did not change it a bit. All we did was to take out the final increase, so that in the end the rates under the bill the committee reported do not wind up as high as they do under the House bill. We did not raise any of them. That is what the House did, and the Senator said he was prepared to vote for that.

The difference is that we provide that the rates would apply against a higher wage base, and we provide that those who pay on that higher base will have benefits that will be geared to the higher base, so that they will have higher benefits than they would have if they were not paying at the higher base.

May I also suggest to the Senator that when he says we want to pay now and fly later——

Mr. WILLIAMS of Delaware. There is quite a difference. This is a fly-now-and-pay-later plan.

Mr. LONG of Louisiana. We do not do it that way at all. The 1968 tax would go into effect in January, and we have raised the wage base to $8,000 beginning in January, and people would begin paying at the higher base. So they would be paying more taxes beginning in January, and they would not begin receiving the higher benefits until April. That is when they would get their first checks.

So that, on the contrary, far from flying now and paying later, we pay in January and start flying in April. So that we put the tax ahead of the benefits. We adopt the Williams formula with a vengeance, and we proceed then to say that additional benefits go into effect in January 1969, when the tax goes up; and, once again, it is fully funded, and the people start paying the tax in January. In that instance they do it exactly according to the Williams formula—they pay more taxes in January, and they receive a larger check in April.

Mr. WILLIAMS of Delaware. One group, whose earnings are over $6,600, starts paying taxes in January 1968 and pays taxes for 12 months; but beginning in April in 9 months you would spend $1.9 billion more than they would pay in the entire 12 months. There would be $3.5 billion more paid out in benefits before the election against extra taxes collected of $1.6 billion. That is based on the committee bill. You would pay out $3.5 billion in 9 months under the committee bill as reported, and you would collect $1.6 billion in the full 12 months' operation. So that the benefits paid out in 9 months under the committee bill exceed the tax collected in the 12 months of 1968 by $1.9 billion.

In 1969 the additional benefits paid out would be $5.8 billion, and the additional tax collected would be $2.6 billion; or $3.2 billion more would be paid out in 1969 than would be raised in revenue.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I should like to complete this statement, because I believe the chairman should understand it.

In 1970 $6.2 billion would be paid out, and $3.1 billion would be collected—an additional $3.1 billion paid out in 1969.

All together in the 3-year period there would be $8.2 billion more paid out in

benefits than would be received in taxes. This is an extra $8 billion being pumped into the economy.

Then it would be reversed under the Hartke-Long formula. In 1971 it would be practically even. There would be $6.5 billion paid out and $6.3 billion collected. But in 1972 you would pay out $6.4 billion and you would collect $8.8 billion in new taxes. In other words in 1972 you would pick up $2.4 billion extra, and that would be used to pay back the deficiency that is being created in the years 1968, 1969, and 1970. In the next 5 years under the Hartke-Long tax plan you would collect approximately $2 billion per year over the amount in the House bill and over what would be paid out in extra benefits approved in this same bill.

I believe these features should be pointed out.

So far as the increased benefits are concerned, for these newly taxed $10,800 wage earners, it is true that as the base rate is raised to $10,800 their social security benefits would be computed at a higher figure. I know that Commissioner Ball had a table showing how spectacular the increase in retirement benefits would be for the $10,800 man under the Administration bill as compared with existing law.

But what the Senator did not point out is that that increase, which was emphasized so much by Commissioner Ball, an increase which is emphasized so much, here today by the committee report, will not become effective for that man until the year 2008. It will be 40 years from the effective date of the bill before the maximum benefits, as provided in the bill can be collected. They are graduated upward, but the worker will start to pay the maximum tax in 1972, while the bill dangles in front of him maximum benefits that he will be lucky to collect in the year 2008, if he is then living.

He pays the tax, but he will not have his benefits increased proportionately. They will be increased somewhat, surely; but they will not be increased to the full extent to offset his extra taxes paid.

Mr. President, I ask unanimous consent to have printed in the RECORD a table which was compiled with the assistance of the Joint Committee on Internal Revenue Taxation.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

CONGRESS OF THE UNITED STATES,
JOINT COMMITTEE ON INTERNAL REVENUE TAXATION,
Washington, November 13, 1967.

Hon. JOHN J. WILLIAMS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR WILLIAMS: Enclosed are the two tables you requested this morning.

The first table gives the actual OASDI and HI tax rates, maximum earnings subject to tax and tax liability for 1937–1967 and the rates, earnings, and liability from 1968 on as adopted by the Senate Finance Committee. The time periods have been grouped in the manner requested.

The second table compares, for wage or salary levels of $8,000, $9,000, $10,000, and $11,000, OASDI and HI tax liability under present law, under the House version, and under the (Hartke Plan) Senate Finance Committee version of H.R. 12080 for each of the years from 1968 on.

Sincerely yours,
LAURENCE N. WOODWORTH.

(Enclosures.)

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE AND BASIC HOSPITAL INSURANCE TAX RATES, BASE, AND LIABILITY APPLICABLE TO EMPLOYEES; SELECTED LEVELS OF WAGE OR SALARY INCOME; 1937–80 AND AFTER [1]

Years	Rate (percent)	Base [2]	Wage or salary income						
			$3,000	$4,000	$5,000	$6,000	$8,000	$10,000	$12,000
Roosevelt administration: 1937 to 1945	1	$3,000	$30.00	$30	$30.00	$30.00	$30.00	$30.00	$30.00
Truman administration:									
1945 to 1949	1	3,000	30.00	30	30.00	30.00	30.00	30.00	30.00
1950	1.5	3,000	45.00	45	45.00	45.00	45.00	45.00	45.00
1951 to 1952	1.5	3,600	45.00	54	54.00	54.00	54.00	54.00	54.00
Eisenhower administration:									
1953	1.5	3,600	45.00	54	54.00	54.00	54.00	54.00	54.00
1954	2	3,600	60.00	72	72.00	72.00	72.00	72.00	72.00
1955 to 1956	2	4,200	60.00	80	84.00	84.00	84.00	84.00	84.00
1957 to 1958	2.25	4,200	67.50	90	94.50	94.50	94.50	94.50	94.50
1959	2.5	4,800	75.00	100	120.00	120.00	120.00	120.00	120.00
1960	3	4,800	90.00	120	144.00	144.00	144.00	144.00	144.00
Kennedy administration:									
1961	3	4,800	90.00	120	144.00	144.00	144.00	144.00	144.00
1962	3.125	4,800	93.75	125	150.00	150.00	150.00	150.00	150.00
1963	3.625	4,800	103.75	145	174.00	174.00	174.00	174.00	174.00
Johnson administration:									
1964–65	3.625	4,800	108.75	145	174.00	174.00	174.00	174.00	174.00
1966	4.2	6,600	126.00	168	210.00	252.00	277.20	277.20	277.20
1967	4.4	6,600	132.00	176	220.00	264.00	290.40	290.40	290.40
Hartke-Long tax plan:									
1968	4.4	8,000	132.00	176	220.00	264.00	352.00	352.00	352.00
1969 to 1970	4.8	8,800	144.00	192	240.00	288.00	384.00	422.40	422.40
1971	5.2	8,800	156.00	208	260.00	312.00	416.00	457.60	457.60
1972	5.2	10,800	156.00	208	260.00	312.00	416.00	520.00	561.60
1973 to 1975	5.65	10,800	169.50	226	282.50	339.00	452.00	565.00	610.20
1976 to 1979	5.7	10,800	171.00	228	285.00	342.00	456.00	570.00	615.60
1980 and after	5.8	10,800	174.00	232	290.00	348.00	464.00	580.00	626.40

[1] 1937–67, actual; 1968 and after, as adopted by Senate Finance Committee.
[2] Maximum earnings subject to tax.

Source: Statistics furnished by Joint Committee on Internal Revenue Taxation, Nov. 13, 1967.

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE AND BASIC HOSPITAL INSURANCE TAX LIABILITY OF EMPLOYEES, UNDER PRESENT LAW AND UNDER HOUSE VERSION AND SENATE FINANCE COMMITTEE VERSION OF H.R. 12080, 1968–87 AND AFTER; SELECTED LEVELS OF WAGE OR SALARY INCOME

Wage or salary income	Year	Present law	House bill	Hartke-Long tax plan
$8,000	1968	$290.40	$334.40	$352.00
	1969–70	323.40	364.80	384.00
	1971	323.40	395.20	416.00
	1972	323.40	395.20	416.00
	1973–75	356.40	429.40	452.00
	1976–79	359.70	433.20	456.00
	1980–86	366.30	440.80	464.00
	1987 and after	372.90	448.40	464.00
$9,000	1968	290.40	334.40	352.00
	1969–70	323.40	364.80	422.40
	1971	323.40	395.20	457.60
	1972	323.40	395.20	468.00
	1973–75	356.40	429.40	508.50
	1976–79	359.70	433.20	513.00
	1980–86	366.30	440.80	522.00
	1987 and after	372.90	448.40	522.00
$10,000	1968	290.40	334.40	352.00
	1969–70	323.40	364.80	422.40
	1971	323.40	395.20	457.60
	1972	323.40	395.20	520.00
	1973–75	356.40	429.40	565.00
	1976–79	359.70	433.20	570.00
	1980–86	366.30	440.80	580.00
	1987 and after	372.90	448.40	580.00
$11,000	1968	390.40	334.40	352.00
	1969–70	323.40	364.80	422.40
	1971	323.40	395.20	457.60
	1972	323.40	395.20	561.60
	1973–75	356.40	429.40	610.20
	1976–79	359.70	433.20	615.60
	1980–86	366.30	440.80	626.40
	1987 and after	372.90	448.40	626.40

Source: Statistics furnished by the staff of the Joint Committee on Internal Revenue Taxation.

Mr. WILLIAMS of Delaware. Mr. President, the table shows the background of taxes paid by the wage earner of $3,000, $4,000, $5,000, $6,000, $8,000, $10,000, and $12,000. It shows what he paid, first, under the Roosevelt administration from 1937 to 1945; then under the Truman administration from 1945 to 1952; under the Eisenhower administration from 1953 to 1960, under the Kennedy administration from 1961 to 1963, and under the Johnson administration from 1964 through 1967, and then the tax as it will be in the years to come under the Hartke-Long formula.

As the Senator from Nebraska [Mr. CURTIS] has pointed out, the largest tax increase is in the middle-income group; for example, the worker earning $10,000, in 1967 will pay a tax of $290.40. Under the Hartke-Long formula the same person would pay a tax in 1980 of $580, or a 100-percent increase. That is quite an increase under the Hartke-Long formula.

A wage earner who is making $6,000 today is paying $264; in 1980 and thereafter he will be paying $348.

A wage earner who is earning $5,000 and paying $220 today, under the Hartke-Long formula in 1980 will be paying $290.

A wage earner who earns $4,000 today and is paying $176, under the Hartke-Long proposal would pay $232 in 1980.

A $3,000 wage earner—a person just skimming the poverty level as defined by the administration—is paying $132 wage tax today, and under the Hartke-Long formula he would pay $174 in 1980.

The man with $12,000 in income jumps from $290.40 to $626.40, or a 115-percent increase under the Hartke-Long formula.

The year 1968 happens to be an election year, and it is significant that in 1968 there will be no tax increase for those earnings $6,600 or less and that there is only a slight increase for those earning over $6,600 a year.

Two-thirds of the wage earners, or 45 million to 50 million wage earners, can be thankful that under this bill they will have no increase in wage taxes during 1968. They can feel very comfortable for all of 1968, or until after they have voted, but after those votes are counted they had better be ready, because effective January 1, 1969, the Hartke-Long tax increase will be there. Under the Hartke-Long tax plan taxes are increased far more than under the House bill.

Mr. President, this record should be clear to the people as we go. The House bill does increase the rate some, but nothing compared to the increases under the Hartke-Long formula.

In the case of the man earning $8,000 under the present law in 1968 he will pay $290.40. Under the House bill in 1968, he would pay $334.40. Under the Hartke-Long plan in 1968 he would pay $352.

This chart shows the breakdown for each year to 1980. In 1980 this $8,000 salary man would, under existing law be paying $366.30; under the House bill he would pay $440.80; and under the Hartke-Long tax plan in 1980 he would pay $464.

The $9,000-a-year man has his taxes increased proportionately for 1980. Under the present law he would pay $366.30 in 1980; under the House bill, in 1980 he would pay $440.80, and under the Hartke-Long plan he would pay $522. That is an increase of $82 over and above what he would pay under the House bill, and $156 above what he pays under the present law.

The $10,000-a-year man in 1980 under the present law would pay $366.30, compared with payments of $440.80 under the House bill and $580 under the Hartke-Long plan, or practically double the $290.40 he is paying in 1967.

Mr. President, I think it is well for these middle-income groups, and they are the backbone of America, to know that under the Hartke plan the bulk of the cost of this $6 billion bill is being placed on them. Those who are in the $6,000 to $12,000 bracket pay the most of the increased taxes. There is a smaller part, perhaps 25 to 30 percent, being placed on the lower brackets, but in every single instance, from the $3,000-a-year man all the way through, as shown by these charts there is nothing for him to look forward to but taxes and more taxes if this bill is passed. All he gets from the Johnson administration is the sympathy he got from the majority members of the committee who did not have the hard heart to put this increased tax on him before election day. However, after election day he gets more tax increase under this bill than he would under the House bill.

(At this point, Mr. HOLLINGS assumed the chair.)

Mr. LONG of Louisiana. Mr. President, does the Senator subscribe to the views expressed by the Senator from Nebraska who said a short time ago in this Chamber that he could have voted for the Mills bill but could not vote for the Long bill, as reported by the committee? Does the Senator subscribe to that statement by the Senator from Nebraska, that he could vote for the Mills bill which was passed by the House of Representatives by a vote of 414 to 3?

Mr. WILLIAMS of Delaware. Yes; I voted for that 12½-percent increase in committee. I said I would be glad to vote for the House bill as a substitute. As the Senator recalls, the first rollcall vote we had in the committee was for the provisions of the House bill.

The Senator from Louisiana is correct. My first motion was to move the effective date of the payroll tax in the House bill from January 1, 1969, to make it effective January 1, 1968. This would have increased the tax in 1968, and then deferred the next tax increase back a year or two from 1971. I said that any bill should be placed on a pay-as-you-go basis. I would support now the proposal advocating such benefit increases.

I think there are some benefit increases justified for these elderly retirees because as a result of inflation their purchasing power is lower. By the same token, let us not create an inflationary situation where we destroy the increase we give them in this bill within 12 months after it is enacted. That is where I am concerned about pouring $8 billion extra money into the economy.

Inflation is a real threat in this country, and it will not be checked by a series of new multibillion-dollar spending programs.

Look at interest rates today; and what is these high rates? Excessive Government borrowing to finance a multibillion-dollar deficit.

Tomorrow I will mention these high interest rates in a little more detail.

Inflation is a real threat today. This is the reason I have been a strong advocate of the position that the Treasury Department should have sent its tax bills to Congress earlier—that is, if the administration really wants an increase in taxes. The Senator from Louisiana will confirm my insistence on an early decision on tax policies.

Last January the President said he would ask for a 6-percent surtax, but in February the Secretary of the Treasury reversed that position when he was testifying before our committee asking for a $2 billion tax reduction in the form of the restoration of 7 percent investment credit.

Why this sudden reversal of position?

I was one of two Members of the Senate, and I think the only member of the Finance Committee, to oppose that $2 billion tax reduction. I said then that it was contradictory to the President's January message. I agree with the Senator; I do not think we can justify a $2 billion tax reduction for one segment of the economy and then speak against these extra benefits under the pending bill. I shall agree completely with that, but I think the Senator will admit that I have been consistent on the point that we must finance the Government. We should not, in my opinion, have approved that tax reduction; however, once having done so I have been urging the Secretary of the Treasury, day after day—I have had several conferences with him, telephone conversations and correspondence—urging him to get the administration's tax bill down here to the House. If he cannot get it introduced in the House then I told him that perhaps the chairman of the Finance Committee would want that honor, but if he would not do it then I will do it. I renew that offer today whether I am for or against the bill; the question should be definitely decided before this Congress adjourns. The President is entitled to have the bill introduced and at least given a hearing.

The ridiculous part of it is that today we have a situation where for 10 months the President of the United States has been speaking about how enthusiastic he is for a tax increase, but to my knowledge he has not sent a bill to Congress yet. Constituents of mine have requested copies of the tax bill; I must tell them that there is no tax bill, that the administration, at this very moment, does not have a tax bill and has not sent one down to be introduced in either the House or the Senate.

I have been here 20 years, and I have never heard of a situation where the President of the United States cannot find one member of his own political party, particularly when he controls both House and Senate, sympathetic enough to his program or who had respect enough for the Office of the President to introduce his recommended legislation, even upon request.

Time and again bills have been introduced when a Member would say that he may not support it but that the President was entitled to consideration. Bills are introduced out of respect for the Office of the President.

I say again: Let them send the bill down if they are really serious and if they really want a tax bill considered. Send it down, and if the President's own party will not introduce his bill, I will introduce it this afternoon or tomorrow. I will join him in asking the chairman of the Finance Committee to hold hearings in the Senate. Let us find out whether the administration is serious or if this is just so much political propaganda.

Let us vote a tax bill up or down before we go home and remove the cloud of uncertainty which now hangs over the whole economic structure of this country.

Otherwise, let the Johnson administration stand ready to accept 100-percent responsibility for the higher interest rates and inflation.

Mr. AIKEN. Mr. President, will the Senator from Delaware yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. AIKEN. The Senator from Delaware does not mean, does he, that the President is insisting on the passage of a tax bill which he will not submit to the Congress? That does not sound reasonable. I suppose the Senator from Delaware has some reason for making that statement, but it really does not make any sense to anyone not a member of the committee.

Mr. WILLIAMS of Delaware. It does not make sense. I have had several requests from my constituents back home for copies of the administration tax bill, but there is no administration tax bill which has been introduced in either the House or the Senate. I have written to the Secretary of the Treasury about this matter. I have asked him to send his bill to the Congress, and, whether we are for it or against it, let us vote it up or down before we adjourn. Let us settle the issue or shut up about it. If the administration is for it, at least it should have a bill. But I repeat, there is no bill. There is no bill before Congress today.

All we are hearing from the administration is its criticism of Congress.

I said in February that it was contradictory for the President of the United States to come down to Congress in January and say, "I want a 6-percent surcharge to combat inflation and to help balance the budget," and then a month later to send down a $2 billion tax reduction proposal.

Mr. President, to be frank, I sometimes wonder whether the administration even wants a tax bill now or whether it is more interested in a political issue.

Mr. President, never in my 20 years in the Senate have I known of a situation where the President of the United States has said so much about any one program and done so little about it. As yet he has not had any Member of his own party in either the House or the Senate introduce his tax bill.

As a member of the minority, I respect the Office of the President enough to introduce his bill if he really wants a bill. In any event it is time to put up or shut up about the question of whether there will or will not be a tax increase in 1968.

Mr. President, in view of the fact that the Senator from Vermont [Mr. PROUTY] wishes to make a statement at this time, I shall conclude my remarks by pointing out that as we approach consideration of the pending bill we cannot separate from our minds what we are doing as it will relate to the necessity for a tax increase later any more than we can act on the bill which was reported today by the Committee on Post Office and Civil Service providing for a $2.6 billion increase in salaries without considering the tax that will be required to finance that measure.

I do not think we can separate these proposals. I think that if we vote for increased social security benefits and increased salaries, it is well for those supporting them, at the same time, to remember that the request for increased taxes to finance them will follow. In the long run, whether the additional taxes are increased wage taxes, increases in postal rates, or an increase in income taxes, will not make any difference, it will be increased taxes so far as the American citizen is concerned.

That is the reason I supported in committee a proposal to make the effective date of the tax to pay for the benefits the same day as the benefits.

An amendment to carry out that objective will be offered before we dispose of the pending bill.

Mr. PROUTY. Mr. President, today the Senate has convened to commence consideration of a piece of legislation which is not only vitally important, but also for the first time in many years, of superior quality. I speak of the Social Security Amendments of 1967 which lie before us today. The Finance Committee has carefully considered and reported a multiplicity of amendments, all of import. I am particularly overjoyed, however, by the inclusion in the bill of the provision which raises all retirement benefits by 15 percent and the minimum benefits to a respectable $70 monthly. I congratulate the Finance Committee for its action and pledge my wholehearted support to this provision.

This is the 12th time in 32 years that the Senate has amended the Social Security Act. If the present amendments are enacted into law, they will constitute the most massive adjustment in benefits to date. These days in future years may well be recorded as a time of critical importance in the annals of social security legislation.

Mr. President, the eminent Canadian statesman, W. L. Mackenzie King, once said:

> The era of freedom will be achieved only as social security and human welfare become the main concern of men and nations.

We in the United States have always recognized that social security and human welfare are major concerns. The enactment of the Social Security Act, over 30 years ago, represented a commitment at the national level to efficiently and effectively provide social security and human welfare.

The Social Security Act, which has provided both social insurance and social assistance, has been a prime force in enabling us to move toward elimination of certain human suffering and want. Progress in this area has only been limited by our national willingness and ability. Over the years, however, I, for one, have felt that all too often our national willingness to provide necessary security and human welfare has lagged far behind our national ability to do so. One such area of unnecessary delay has been the minimum monthly social security benefit provided older Americans.

Mr. President, social security benefits have been grossly inadequate for a number of years, and I take pride in being numbered among the ranks of those who realized this before 1967—before 1965—even before 1961. Others disagreed, Mr. President, and for this reason, the events of today are not without their touches of subtle irony. For example, is it not ironic, Mr. President, that many Senators who periodically referred to just such benefit increases as a "shoot the moon" proposal now stand before us asking all to adopt a $70 minimum? These same Senators were dubious about the drastic nature of the increases proposed by the administration as late as April of this year. However, they and the members of the Finance Committee have at long last come to the realization that such action was exceedingly important for the well-being of 20 million Americans. We who have long known of the great disparity between need and benefit amount welcome the administration and the Finance Committee of the U.S. Senate into our midst.

Mr. President, I feel particularly fortunate to be actually participating in a debate today which vindicates my own suggestion first extended in 1961—that we should enact legislation establishing a $70 minimum benefit. The plight of the aged and the meagerness of their monthly pittances worried me and other members of this body even before that date, however. In 1960, I noted these facts and urged action, saying:

> Testimony before the Senate Subcommittee on Problems of the Aged and Aging has shown that as men and women grow older not only do they need more medical attention but the cost of that care increases at the same time that their income decreases. Three-fifths of our older age group, or about nine million men and women in the United States, have incomes of less than one thousand dollars a year.
>
> Under our system of a free society, it cannot be denied that the responsibility primarily belongs to the individual and his family. However, if the need is shown to be extensive among our population, and the consequences of failure to provide for this need affects society generally, then it becomes a social, as well as a personal problem.

In 1961, Mr. President, I determined that mere concern for our older Americans was not sufficient. The conditions were so bad that my heart and conscience dictated affirmative action. Consequently, I joined with several other Senators, cosponsoring in that year a bill which would, among other things, have significantly improved benefits by increasing the minimum benefits. The magical number suggested as the minimum was $70 monthly.

Although this bill did not succeed, I gather that my efforts were not entirely in vain, for in 1962, our distinguished minority leader nominated me to the Senate Subcommittee on Problems of the Aged and Aging, an appointment of great importance to me.

Testimony continued to reveal to me the diversity of needs confronting Americans over 65. Prior to 1962–63—the Senate was preoccupied with the medical needs of the aged. Although thoughts about the paucity of the minimum benefits of social security continued to plague me, I joined forces with others seeking to evolve a workable medicare plan. However, my thoughts continued to return to social security benefits. In July 1962, I said:

> As earnings from employment go down or cease altogether most persons 65 and over must get along on limited resources. It is sad to note that a very high portion of the aged have incomes which fall far below the threshold of adequacy.
>
> * * * * *
>
> We have a Social Security System because there is a great need for it. As a class the aged have found it difficult or impossible to provide for their security in old age. The object of the Social Security System is to replace some of the wages lost because of old age disability, or death. The object was to provide income maintenance for a group which otherwise would have insufficient income to insure a decent and dignified existence.

It became apparent late in 1963 that we would be unable to reach a satisfactory agreement about a comprehen-

sive medicare plan and make it operational until another Congress had convened. The time seemed right to forge ahead in attempting to secure significant social security increases and a higher minimum monthly benefit for older Americans over 65.

Mr. President, in August 1964, I offered the first of numerous amendments designed to increase the minimum monthly social security payment from $40 a month to $70 a month. I felt then—as I do now—that our Nation, with a gross national product in excess of half a trillion dollars, had the ability to alleviate significant human suffering affecting our older citizens. As our Nation mouthed a willingness to wage war on poverty, it seemed incredible to me that we did not act immediately to win a major battle in that war. We could do so by enacting legislation which would provide 5½ million older Americans living in abject poverty, because age and inflation have robbed them of economic security, with a greater than subsistence income. I said in a speech on the floor of the Senate:

It is time our government recognized that there is a severe gap between the needs of our elderly and their Social Security benefits. . . . If we are willing to spend a billion dollars in a war on poverty we must be willing to give $70 to our aged and infirm.

Mr. President, I ask unanimous consent that a memorandum containing the history of my legislative attempts to raise the minimum benefit be printed in the RECORD immediately following my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. PROUTY. From 1964 until the present day, Mr. President, I have introduced similar bills every session of the Senate. I often felt discouraged and disheartened about my failure to secure passage of a decent minimum benefit—a $70 monthly amount. As letters, facts, and figures revealing the plight of older Americans continued to pour in, however, my resolve toughened. I determined to stand before Congress three or four times a year until recognition of their need was sufficient to secure passage of constructive legislation.

I often felt that I was batting my head against a brick wall. I felt as ineffective as Ionesco's characters in "The Chairs" who babbled incoherently about the solution of problems in the world. I felt, Mr. President, like one famous American who began to roar with rage and frustration after he saw three old ladies foraging in his garbage can for food. Upon being requested to stop his flow of expletive and rhetoric, he refused, saying:

I'm going to continue until the whole country hears me.

I was compelled, Mr. President, to continue to speak until opinion was mobilized toward the end of enacting legislation which would lessen the plight of the retired American. I vowed "to return to the floor until equity and justice was done to the millions of older Americans who have been denied social security." I was undoubtedly repetitive—and many Senators undoubtedly grew fatigued with my words.

Nevertheless, I cannot help but feel that my words had some impact and swayed some opinions.

In a speech made in 1966, after passage of my blanketing-in proposal, I noted:

It has been said that a journey of a thousand miles must begin with a single step. We have taken that one step and we are going to make the entire journey.

Passage of the bill containing the $70 minimum benefit and the 15-percent across-the-board increase will constitute another important step in that journey.

Mr. President, as we are about to take another step in our 1,000-mile journey, it would not be inappropriate to consider exactly how far we have come in that journey over the years and to determine exactly where we are headed.

We will naturally be presented with alternative paths, and only if our ultimate goals are kept in sight, will our destination be reached. In other words, Mr. President, I wish to briefly consider the progress of and the problem to social security legislation.

Over the years since 1935, there have been several basic structural changes in the original act which have served to redirect its thrust and to redefine its scope and intent.

The first policy change occurred in 1939, when Congress shifted the emphasis of the program from a private insurance principle approach whereby an individual was given equity, to a family program in which benefits were to be given to dependents and survivors rather than exclusively to the worker himself.

The second change took place in 1950. In that year the Social Security concept was expanded from a plan in which retired workers in commerce and industry were the prime beneficiaries to a universal plan in which benefits were to be given to all individuals and families dependent upon earnings of any kind.

In the third change, which came about in two steps in 1954 and 1956, new programs were added to the social security program for the benefit of the severely disabled.

In other words, Mr. President, we have continually broadened the scope of social security to the point where most Americans over 65 receive some benefits. The scope of social security has also been broadened to include disabled workers and dependents of deceased workers. The more universal a program we have, the better it will be. Senator Robert Taft in 1950 well expressed this sentiment when he said:

I think the sooner we recognize that old-age pensions are desired by the people on a pay-as-you-go basis, on a universal basis, the better off we shall be. I think social insurance is not, in fact, insurance. It is not anything in the world but the taxing of people to provide free services to other people.

There remain, however, conceptual, structural and functional problems with social security. For example, many people still insist that social security is similar in form to private insurance, which it definitely is not. The program is decried by many as not being as remunerative as insurance policies provided by private industry. The law is not structured so that it includes all Americans. The program is not in my opinion utilizing the most effective means of financing. And, Mr. President, the law sometimes functions to the detriment rather than to the benefit of some groups of older Americans. Their problems must be ironed out if we are to achieve a more equitable and universally applicable system.

Mr. President, I can honestly say that the bill as reported by the Finance Committee will make significant and long overdue improvements in the System. However, the bill could be improved in some respects. In particular, I believe that the bill falls short in five major areas.

First, Mr. President, I believe that the committee bill contains an undesirable provision with respect to the income tax deduction formerly provided to individuals aged 65. As you know, Mr. President, from 1948 to 1966 taxpayers 65 and over benefited from a provision which allowed them to deduct the cost of medical care up to certain specified maximums. The medicare bill in 1965, however, provided for the elimination of this special tax deduction for calendar year 1967.

Mr. President, 1967 is here. Unless we act now older taxpayers will suffer a tax increase when they file their returns next spring. Mr. President, I am certain that millions of older Americans will be faced with additional hardships in having to pay taxes for items previously deductible for 17 years.

Mr. President, I am convinced that the only reason the special tax deduction was deleted by the 1965 medicare amendment to the social security bill was because of the erroneous assumption that medicare would pay for 100 percent of the medical cost. Medicare does not cover 100 percent of the medical expenses of the older American. In reality, only from 50 percent to 60 percent of costs are covered. Let us consider what costs must be met by the individual over 65 himself:

Under hospital medicare insurance the first $40 must be paid by the individual.

After 60 days care, the individual must pay $10 a day for the next 30 days of treatment.

Under medical insurance, the individual must pay $3 a day to receive benefits.

All drug costs except those provided in the hospital must be met by the individual.

Last year, Mr. President, the Committee on Finance sought to retain the full medical expenses deduction for individuals age 65 and over. The committee added an amendment to the Foreign Investors Tax Act which was designed to prevent the tax restrictions included in the 1966 medicare law from going into effect. The Senate passed the amendment, but unfortunately the House conferees refused to accept it and it was stricken from the final bill.

I had great hopes, Mr. President, that the Finance Committee, because of its previous concern over the plight of the aged, would act to reinstate the medical expense tax deduction. Indeed, last Friday when the press release describing the committee bill was released, I scanned it eagerly, until I came to the section in

which medical tax deductions were explained.

At first I was encouraged to read that, and I quote:

The Committee amendment would make the medical care and drug expenses of a person 65 or over fully deductible without regard to the 3 and 1 percent limitation.

Then I was disappointed and horrified to learn of the conditions under which the tax benefit would apply. Only those people who, and I quote, "waive all future entitlement to all medicare benefits upon reaching age 65 or within 1 year after enactment of the bill, whichever is later," would be eligible for this tax deduction. The decision to select medicare or a tax deduction would be an irrevocable one.

Mr. President, I believe this amendment as reported by the Finance Committee would do great harm to millions of older Americans. It not only denies them a tax advantage which has been enjoyed for 17 years, but it also presents them with an impossible choice.

Equally important, Mr. President, the amendment represents a major policy shift with respect to the principle of compulsory insurance. I sincerely hope that the members of this body will carefully consider the necessity for continuation of the special medical deduction provided for individuals aged 65 and over. I do not feel that the recommendation of the Finance Committee is desirable.

Second, Mr. President, I believe the committee bill contains an undesirable provision with regard to eligibility for hospitalization benefits under medicare.

Beginning January 1, 1968, only those individuals who are eligible for social security or railroad retirement will be able to obtain hospitalization insurance under medicare. As we will remember, Mr. President, the 1965 medicare law provided that all citizens aged 65 or over would be entitled to hospitalization insurance under medicare regardless of their eligibility for social security. However, the original provision was effective only through December 31, 1967. Consequently, many individuals who become 65 on or after January 1, 1968, will be ineligible for medicare.

The Social Security Administration has indicated that about 70,000 older Americans would be excluded from medicare annually merely because they lack the necessary quarters of coverage under social security.

The present law requires that individuals have six quarters of coverage in order to be eligible for benefits. The Finance Committee has generously reduced this to three quarters, acting on the House findings that the six quarters requirement "is too sharp" an increase.

What does this mean, Mr. President? It means that simply because an individual did not at some point during his lifetime earn $150—$50 a quarter—from which social security taxes were deducted, he is not eligible for hospitalization benefits under medicare. The contribution to the social security fund which such an individual and his employer would make at the present payroll taxation rates, would amount to a staggering total of $13.20. What we are saying in effect is that 70,000 Americans who are gainfully employed in jobs not under the Social Security Act will be deprived medicare merely because they did not contribute $13.20 to the trust fund.

I believe that we must seriously consider whether or not we really want to exclude 70,000 Americans from medicare coverage. We must consider this, Mr. President, because a little over 2 years ago we were quite willing to provide every American age 65 and over with hospitalization insurance.

Third, Mr. President, as I waded through the complex and comprehensive bill reported by the Finance Committee, I searched and searched for some provision which would have the effect of preventing recipients of veterans' pensions from suffering from a reduction of income because of the social security increase. Unfortunately, Mr. President, the bill as reported by the Committee on Finance does not contain such provision.

I am sure that most Members in this Chamber remember the tragic situation which occurred following the last social security increase. Our good intentions went awry, Mr. President, because the 7-percent benefit increase provided in the Social Security Amendments of 1965 hurt rather than helped over 26,000 individuals receiving pensions from the Veterans' Administration. These 26,000 individuals, Mr. President, actually ended up receiving less money as a result of the social security increase. I, for one, Mr. President, do not wish a repetition of that event.

During April of this year the Subcommittee on Employment and Retirement Incomes of the Special Committee on Aging conducted hearings on the reduction of retirement benefits due to social security increases. As a member of that committee, Mr. President, I felt that the greatest problem in this area concerned the effect of social security increases on veterans' pensions.

Earlier this session we enacted legislation to provide additional benefits for individuals receiving veterans' pensions. That bill as it passed the Senate contained a specific provision insuring that these individuals would not be penalized by social security increases. During the conference with the House that particular provision was deleted from the bill.

I believe that it was correctly deleted from the bill, Mr. President, because at that time no one knew whether or not there would in fact be a social security increase. However, Mr. President, I am disappointed that the Finance Committee did not see fit to incorporate that provision in this bill.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. PROUTY. I yield.

Mr. LONG of Louisiana. Mr. President, I commend the Senator for his determined efforts to help the aged and the disabled and the sick down through years.

I have had a similar interest in those matters and have advocated some of the same things the Senator is discussing, such as the $70 minimum, even before the Senator from Vermont was a Member of the Senate. Generally speaking, I believe we have pretty much the same sentiments in providing adequate benefits and helping the needy.

Mr. PROUTY. I appreciate what the Senator has said. While I was a Member of the other body, I was also very much interested in this matter.

Mr. LONG of Louisiana. Mr. President, the $70 to which the Senator refers, as he knows, will not buy as much as the $70 that he was suggesting back in the days when he first started advocating a $70 minimum. We still have a way to go before we can provide as much as $70 would have bought then. But we are doing as much as we believe we can do in that area.

With regard to the veterans pension matter, I believe that I voted for more benefits in the conference committee than I did as a member of the Finance Committee.

We made an effort to try to persuade the House Veterans' Affairs Committee to agree to an amendment along the lines the Senator discussed earlier this year. When we were in conference with them, the chairman of the Veterans' Affairs Committee, Representative TEAGUE, of Texas, assured us that his committee would send us a bill to assure that veterans' pensions would not be reduced when the social security payments were increased.

It is the Veterans' Affairs Committee on the House side that has jurisdiction of this matter, rather than the Ways and Means Committee which reported the House bill we are presently considering.

I share the desire of the Senator that an adverse result to veterans will not come about, and I believe the only reason that we did not place a provision dealing with the veterans' pension reduction in the bill was because we thought that if we did, the House Ways and Means Committee members in conference would probably bow to the jurisdiction of the House Veterans' Affairs Committee and insist that we should await a bill from the House, reported by the House Veterans' Affairs Committee.

The Senator is well aware of the jurisdictional problems which exist in the House. This is one of the most serious impediments that would prevent us from doing what the Senator would like to have us do. I share his objective, and I agree that this must be done before final action is concluded by Congress on the proposed legislation.

Mr. PROUTY. I agree with the Senator. It seems to me, however, that we are going to have a social security bill—I hope in the reasonably near future—and we are approaching the end of the session. Again, that is a prayerful hope.

It does seem to me that, since the Finance Committee acts on veterans' affairs the same as it does on tax questions, it is a very logical approach to take, in view of the circumstances. I cannot understand why the members of the Veterans Affairs Committee in the House would object simply because of a jurisdictional question.

Mr. LONG of Louisiana. They are waiting to see how much we increase the social security payments. Then they would propose to increase the amount

that veterans could receive as income for veteran purposes—not only under social security, but under any other retirement programs—by an amount equal to the maximum increase in the social security bill. This was positively agreed to in conference, as the recent veterans bill S. 16 now Public Law 90–17, such action would assure that veterans would not have their overall income reduced.

If the Senator would offer an amendment along that line, I would have no objection to it, although I believe the House conferees probably would insist that we wait and let the House Veterans Affairs Committee initiate such a measure. I am in favor of the result the Senator wishes to achieve in this regard.

Mr. PROUTY. I appreciate what the Senator has said. I hope he will be equally receptive to other amendments I shall offer later.

I am hopeful that before this bill is passed we can add an amendment which will protect veterans' benefits.

Fourth, Mr. President, I was disappointed that the committee bill did not contain a provision to extend special social security benefits to individuals who through no fault of their own have never worked at jobs covered by social security.

You may remember, Mr. President, that the Senate advanced further along the path of universal coverage under social security in March of 1966. At that time, the Senate accepted my amendment to the Tax Adjustment Act of 1966 which extended a special benefit to individuals over age 72 who unfortunately were never covered by social security. The latest figures I have from the Social Security Administration reveal that well over 800,000 individuals have benefited from that amendment.

I was certainly pleased, Mr. President, to see that the report of the Finance Committee proposes increasing the special age 72 benefit from $35 for an individual to $50 and from $50 for a couple to $75. While this is not an overly large amount, I am sure that every Member in this Chamber has received letters of gratitude from hundreds of older Americans for whom this benefit has made life a little easier.

As you know, Mr. President, the Prouty amendment expires on December 31 of this year. I wish I could say that it had taken care of all the needy older Americans who had never had the benefit of social security coverage.

I cannot say that, Mr. President, because nearly a million older Americans were bypassed when Congress decided who was to be covered by the Social Security Act. I sincerely hope that these forgotten Americans will be remembered by this Congress.

Fifth, Mr. President, another part of the social security system which we should seriously attempt to improve is its financing aspect. Thirty years ago, when the social security system was established, a small regressive payroll tax was shared by both employees and employers. Today that "small" payroll tax is becoming larger and larger. The result of years of increase is that more and more individuals in lower income brackets are seriously and disadvantageously affected by the regressive nature of the payroll tax.

Over the years, Mr. President, I have continually urged that general revenue financing be used to make up any difference between the income and outgo of the social security trust fund. Since I first advocated this method of financing, I have watched it attract additional support both inside and outside of this Chamber.

Did you realize, Mr. President, that Dr. Edwin E. Witte, who was the executive director of the Committee on Economic Security, which drafted the original Social Security Act, recognized the need for general revenue financing as early as 1935? Professor Witte in his book "Development of the Social Security Act" states:

> Any deficit, the old age security staff proposed, should be met through contributions from the United States Treasury, although there was no way in which it could be guaranteed that when the deficits developed contributions would be actually made from general tax revenues, rather than be met through reduction of benefits or increase in the contribution rates.

Mr. President, did you realize that the original proposal given to President Roosevelt by his Committee on Economic Security provided that general revenues should be used to help finance the social security system beginning in 1965? It has been suggested by many historians that this provision was deleted from the original act only for the reason that it made the social security system more acceptable politically.

Just 2 years after the original act became law, the Advisory Council on Social Security emphasized the desirably of Federal financial participation. During 1939 hearings on social security before the Ways and Means Committee the Council stated:

> Since the Nation as a whole, independent of the beneficiaries of the system, will derive a benefit from the old-age security program, it is appropriate that there be Federal financial participation in the old-age insurance system by means of revenues derived from sources other than payroll taxes.

Did you realize, Mr. President, that during the 1940's the Social Security Act did contain a provision which provided that any deficits in the social security trust funds should be paid for from general revenue? As a matter of fact that provision was in effect until the Social Security Amendments of 1950.

I believe that Congress erroneously removed the provision providing for Federal financing contributions of social security. I believe this, Mr. President, because the regressive feature of the social security payroll tax is acting at cross purposes with our war on poverty. I believe this, Mr. President, because the designers of the Social Security Act anticipated general revenue financing. I believe this, Mr. President, because the Advisory Council of 1939 and the Advisory Council of 1947–48 recommended the use of general revenue financing. I believe this, Mr. President, because a 1966 study made by the Brookings Institute supports the use of general revenue financing.

As I have pointed out, this is a comprehensive social security bill which has been reported by the Finance Committee. However, I believe that we cannot and should not avoid the question of long-range financing for the social security.

I believe that the proposals I have just discussed and perhaps others, are worthy of serious consideration by the Members of this body during the next week or so as we take up the Social Security Amendments of 1967. In addition, to immediate action concerning these proposals, I believe that we should look ahead down the road on which we are journeying. I have suggested necessary short-range steps. But it is not too soon to map out long-range progress or to consider our ultimate destination.

One step which needs to be taken at some time in the future, is action to alleviate the distress of widows, who currently receive only 82½ percent of their deceased husband's benefits. We should consider whether or not this amount is equitable or adequate. I personally do not believe that it is. How is a widow, who in all probability has children to raise and educate, to make do on only 82½ percent of what her husband would have received when he retired.

Aged widows are equally disadvantaged. According to the poverty criteria utilized by the Social Security Administration, an aged widow, in March 1965, not living on a farm, was considered poor if she had an annual income of under $1,465. The poverty threshold for aged couples with a male head was $1,850. In other words, Mr. President, a single individual or widow requires approximately 79 percent of the income required by an aged couple for minimum subsistence. Unfortunately, however, the social security system provides a widow with only 55 percent of the combined benefits payable to husband and wife. At some point in time we must ask ourselves whether or not we can justify such a low figure.

Another step which must be taken is a reevaluation of the requirement or earnings limitation. We should consider whether or not stringent restrictions are necessary or desirable. As you know, Mr. President, the Finance Committee has proposed increasing the earnings limitation to $2,000. For a number of years I have proposed increasing the earnings limitation to $2,400. At some point in the future, we must seriously consider whether or not the whole concept of an earnings limitation is outdated.

Finally, Mr. President, I believe that we must be flexible enough to continually revise our thinking concerning the adequacy of the social security system. Our abundance is continually increasing. Every year we should be more capable of doing more for those Americans who have performed well and worked diligently to make our country great in the past and who now deserve more than subsistence, worry, and unhappiness during their retirement years. To paraphrase the remarks of one great President, we must no longer ask what our older Americans can do for us, but consider what we can do for them.

Only in this way will we reach the point in time—the destination of our journey envisioned by President Franklin Delano Roosevelt, who said:

> I see an America where those who have reached the evening of their life shall live out their years in peace, in security, where

pensions and insurance . . . shall be given as a matter of right to those who through a long life of labor have served their families and their nation so well.

I see this America as well, Mr. President. There are bridges to be built across chasms and rivers in order to arrive there, but I have no doubt that American know-how, resources, and affluence will make continued progress possible.

EXHIBIT 1

MEMORANDUM CONCERNING SENATOR PROUTY'S CONTRIBUTION TO SOCIAL SECURITY

At an early date in my Senate career I attempted to assess the needs of older Americans. I have tried to be consistent in my analysis of these needs and persistent in my attempts to remedying their distressing condition through legislative effort. The following memorandum covering the period from 1960 to 1967 illustrates my concern and my approach.

Year 1960: Cosponsored the Javits bill to establish a voluntary health insurance assistance plan for older Americans.

August 23, 1960, made major speech outlining problems of the aged and supporting Javits bill.

Year 1961: Cosponsored Javits bill which would have significantly improved benefits by increasing the minimum amount of benefits, increasing benefits to widows; and making more people not presently covered by Social Security eligible.

Year 1962: Appointed by Dirksen to replace Cotton on Aging Committee.

Supported Saltonstall Amendment, and made major speech in favor of that Senator's health insurance plan on July 12, 1962.

Year 1963: Resolved to draw up own proposals to increase Social Security benefits; set staff working on proposals to increase minimum benefits; to blanket in those over age 70 not covered; and to increase widow's benefits.

Year 1964: Introduced an amendment to raise minimum benefit to $70, increase widow's benefits and to provide benefits for those otherwise not eligible at age 72.

Introduced amendment, adopted by Finance Committee, to prevent veterans from having reductions in pension benefits due to increases in Social Security. The amendment was struck in conference.

Cosponsored bills with Scott, Keating and Randolph which would increase benefits and facilitate employment of older workers.

Prouty Amendment was voted on September 3, 1964, and was defeated.

Year 1965: Introduced several amendments: to liberalize retirement earnings test, to blanket in all those over 70 not covered by Social Security, to increase benefits to a $70 minimum.

Year 1966: Introduced amendments similar to those proposed in 1965.

The Prouty Amendment to "blanket-in" individuals over age 70 was adopted by the Senate. In Conference Committee, however, the age when benefits were to fall due was raised to 72 and the benefit to be received was reduced to $35. The latest figures indicate that over 800,000 Americans have benefitted from the Prouty Amendment.

Year 1967: As amendment to the Tax Investment Bill introduced proposal with Cotton to extend blanketing-in to those over 70 and to increase the amount of their benefits.

Also introduced were bills similar to the Administration bill to liberalize benefits.

The following bills and amendments are illustrative of those introduced by Senator Prouty since 1964, or co-sponsored with another Senator.

H.R. 11865 (AMENDMENT No. 1260)

Amendments proposed by Mr. PROUTY to H.R. 11865, an act to increase benefits under the Federal Old-Age, Survivors, and Disability Insurance System, to provide child's insurance benefits beyond age 18 while in school, to provide widow's benefits at age 60 on a reduced basis, to provide benefits for certain individuals not otherwise eligible at age 72, to improve the actuarial status of the Trust Funds, to extend coverage, and for other purposes

Strike out the table appearing on pages 2 and 3 of the bill, and insert in lieu thereof the following table:

"I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1958 Act, as modified)		III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—		Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—	At least—	But not more than—	At least—	But not more than—		
----------	$19.24	$40	$49	----------	$83	$70.00	$105.00
$19.25	24.20	50	59	$84	101	77.00	115.50
24.21	29.25	60	69	102	132	84.00	126.00
29.26	35.00	70	79	133	178	91.00	142.40
35.01	41.76	80	89	179	225	98.00	180.00
41.77	----------	90	99	226	272	106.00	217.60
		100	109	273	319	116.00	254.00
		110	119	320	365	126.00	266.00
		120	127	366	412	134.00	284.80
				413	450	144.00	300.00"

SEC. 2. Add at the end of the bill the following new section:

"SEC. —. In addition to amounts appropriated under other provisions of law to the Federal Old Age and Survivors Insurance Trust Fund, there are hereby authorized to be appropriated to such fund, from time to time, such amounts as may be necessary to equal, with respect to each individual who becomes entitled to a benefit under title II of the Social Security Act by reason of the amendments made by this Act, payments to such individuals to the extent that they exceed additional contributions to such trust fund provided for by this Act.

"SEC. —. Notwithstanding any other provision of the Act no increase in any social sesurity benefit provided for by this Act shall be counted in determining the annual income of an individual receiving benefits under chapter 15 of the Veterans Pension Act of 1959 or under the first sentence of section 9(b) of such Veterans Act."

H.R. 6675 (AMDT. No. 314)

Amendments intended to be proposed by Mr. PROUTY to H.R. 6675, an Act to provide a hospital insurance program for the aged under the Social Security Act with a supplementary health benefits program and an expanded program of medical assistance, to increase benefits under the Old-Age, Survivors, and Disability Insurance System, to improve the Federal-State public assistance programs, and for other purposes

Strike out the table appearing on pages 205 and 206 of the bill, and insert in lieu thereof the following table:

"I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1958 Act, as modified)		III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—		Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—	At least—	But not more than—	At least—	But not more than—		
----------	$19.24	$40	$49	----------	$83	$70.00	$105.00
$19.25	24.20	50	59	$84	101	77.00	115.00
24.21	29.25	60	69	102	132	84.00	126.00
29.26	35.00	70	79	133	178	91.00	142.40
35.01	41.76	80	89	179	225	98.00	180.00
41.77	----------	90	99	226	272	106.00	217.60
		100	109	273	319	116.70	254.00
		110	119	320	365	127.40	292.00
		120	127	366	412	138.00	312.80
				413	450	146.00	328.00
				451	496	156.00	346.40
				497	550	168.00	368.00"

SEC. 2. Add at the end of the bill the following new sections:

"SEC. . In addition to amounts appropriated under other provisions of law to the Federal Old-Age and Survivors Insurance Trust Fund, there are hereby authorized to be appropriated to such fund, from time to time, such amounts as may be necessary to equal, with respect to each individual who becomes entitled to a benefit under title II of the Social Security Act by reason of the amendments made by this Act, payments to such individuals to the extent that they exceed additional contributions to such trust fund provided for by this Act.

"SEC. . Notwithstanding any other provision of the Act no increase in any social security benefit provided for by this Act shall be counted in determining the annual income of an individual receiving benefits under chapter 15 of the Veterans Pension Act of 1959 or under the first sentence of section 9(b) of such Veterans Act."

S. 3902

A bill to amend the Social Security Act and related provisions of law to extend hospital insurance benefits to persons presently not insured therefor, to increase old-age, survivors, and disability insurance benefits payable under title II of such Act, to provide minimum benefits to persons who, at age 65, are not insured for benefits under such title, to increase the amount of income individuals may earn without suffering deductions from benefits payable under such title, and otherwise to improve the social security program

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Social Security Amendments of 1966".

COVERAGE FOR HOSPITAL INSURANCE BENEFITS FOR PERSONS NOT INSURED THEREFOR

SEC. 2. (a) Subsections (a) and (b) of section 103 of the Social Security Amendments of 1965 are amended to read as follows:

"(a) Anyone who—

"(1) has attained the age of 65,

"(2) is not, and upon filing application for monthly insurance benefits under section 202 of the Social Security Act would not be, entitled to hospital insurance benefits under section 226 of such Act, and is not certifiable as a qualified railroad retirement beneficiary under section 21 of the Railroad Retirement Act of 1937,

"(3) is a resident of the United States (as defined in section 210(i) of the Social Security Act), and is (A) a citizen of the United States or (B) an alien lawfully admitted for permanent residence who has resided in the United States (as so defined) continuously during the 5 years immediately preceding the month in which he files application under this section, and

"(4) has filed an application under this section in such manner and in accordance with such other requirements as may be prescribed in regulations of the Secretary,

shall (subject to the limitations in this section) be deemed, solely for purposes of section 226 of the Social Security Act, to be entitled to monthly insurance benefits under such section 202 for each month, beginning with the first month in which he meets the requirements of this subsection and ending with the month in which he becames (or upon filing application for monthly insurance benefits under such section 202 of such Act would become) entitled to hospital insurance benefits under such section 226 or becomes certifiable as a qualified railroad retirement beneficiary. An individual who would have met the preceding requirements of this subsection in any month had he filed application under paragraph (4) hereof before the end of such month shall be deemed to have met such requirements in such month if he files such application before the end of the twelfth month following such month. No application under this section which is filed by an individual more than 3 months before the first month in which he meets the requirements of paragraphs (1), (2), and (3) shall be accepted as an application for purposes of this section.

"(b) The provisions of subsection (a) shall not apply to any individual who—

"(1) is, at the beginning of the first month in which he meets the requirements of subsection (a), a member of any organization referred to in section 210(a)(17) of the Social Security Act, or

"(2) has, prior to the beginning of such month, been convicted of any offense listed in section 202(u) of the Social Security Act."

(b) The amendments made by subsection (a) shall be effective on and after the first day of the month after the month in which this Act is enacted.

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

SEC. 3. (a) Section 215(a) of the Social Security Act is amended by striking out the table and inserting in lieu thereof the following:

"I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1958 Act, as modified)		III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—		Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—	At least—	But not more than—	At least—	But not more than—		
----------	$19.24	$40	$49	----------	$83	$70.00	$105.00
$19.25	24.20	50	59	$84	101	77.00	115.50
24.21	29.25	60	69	102	132	84.00	126.00
29.26	35.00	70	79	133	178	91.00	142.40
35.01	41.76	80	89	179	225	98.00	180.00
41.77	----------	90	99	226	272	106.00	217.60
		100	109	273	319	116.70	254.00
		110	119	320	365	127.40	292.00
		120	127	366	412	138.00	312.80
				413	450	146.00	328.00
				451	496	156.00	346.40
				497	550	168.00	368.00"

(b) The amendment made by subsection (a) shall be effective with respect to monthly benefits under title II of the Social Security Act for months after the month following the month in which this Act is enacted.

INCREASE IN AMOUNT OF WIDOW'S BENEFITS

SEC. 4. (a) Section 202(e) (1) and (2) of the Social Security Act is amended by striking out "82½ per centum" wherever it appears therein and inserting in lieu thereof "100 per centum".

(b) The amendments made by subsection (a) shall apply with respect to monthly benefits under section 202 of the Social Security Act for months after the month following the month in which this Act is enacted.

ELECTIVE EXEMPTION FROM FUTURE COVERAGE BY CERTAIN INDIVIDUALS WHO ARE ALREADY FULLY INSURED

SEC. 5. (a) Subsection (c) of section 211 of the Social Security Act (as amended by section 8(a) (1) and (2) of this Act) is further amended (1) by striking out "or" at the end of paragraph (4) thereof, (2) by striking out the period at the end of paragraph (5) thereof and inserting in lieu of such period a semicolon followed by the word "or", and (3) by adding after paragraph (5) thereof the following new paragraph:

"(6) The performance of service by an individual during the period for which there is in effect a certificate filed by such individual under section 1402(h) of the Internal Revenue Code of 1954."

(b) Subsection (c) of section 1402 of the Internal Revenue Code of 1954 (as amended by section 8(b) (1) and (2) of this Act) is further amended (1) by striking out "or" at the end of paragraph (4) thereof, (2) by striking out the period at the end of paragraph (5) thereof and inserting in lieu of such period a semicolon followed by the word "or", and (3) by adding after paragraph (5) thereof the following new paragraph:

"(6) the performance of service by an individual during the period for which there is in effect a certificate filed by such individual under subsection (h)."

(c) Subsection (a) of section 210 of the Social Security Act is amended (1) by striking out "or" at the end of paragraph (18) thereof, (2) by striking out the period at the end of paragraph (19) thereof and inserting in lieu of such period a semicolon followed by the word "or", and (3) by adding after paragraph (19) thereof the following new paragraph:

"(20) Service performed by an individual during the period for which there is in effect a certificate filed by such individual under section 1402(h) of the Internal Revenue Code of 1954."

(d) Subsection (b) of section 3121 of the Internal Revenue Code of 1954 is amended (1) by striking out "or" at the end of paragraph (18) thereof, (2) by striking out the period at the end of paragraph (19) thereof and inserting in lieu of such period a semicolon followed by the word "or", and (3) by adding after paragraph (19) thereof the following new paragraph:

"(20) service performed by an individual during the period for which there is in effect a certificate filed by such individual under section 1402(h)."

(e) Section 1402 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new subsection:

"(h) INDIVIDUALS WHO HAVE ATTAINED AGE 65 AND ARE FULLY INSURED UNDER TITLE II OF THE SOCIAL SECURITY ACT.—

"(1) EXEMPTION CERTIFICATE.—Any individual who has attained age 65 and is a fully insured individual (as defined in section

214(a) of the Social Security Act) may at any time file a certificate (in such form and manner, and with such official, as may be prescribed by regulations made under this chapter) certifying that he elects to have exempted from coverage by the insurance system established by title II of the Social Security Act any employment performed by him, or any self-employment engaged in by him.

"(2) EFFECTIVE PERIOD OF CERTIFICATE.—A certificate filed by an individual pursuant to this subsection shall be effective, in the case of employment (as defined in section 3121(b) and section 210(a) of the Social Security Act), performed by him on and after the first day of the first calendar quarter which begins more than 30 days after the date such certificate is filed, and, in the case of self-employment in a trade or business (as defined in subsection (c) and section 211(c) of the Social Security Act), engaged in by him for the taxable year in which the certificate is filed and all succeeding taxable years."

INCREASE IN AMOUNTS INDIVIDUALS MAY EARN WITHOUT SUFFERING DEDUCTIONS IN THEIR BENEFITS

SEC. 6. (a) Paragraphs (1), (3), and (4) (B) of subsection (f) of section 203 of the Social Security Act are each amended by striking out "$125" wherever it appears therein and inserting in lieu thereof "$200".

(b) The first sentence of paragraph (3) of such subsection (f) is amended by striking out "year, except of the first $1,200 of such excess (or all of such excess if it is less than $1,200), an amount equal to one-half thereof shall not be included" and inserting in lieu thereof "year".

(c) Paragraph (1)(A) of subsection (h) of section 203 of such Act is amended by striking out "$125" and inserting in lieu thereof "$200".

(d) The amendments made by the preceding subsections of this section shall apply only with respect to taxable years ending after the date of the enactment of this Act.

REDUCTION FROM 72 TO 70 THE AGE AFTER WHICH DEDUCTIONS ON ACCOUNT OF EARNINGS ARE NO LONGER IMPOSED

SEC. 7. (a) Subsections (c)(1), (d)(1), (f)(1), and (j) of section 203 of the Social Security Act are each amended by striking out "seventy-two" and inserting in lieu thereof "seventy".

(b) Subsection (h)(1)(A) of such section 203 is amended by striking out "the age of 72" and "age 72" and inserting in lieu thereof in each instance "age 70".

(c) The heading of subsection (j) of such section 203 is amended by striking out "Seventy-two" and inserting in lieu thereof "Seventy".

(d) The amendments made by the preceding subsections of this section shall apply only with respect to monthly insurance benefits under title II of the Social Security Act for months in taxable years (of the individual whose earnings are involved) ending after the date of the enactment of this Act.

BENEFITS AT AGE 65 FOR UNINSURED INDIVIDUALS

SEC. 8. (a)(1) The heading to section 228 of the Social Security Act is amended to read as follows:

"Benefits at Age 65 for Certain Uninsured Individuals"

(2) Section 228 of such Act is amended to read as follows:

"SEC. 228. (a) Every individual who—

"(1) has attained age 65,

"(2) (A) is not and would not, upon filing application therefor, be entitled to monthly benefits under section 202 or 223, or (B) is entitled, or would upon filing application therefor, be entitled to monthly benefits under such section 202 or 223 which is smaller than the amount shown by the first figure in column IV of the table in section 215(a),

"(3) is a resident of the United States (as defined in section 210 (i)), and (A) is a citizen of the United States or (B) an alien lawfully admitted for permanent residence who has resided in the United States (as so defined) continuously during the 5 years immediately preceding the month in which he files application under this section,

"(4) has filed application for benefits under this section.

shall (subject to the limitations in this section) be entitled to a benefit under this section for each month beginning with the first month after December 1966 in which he becomes so entitled to such benefits and ending with the month preceding the month in which he dies. No application under this section which is filed by an individual more than 3 months before the first month in which he meets the requirements of paragraphs (1), (2), and (3) shall be accepted as an application for purposes of this section.

"Benefit amount

"(b) The benefit amount to which an individual is entitled under this section for any month shall be an amount equal to whichever is the larger: (1) zero, or (2) the amount determined by subtracting from the amount shown by the first figure in column IV of the table in section 215 (a) an amount equal to the amount of the monthly benefit to which such individual is entitled under section 202 or 223. For the purpose of the preceding sentence, the amount of the monthly benefit to which an individual is entitled under section 202 means the amount to which he is entitled after any reduction in such amount made by reason of the provisions of subsection (q) of such section.

"Reduction in benefit amounts

"(c)(1) The benefit amount to which any individual is entitled under this section shall be reduced in accordance with regulations promulgated by the Secretary in accordance with paragraph (2).

"(2) Regulations promulgated by the Secretary under this subsection shall be designed to assure that individuals receiving benefits under this section shall be in need thereof, taking into consideration all income of such individuals. Such regulations shall not provide for reduction of such benefits on account of the lack of need therefor if—

"(A) in the case of any individual who is unmarried, such individual's annual income is less than $1,000; and

"(B) in the case of any individual who is married and is living with or providing more than one-half of the support of his spouse, such individual's income is less than $2,000.

If any individual entitled to benefits under this section is the parent of any child under 18 years of age, or the parent of any child over 17 years of age who is physically or mentally disabled, and such child lives with or receives more than half of his support from such individual, then, for purposes of the preceding sentence, the figures referred to in clause (A) or (B) thereof (as the case may be) shall be deemed to be increased by $500 for each such child.

"Suspension when individual is residing outside United States

"(d) The benefit to which any individual is entitled under this section for any month shall not be paid if, during such month, such individual is not a resident of the United States (as defined in section 210(i)).

"Treatment as monthly insurance benefits

"(e) For purposes of subsections (t) and (u) of section 202, and of section 1840, a monthly benefit under this section shall be treated as a monthly insurance benefit payable under section 202."

(b) Notwithstanding subsection (a), section 228 of the Social Security Act, as in effect prior to the amendment of the Social Security Amendments of 1966, shall remain in force with respect to any individual for any month if such individual—

(1) would have been entitled to a benefit under such section, as in effect prior to the enactment of such Amendments, but would not be entitled, for such month, to a benefit under such section, as in effect after enactment of such Amendments, or

(2) if the amount of such individual's benefit under such section, as in effect prior to the enactment of such Amendments, would (after all reductions provided in such section) be larger than the amount of the benefit to which he is entitled under such section, as in effect after enactment of such Amendments.

APPROPRIATION AUTHORIZATION

SEC. 9. In additon to all other sums authorized under any other provisions of law to be appropriated to the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, there are hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, to each of the aforementioned Funds, for the fiscal year in which the Social Security Amendments of 1966 are enacted, and for each fiscal year thereafter, such sums as may be necessary to place each of such Funds in the same financial position as that which it would have been in if such Amendments had not been enacted.

S. 350

A bill to improve the old-age, survivors, and disability insurance program by providing minimum benefits for certain individuals who have attained age seventy

Be it enacted by the Senate and House of Representative of the United States of America in Congress assembled, That this Act may be cited as the "Social Security Amendments of 1965".

MINIMUM BENEFITS FOR CERTAIN INDIVIDUALS WHO HAVE ATTAINED AGE SEVENTY

Entitlement

SEC. 2. (a)(1) Section 202 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"Benefit Payments to Persons Not Otherwise Entitled Under This Section

"(v)(1) Every individual who—

"(A) has attained age seventy,

"(B) is not and would not, upon filing application therefor, be entitled to any monthly benefits under any other subsection of this section for the month in which he attains such age or, if later, the month in which he files application under this subsection,

"(C) is a resident of the United States,

"(D)(i) is a citizen of the United States, and has resided in the United States continuously for not less than eighteen months before the month in which he files application for benefits under this subsection, or (ii) has resided in the United States continuously for the ten-year period preceding the month in which he files application for benefits under this subsection, and

"(E) has filed application for benefits under this subsection,

shall be entitled to a benefit under this subsection for each month, beginning with the first month in which he becomes so entitled to such benefits and ending with the month preceding the month in which he dies. Such individual's benefit for each month shall be equal to the first figure in column IV of the table in section 215(a).

"(2)(A) If—

"(i) any individual is entitled to a benefit for any month under this subsection, and

"(ii) it is determined that a periodic benefit or benefits are payable for such month to such individual under a pension or retirement system established by any agency of

the United States or of a State or political subdivision thereof (or any instrumentality of the United States or a State or a political subdivision or subdivisions thereof which is wholly owned thereby),

then the benefit referred to in clause (i) shall be reduced (but not below zero) by an amount equal to such periodic benefit or benefits for such month.

"(B) If any periodic benefit referred to in subparagraph (A)(ii) is determined to be payable on other than a monthly basis (excluding a benefit payable in a lump sum unless it is a commutation of, or a substitute for, periodic payments), the reduction of such individual's benefit under this paragraph shall be made at such time or times and in such amounts as the Secretary finds approximates, as nearly as practicable, the reduction prescribed in subparagraph (A).

"(C) In order to assure that the purposes of this subsection will be carried out, the Secretary may, as a condition to certification for payment of any monthly benefit to an individual under this subsection (if it appears to the Secretary that such individual may be eligible for a periodic benefit which would give rise to a reduction under this paragraph), require adequate assurance of reimbursement of the Federal Old-Age and Survivors Insurance Trust Fund in case periodic benefits, with respect to which such a reduction should be made, become payable to such individual and such reduction is not made.

"(D) Any agency of the United States which is authorized by any law of the United States to pay periodic benefits, or has a system of periodic benefits, shall (at the request of the Secretary) certify to him with respect to any individual such information as the Secretary deems necessary to carry out his functions under this paragraph. For purposes of this subparagraph, the term 'agency of the United States' includes any instrumentality of the United States which is wholly owned by the United States.

"(3) Benefits shall not be paid under this subsection—

"(A) to an alien for any month during any part of which he was outside the United States;

"(B) to any individual for any month during all of which he was an inmate of a public institution; or

"(C) to any individual who is a member or employee of an organization required to register under an order of the Subversive Activities Control Board as a Communist-action organization, a Communist-front organization, or a Communist-infiltrated organization under the Internal Security Act of 1950, as amended."

(2) The following provisions of section 202 of such Act are each amended by striking out "or (h)" and inserting in lieu thereof "(h), or (v)":

(A) subsection (d)(6)(A),

(B) subsection (e)(4)(A),

(C) subsection (f)(4)(A),

(D) subsection (g)(4)(A), and

(E) the first sentence of subsection (j)(1).

(3) Section 202(h)(4)(A) of such Act is amended by striking out "or (g)" and inserting in lieu thereof "(g), or (v)".

(4) Section 202(k)(2)(B) of such Act is amended by striking out "preceding".

Reimbursement of Trust Fund

(b)(1) With respect to every individual who becomes entitled to a benefit under title II of the Social Security Act by reason of the amendments made by subsection (a), the Secretary of the Treasury shall transfer to the Federal Old-Age and Survivors Insurance Trust Fund, from the general fund of the Treasury, an amount equal to the sum of—

(A) The total amount of employee and employer taxes that would have been paid under the provisions of sections 3101 and 3111 of the Internal Revenue Code of 1954 (or the corresponding provisions of prior law) if such individual had been paid wages (as defined in section 209 of the Social Security Act) equal to the first figure in column III of the table in section 215(a) in each month of the period beginning with January 1951 (or January of the year after the year in which he attained age 31, if that is later) and ending with December of the year in which he attained age 69 (or, if later, December 1962); and

(B) Interest, compounded at 3 percent per annum, on the total amount determined under subparagraph (A), for each year in the period referred to in such subparagraph.

(2) The transfer of funds from the general fund of the Treasury to the Federal Old-Age and Survivors Insurance Trust Fund with respect to any individual pursuant to paragraph (1) shall be made not later than the end of the calendar quarter following the calendar quarter in which such individual becomes entitled to benefits under title II of the Social Security Act by reason of the amendments made by subsection (a).

Effective Date

(c) The amendments made by subsection (a) shall apply only in the case of monthly benefits under title II of the Social Security Act for months beginning on or after the thirtieth day after the date of the enactment of this Act based on applications filed on or after March 1965.

S. 787

A bill to amend the Social Security Act and related provisions of law to extend hospital insurance benefits to persons presently not insured therefor, to increase old-age, survivors, and disability insurance benefits payable under title II of such Act, to provide minimum benefits to persons who, at age 65, are not insured for benefits under such title, to increase the amount of income individuals may earn without suffering deductions from benefits payable under such title, and otherwise to improve the social security program

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Social Security Amendments of 1967".

COVERAGE FOR HOSPITAL INSURANCE BENEFITS FOR PERSONS NOT INSURED THEREFOR

SEC. 2. (a) Subsections (a) and (b) of section 103 of the Social Security Amendments of 1965 are amended to read as follows:

"(a) Anyone who—

"(1) has attained the age of 65,

"(2) is not, and upon filing application for monthly insurance benefits under section 202 of the Social Security Act would not be, entitled to hospital insurance benefits under section 226 of such Act, and is not certifiable as a qualified railroad retirement beneficiary under section 21 of the Railroad Retirement Act of 1937,

"(3) is a resident of the United States (as defined in section 210(i) of the Social Security Act), and is (A) a citizen of the United States or (B) an alien lawfully admitted for permanent residence who has resided in the United States (as so defined) continuously during the 5 years immediately preceding the month in which he files application under this section, and

"(4) has filed an application under this section in such manner and in accordance with such other requirements as may be prescribed in regulations of the Secretary, shall (subject to the limitations in this section) be deemed, solely for purposes of section 226 of the Social Security Act, to be entitled to monthly insurance benefits under such section 202 for each month, beginning with the first month in which he meets the requirements of this subsection and ending with the month in which he becomes (or upon filing application for monthly insurance benefits under such section 202 of such Act would become) entitled to hospital insurance benefits under such section 226 or becomes certifiable as a qualified railroad retirement beneficiary. An individual who would have met the preceding requirements of this subsection in any month had he filed application under paragraph (4) hereof before the end of such month shall be deemed to have met such requirements in such month if he files such application before the end of the twelfth month following such month. No application under this section which is filed by an individual more than 3 months before the first month in which he meets the requirements of paragraphs (1), (2), and (3) shall be accepted as an application for purposes of this section.

"(b) The provisions of subsection (a) shall not apply to any individual who—

"(1) is, at the beginning of the first month in which he meets the requirements of subsection (a), a member of any organization referred to in section 210 (a)(17) of the Social Security Act, or

"(2) has, prior to the beginning of such month, has been convicted of any offense listed in section 202(u) of the Social Security Act."

(b) The amendments made by subsection (a) shall be effective on and after the first day of the month after the month in which this Act is enacted.

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

SEC. 3. (a) Section 215(a) of the Social Security Act is amended by striking out the table and inserting in lieu thereof the following:

"I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1958 Act, as modified)		III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—		Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—	At least—	But not more than—	At least—	But not more than—		
----------	$19.24	$40	$49	----------	$83	$70.00	$105.00
$19.25	24.20	50	59	$84	101	77.00	115.50
24.21	29.25	60	69	102	132	84.00	126.00
29.26	35.00	70	79	133	178	91.00	142.40
35.01	41.76	80	89	179	225	98.00	180.00
41.77	----------	90	99	226	272	106.00	217.60
		100	109	273	319	116.70	254.00
		110	119	320	365	127.40	292.00
		120	127	366	412	138.00	312.80
				413	450	146.00	328.00
				451	496	156.00	346.40
				497	550	168.00	368.00"

(b) The amendment made by subsection (a) shall be effective with respect to monthly benefits under title II of the Social Security Act for months after the month following the month in which this Act is enacted.

INCREASE IN AMOUNT OF WIDOW'S BENEFITS

SEC. 4. (a) Section 202(e)(1) and (2) of the Social Security Act is amended by striking out "82½ per centum" wherever it appears therein and inserting in lieu thereof "100 per centum".

(b) The amendments made by subsection (a) shall apply with respect to monthly benefits under section 202 of the Social Security Act for months after the month following the month in which this Act is enacted.

ELECTIVE EXEMPTION FROM FUTURE COVERAGE BY CERTAIN INDIVIDUALS WHO ARE ALREADY FULLY INSURED

SEC. 5. (a) Subsection (c) of section 211 of the Social Security Act is further amended (1) by striking out "or" at the end of paragraph (5) thereof, (2) by striking out the period at the end of paragraph (6) thereof and inserting in lieu of such period a semicolon followed by the word "or", and (3) by adding after paragraph (6) thereof the following new paragraph:

"(7) The performance of service by an individual during the period for which there is in effect a certificate filed by such individual under section 1402(i) of the Internal Revenue Code of 1954."

(b) Subsection (c) of section 1402 of the Internal Revenue Code of 1954 is further amended (1) by striking out "or" at the end of paragraph (5) thereof, (2) by striking out the period at the end of paragraph (6) thereof and inserting in lieu of such period a semicolon followed by the word "or", and (3) by adding after paragraph (6) thereof the following new paragraph:

"(7) the performance of service by an individual during the period for which there is in effect a certificate filed by such individual under subsection (i)."

(c) Subsection (a) of section 210 of the Social Security Act is amended (1) by striking out "or" at the end of paragraph (18) thereof, (2) by striking out the period at the end of paragraph (19) thereof and inserting in lieu of such period a semicolon followed by the word "or", and (3) by adding after paragraph (19) thereof the following new paragraph:

"(20) Service performed by an individual during the period for which there is in effect a certificate filed by such individual under section 1402(i) of the Internal Revenue Code of 1954."

(d) Subsection (b) of section 3121 of the Internal Revenue Code of 1954 is amended (1) by striking out "or" at the end of paragraph (18) thereof, (2) by striking out the period at the end of paragraph (19) thereof and inserting in lieu of such period a semicolon followed by the word "or", and (3) by adding after paragraph (19) thereof the following new paragraph:

"(20) service performed by an individual during the period for which there is in effect a certificate filed by such individual under section 1402(i)."

(e) Section 1402 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new subsection:

"(i) INDIVIDUALS WHO HAVE ATTAINED AGE 65 AND ARE FULLY INSURED UNDER TITLE II OF THE SOCIAL SECURITY ACT.—

"(1) EXEMPTION CERTIFICATE.—Any individual who has attained age 65 and is a fully insured individual (as defined in section 214(a) of the Social Security Act) may at any time file a certificate (in such form and manner, and with such official, as may be prescribed by regulations made under this chapter) certifying that he elects to have exempted from coverage by the insurance system established by title II of the Social Security Act any employment performed by him, or any self-employment engaged in by him.

"(2) EFFECTIVE PERIOD OF CERTIFICATE.—A certificate filed by an individual pursuant to this subsection shall be effective, in the case of employment (as defined in section 3121(b) and section 210(a) of the Social Security Act), performed by him on and after the first day of the first calendar quarter which begins more than 30 days after the date such certificate is filed, and, in the case of self-employment in a trade or business (as defined in subsection (c) and section 211(c) of the Social Security Act), engaged in by him for the taxable year in which the certificate is filed and all succeeding taxable years."

INCREASE IN AMOUNTS INDIVIDUALS MAY EARN WITHOUT SUFFERING DEDUCTIONS IN THEIR BENEFITS

SEC. 6. (a) Paragraphs (1), (3), and (4) (B) of subsection (f) of section 203 of the Social Security Act are each amended by striking out "$125" wherever it appears therein and inserting in lieu thereof "$200".

(b) The first sentence of paragraph (3) of such subsection (f) is amended by striking out "year, except of the first $1,200 of such excess (or all of such excess if it is less than $1,200), an amount equal to one-half thereof shall not be included" and inserting in lieu thereof "year".

(c) Paragraph (1)(A) of subsection (h) of section 203 of such Act is amended by striking out "$125" and inserting in lieu thereof "$200".

(d) The amendments made by the preceding subsections of this section shall apply only with respect to taxable years ending after the date of the enactment of this Act.

REDUCTION FROM 72 TO 70 THE AGE AFTER WHICH DEDUCTIONS ON ACCOUNT OF EARNINGS ARE NO LONGER IMPOSED

SEC. 7. (a) Subsections (c)(1), (d)(1), (f)(1), and (j) of section 203 of the Social Security Act are each amended by striking out "seventy-two" and inserting in lieu thereof "seventy".

(b) Subsection (h)(1)(A) of such section 203 is amended by striking out "the age of 72" and "age 72" and inserting in lieu thereof in each instance "age 70".

(c) The heading of subsection (j) of such section 203 is amended by striking out "Seventy-two" and inserting in lieu thereof "Seventy".

(d) The amendments made by the preceding subsections of this section shall apply only with respect to monthly insurance benefits under title II of the Social Security Act for months in taxable years (of the individual whose earnings are involved) ending after the date of the enactment of this Act.

BENEFITS AT AGE 65 FOR UNINSURED INDIVIDUALS

SEC. 8. (a)(1) The heading to section 228 of the Social Security Act is amended to read as follows:

"Benefits at Age 65 for Certain Uninsured Individuals"

(2) Section 228 of such Act is amended to read as follows:

"SEC. 228. (a) Every individual who—

"(1) has attained age 65,

"(2)(A) is not and would not, upon filing application therefor, be entitled to monthly benefits under section 202 or 223, or (B) is entitled, or would upon filing application therefor, be entitled to monthly benefits under such section 202 or 223 which is smaller than the amount shown by the first figure in column IV of the table in section 215(a),

"(3) is a resident of the United States (as defined in section 210(i)), and (A) is a citizen of the United States or (B) an alien lawfully admitted for permanent residence who has resided in the United States (as so defined) continuously during the 5 years immediately preceding the month in which he files application under this section,

"(4) has filed application for benefits under this section,

shall (subject to the limitations in this section) be entitled to a benefit under this section for each month beginning with the first month after September 1967 in which he becomes so entitled to such benefits and ending with the month preceding the month in which he dies. No application under this section which is filed by an individual more than 3 months before the first month in which he meets the requirements of paragraphs (1), (2), and (3) shall be accepted as an application for purposes of this section.

"Benefit Amount

"(b) The benefit amount to which an individual is entitled under this section for any month shall be an amount equal to whichever is the larger: (1) zero, or (2) the amount determined by subtracting from the amount shown by the first figure in column IV of the table in section 215(a) an amount equal to the amount of the monthly benefit to which such individual is entitled under section 202 or 223. For the purpose of the preceding sentence, the amount of the monthly benefit to which an individual is entitled under section 202 means the amount to which he is entitled after any reduction in such amount made by reason of the provisions of subsection (q) of such section.

"Reduction in Benefit Amounts

"(c)(1) The benefit amount to which any individual is entitled under this section shall be reduced in accordance with regulations promulgated by the Secretary in accordance with paragraph (2).

"(2) Regulations promulgated by the Secretary under this subsection shall be designed to assure that individuals receiving benefits under this section shall be in need thereof, taking into consideration all income of such individuals. Such regulations shall not provide for reduction of such benefits on account of the lack of need therefor if—

"(A) in the case of any individual who is unmarried, such individual's annual income is less than $1,000; and

"(B) in the case of any individual who is married and is living with or providing more than one-half of the support of his spouse, such individual's income is less than $2,000.

If any individual entitled to benefits under this section is the parent of any child under 18 years of age, or the parent of any child over 17 years of age who is physically or mentally disabled, and such child lives with or receives more than half of his support from such individual, then, for purposes of the preceding sentence, the figures referred to in clause (A) or (B) thereof (as the case may be) shall be deemed to be increased by $500 for each such child.

"Suspension When Individual Is Residing Outside United States

"(d) The benefit to which any individual is entitled under this section for any month shall not be paid if, during such month, such individual is not a resident of the United States (as defined in section 210(i)).

"Treatment as Monthly Insurance Benefits

"(e) For purposes of subsections (t) and (u) of section 202, and of section 1840, a monthly benefit under this section shall be treated as a monthly insurance benefit payable under section 202."

(b) Notwithstanding subsection (a), section 228 of the Social Security Act, as in ef-

fect prior to the enactment of the Social Security Amendments of 1967, shall remain in force with respect to any individual for any month if such individual—

(1) would have been entitled to a benefit under such section, as in effect prior to the enactment of such Amendments, but would not be entitled, for such month, to a benefit under such section, as in effect after enactment of such Amendments, or

(2) if the amount of such individual's benefit under such section, as in effect prior to the enactment of such Amendments, would (after all reductions provided in such section) be larger than the amount of the benefit to which he is entitled under such section, as in effect after enactment of such Amendments.

APPROPRIATION AUTHORIZATION

SEC. 9. In addition to all other sums authorized under any other provisions of law to be appropriated to the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, there are hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, to each of the aforementioned Funds, for the fiscal year in which the Social Security Amendments of 1967 are enacted, and for each fiscal year thereafter, such sums as may be necessary to place each of such Funds in the same financial position as that which it would have been in if such Amendments had not been enacted.

S. 1325

A bill to amend title II of the Social Security Act to increase the insurance benefits payable thereunder and to raise the minimum monthly insurance benefits thereunder from $44 to $70

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 215(a) of the Social Security Act is amended by striking out the table and inserting in lieu thereof the following:

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

"I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1965 Act)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
		$44.00		$67	$70.00	$105.00
		58.00	$91	92	70.00	105.00
		59.00	93	94	70.80	106.20
	$23.08	60.00	95	96	72.00	108.00
$23.09	23.44	61.00	97	97	73.20	109.80
23.45	23.76	62.10	98	99	74.60	111.90
23.77	24.20	63.20	100	101	75.90	113.90
24.21	24.60	64.20	102	102	77.10	115.70
24.61	25.00	65.30	103	104	78.40	117.60
25.01	25.48	66.40	105	106	79.70	119.60
25.49	25.92	67.50	107	107	81.00	121.50
25.93	26.40	68.50	108	109	82.20	123.30
26.41	26.94	69.60	110	113	83.60	125.40
26.95	27.46	70.70	114	118	84.90	127.40
27.47	28.00	71.70	119	122	86.10	129.20
28.01	28.68	72.80	123	127	86.70	130.10
28.69	29.25	73.90	128	132	88.00	132.00
29.26	29.68	74.90	133	136	89.20	133.80
29.69	30.36	76.00	137	141	90.50	135.80
30.37	30.92	77.10	142	146	91.80	137.70
30.93	31.36	78.20	147	150	92.30	138.50
31.37	32.00	79.20	151	155	93.50	140.30
32.01	32.60	80.30	156	160	94.80	142.20
32.61	33.20	81.40	161	164	96.10	144.20
33.21	33.88	82.40	165	169	97.30	146.00
33.89	34.50	83.50	170	174	97.70	146.60
34.51	35.00	84.60	175	178	99.00	148.50
35.01	35.80	85.60	179	183	100.20	150.30
35.81	36.40	86.70	184	188	101.50	152.30
36.41	37.08	87.80	189	193	102.80	154.40
37.09	37.60	88.90	194	197	103.20	159.60
37.61	38.20	89.90	198	202	104.30	161.60
38.21	39.12	91.00	203	207	105.60	165.60
39.13	39.68	92.10	208	211	106.90	168.80
39.69	40.33	93.10	212	216	108.00	172.80
40.34	41.12	94.20	217	221	108.40	176.80
41.13	41.76	95.30	222	225	109.60	180.00
41.77	42.44	96.30	226	230	110.80	184.00
42.45	43.20	97.40	231	235	112.10	188.00
43.21	43.76	98.50	236	239	113.30	191.20
43.77	44.44	99.60	240	244	113.60	195.20
44.45	44.88	100.60	245	249	114.70	199.20
44.89	45.60	101.70	250	253	116.00	202.40
		102.80	254	258	117.20	206.40
		103.80	259	263	118.40	210.40
		104.90	264	267	118.60	213.60
		106.00	268	272	119.80	217.60
		107.00	273	277	121.00	221.60
		108.10	278	281	122.20	224.80
		109.20	282	286	123.40	228.80
		110.30	287	291	123.60	232.80
		111.30	292	295	124.70	236.00
		112.40	296	300	125.90	240.00
		113.50	301	305	127.20	244.00

"I (Primary insurance benefit under 1939 act, as modified)		II (Primary insurance amount under 1965 act)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
		$114.50	$306	$309	$128.30	$247.20
		115.60	310	314	128.40	251.20
		116.70	315	319	129.60	255.20
		117.70	320	323	130.70	258.40
		118.80	324	328	131.90	262.40
		119.90	329	333	133.10	266.40
		121.00	334	337	133.20	269.60
		122.00	338	342	134.20	273.60
		123.10	343	347	135.50	277.60
		124.20	348	351	136.70	280.80
		125.20	352	356	137.80	284.80
		126.30	357	361	138.30	288.80
		127.40	362	365	138.90	292.00
		128.40	366	370	140.00	296.00
		129.50	371	375	141.20	298.00
		130.60	376	379	142.40	299.60
		131.70	380	384	142.90	301.60
		132.70	385	389	143.40	303.60
		133.80	390	393	144.60	305.20
		134.90	394	398	145.70	307.20
		135.90	399	403	146.80	309.20
		137.00	404	407	147.20	310.80
		138.00	408	412	147.70	312.80
		139.00	413	417	148.80	314.80
		140.00	418	421	149.80	316.40
		141.00	422	426	150.90	318.40
		142.00	427	431	151.20	320.40
		143.00	432	436	151.60	322.40
		144.00	437	440	152.70	324.00
		145.00	441	445	153.70	326.00
		146.00	446	450	154.80	328.00
		147.00	451	454	155.10	327.60
		148.00	455	459	155.40	331.60
		149.00	460	464	156.50	333.60
		150.00	465	468	157.50	335.20
		151.00	469	473	158.60	337.20
		152.00	474	478	158.90	339.20
		153.00	479	482	159.20	340.80
		154.00	483	487	160.20	342.80
		155.00	488	492	161.20	344.80
		156.00	493	496	162.30	346.40
		157.00	497	501	162.50	348.40
		158.00	502	506	162.80	350.40
		159.00	507	510	163.80	352.00
		160.00	511	515	164.80	354.00
		161.00	516	520	165.90	356.00
		162.00	521	524	166.10	357.60
		163.00	525	529	166.30	359.60
		164.00	530	534	167.30	361.60
		165.00	535	538	168.30	363.20
		166.00	539	543	169.40	365.20
		167.00	544	548	169.50	367.20
		168.00	549	550	169.70	368.00."

(b) The amendment made by subsection (a) shall be effective with respect to monthly benefits under title II of the Social Security Act for months after the month following the month in which this Act is enacted.

H.R. 6950 (Amendment No. 138)

Amendment intended to be proposed by Mr. PROUTY to H.R. 6950, an act to restore the investment credit and the allowance of accelerated depreciation in the case of certain real property

On page 4, after line 6, insert the following new section:

"SEC. 5. (a) Section 215(a) of the Social Security Act is amended by striking out the table and inserting in lieu thereof the following:

"'TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

"I (Primary insurance benefit under 1939 act, as modified)		II (Primary insurance amount under 1965 act)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
		$44.00		$67	$70.00	$105.00
		58.00	$91	92	70.00	105.00
		59.00	93	94	70.80	106.20
	$23.08	60.00	95	96	72.00	108.00
$23.09	23.44	61.00	97	97	73.20	109.80
23.45	23.76	62.10	98	99	74.60	111.90
23.77	24.20	63.20	100	101	75.90	113.90
24.21	24.60	64.20	102	102	77.10	115.70
24.61	25.00	65.30	103	104	78.40	117.60
25.01	25.48	66.40	105	106	79.70	119.60
25.49	25.92	67.50	107	107	81.00	121.50
25.93	26.40	68.50	108	109	82.20	123.30
26.41	26.94	69.60	110	113	83.60	125.40
26.95	27.46	70.70	114	118	84.90	127.40
27.47	28.00	71.70	119	122	86.10	129.20
28.01	28.68	72.80	123	127	86.70	130.10
28.69	29.25	73.90	128	132	88.00	132.00
29.26	29.68	74.90	133	136	89.20	133.80
29.69	30.36	76.00	137	141	90.50	135.80
30.37	30.92	77.10	142	146	91.80	137.70
30.93	31.36	78.20	147	150	92.30	138.50
31.37	32.00	79.20	151	155	93.50	140.30
32.01	32.60	80.30	156	160	94.80	142.20
32.61	33.20	81.40	161	164	96.10	144.20
33.21	33.88	82.40	165	169	97.30	146.00
33.89	34.50	83.50	170	174	97.70	146.60
34.51	35.00	84.60	175	178	99.00	148.50
35.01	35.80	85.60	179	183	100.20	150.30
35.81	36.40	86.70	184	188	101.50	152.30
36.41	37.08	87.80	189	193	102.80	154.40
37.09	37.60	88.90	194	197	103.20	159.60
37.61	38.20	89.90	198	202	104.30	161.60
38.21	39.12	91.00	203	207	105.60	165.60
39.13	39.68	92.10	208	211	106.90	168.80
39.69	40.33	93.10	212	216	108.00	172.80
40.34	41.12	94.20	217	221	108.40	176.80
41.13	41.76	95.30	222	225	109.60	180.00
41.77	42.44	96.30	226	230	110.80	184.00
42.45	43.20	97.40	231	235	112.10	188.00
43.21	43.76	98.50	236	239	113.30	191.20
43.77	44.44	99.60	240	244	113.60	195.20
44.45	44.88	100.60	245	249	114.70	199.20
44.89	45.60	101.70	250	253	116.00	202.40
		102.80	254	258	117.20	206.40
		103.80	259	263	118.40	210.40
		104.90	264	267	118.60	213.60
		106.00	268	272	119.80	217.60
		107.00	273	277	121.00	221.60
		108.10	278	281	122.20	224.80
		109.20	282	286	123.40	228.80
		110.30	287	291	123.60	232.80
		111.30	292	295	124.70	236.00
		112.40	296	300	125.90	240.00
		113.50	301	305	127.20	244.00

"I (Primary insurance benefit under 1939 act, as modified)		II (Primary insurance amount under 1965 act)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
		$114.50	$306	$309	$128.30	$247.20
		115.60	310	314	128.40	251.20
		116.70	315	319	129.60	255.20
		117.70	320	323	130.70	258.40
		118.80	324	328	131.90	262.40
		119.90	329	333	133.10	266.40
		121.00	334	337	133.20	269.60
		122.00	338	342	134.20	273.60
		123.10	343	347	135.50	277.60
		124.20	348	351	136.70	280.80
		125.20	352	356	137.80	284.80
		126.30	357	361	138.30	288.80
		127.40	362	365	138.90	292.00
		128.40	366	370	140.00	296.00
		129.50	371	375	141.20	298.00
		130.60	376	379	142.40	299.60
		131.70	380	384	142.90	301.60
		132.70	385	389	143.40	303.60
		133.80	390	393	144.60	305.20
		134.90	394	398	145.70	307.20
		135.90	399	403	146.80	309.20
		137.00	404	407	147.20	310.80
		138.00	408	412	147.70	312.80
		139.00	413	417	148.80	314.80
		140.00	418	421	149.80	316.40
		141.00	422	426	150.90	318.40
		142.00	427	431	151.20	320.40
		143.00	432	436	151.60	322.40
		144.00	437	440	152.70	324.00
		145.00	441	445	153.70	326.00
		146.00	446	450	154.80	328.00
		147.00	451	454	155.10	327.60
		148.00	455	459	155.40	331.60
		149.00	460	464	156.50	333.60
		150.00	465	468	157.50	335.20
		151.00	469	473	158.60	337.20
		152.00	474	478	158.90	339.20
		153.00	479	482	159.20	340.80
		154.00	483	487	160.20	342.80
		155.00	488	492	161.20	344.80
		156.00	493	496	162.30	346.40
		157.00	497	501	162.50	348.40
		158.00	502	506	162.80	350.40
		159.00	507	510	163.80	352.00
		160.00	511	515	164.80	354.00
		161.00	516	520	165.90	356.00
		162.00	521	524	166.10	357.60
		163.00	525	529	166.30	359.60
		164.00	530	534	167.30	361.60
		165.00	535	538	168.30	363.20
		166.00	539	543	169.40	365.20
		167.00	544	548	169.50	367.20
		168.00	549	550	169.70	368.00.'

"(b) The amendment made by subsection (a) shall be effective with respect to monthly benefits under title II of the Social Security Act for months after the month following the month in which this section is enacted."

H.R. 6950 (AMENDMENT NO. 139)

Amendment intended to be proposed by Mr. PROUTY to H.R. 6950, an act to restore the investment credit and the allowance of accelerated depreciation in the case of certain real property

On page 4, after line 6, insert the following new section:

"SEC. 5. (a) (1) (A) The heading to section 228 of the Social Security Act is amended to read as follows:

"'BENEFITS AT AGE 65 FOR CERTAIN UNINSURED INDIVIDUALS'

"(B) Section 228 of such Act is amended to read as follows:

"'SEC. 228. (a) Every individual who—

"'(1) has attained age 65,

"'(2) (A) is not and would not, upon filing application therefor, be entitled to monthly benefits under section 202 or 223, or (B) is entitled, or would upon filing application therefor, be entitled to monthly benefits under such section 202 or 223 which is smaller than the amount shown by the first figure in column IV of the table in section 215(a),

"'(3) is a resident of the United States (as defined in section 210(i), and (A) is a citizen of the United States or (B) an alien lawfully admitted for permanent residence who has resided in the United States (as so defined) continuously during the 5 years immediately preceding the month in which he files application under this section.

"'(4) has filed application for benefits under this section.

shall (subject to the limitations in this section) be entitled to a benefit under this section for each month beginning with the first month after September 1967 in which he becomes so entitled to such benefits and ending with the month preceding the month in which he dies. No application under this section which is filed by an individual more than 3 months before the first month in which he meets the requirements of paragraphs (1), (2), and (3) shall be accepted as an application for purposes of this section.

"'Benefit Amount

"'(b) The benefit amount to which an individual is entitled under this section for any month shall be an amount equal to whichever is the larger: (1) zero, or (2) the amount determined by subtracting from an amount equal to 80 percent of the amount shown by the first figure in column IV of the table in section 215(a) an amount equal to the amount of the monthly benefit to which such individual is entitled under section 202 or 223. For the purpose of the preceding sentence, the amount of the monthly benefit to which an individual is entitled under section 202 means the amount to which he is entitled after any reduction in such amount made by reason of the provisions of subsection (q) of such section.

"'Deductions in Benefit Amounts

"'(c)(1) Notwithstanding the preceding provisions of this section, payments of amounts as benefits provided by this section shall not be made to an individual otherwise entitled thereto if, and to the extent, that the making of any such payment would result in such individual receiving, for any calendar year, income in excess of $2,840 in the case of an individual who is married and is living with or providing more than one-half of the support of a spouse who is not entitled to benefits under this section, or $1,840 in the case of any other individual. For the purposes of the preceding sentence, the term "income" means income from any and all sources (including monthly benefit payments under this title).

"'(2) Deductions, in such amounts and at such time or times as the Secretary shall determine, shall be made from any payment or payments to which an individual is entitled under this section so as to carry out the limitation set forth in paragraph (1).

"'Suspension When Individual Is Residing Outside United States

"'(d) The benefit to which any individual is entitled under this section for any month shall not be paid if, during such month, such individual is not a resident of the United States (as defined in section 210(i)).

"'Treatment as Monthly Insurance Benefits

"'(e) For purposes of subsections (t) and (u) of section 202, and of section 1840, a monthly benefit under this section shall be treated as a monthly insurance benefit payable under section 202.'

"(C) Notwithstanding subsection (a), section 228 of the Social Security Act, as in effect prior to the enactment of this section, shall remain in force with respect to any individual for any month if such individual—

"(1) would have been entitled to a benefit under such section, as in effect prior to the enactment of this section, but would not be entitled, for such month, to a benefit under such section, as in effect after enactment of this section, or

"(2) if the amount of such individual's benefit under such section, as in effect prior to the enactment of this section, would (after all reductions provided in such section) be larger than the amount of the benefit to which he is entitled under such section, as in effect after enactment of this section.

"Increase in Benefits for the Transitionally Insured

"(b)(1) The second sentence of section 227(a) of the Social Security Act is amended by striking out 'be $35 and the amount of the wife's insurance benefit of his wife shall, notwithstanding the provisions of section 202 (b), be $17.50' and inserting in lieu thereof 'be an amount equal to 80 percent of the amount shown by the first figure in column IV of the table in section 215(a) and the amount of the wife's insurance benefit of his wife shall, notwithstanding the provisions of section 202(b), be an amount equal to 37½ percent of the amount shown by such first figure'.

"(2) The second sentence of section 227 (b) of such Act is amended to read as follows: 'The amount of her widow's insurance benefit for each month shall, notwithstanding the provisions of section 202(e) (and section 202(m)), be equal to 37½ percent of the amount shown by the first figure in column IV of the table in section 215(a).'

"(3) The amendments made by this section shall be effective in the case of monthly payments under title II of the Social Security Act for months after September 1967.

"Appropriation Authorization

"(c) In addition to all other sums authorized under any other provisions of law to be appropriated to the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, there are hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, to each of the aforementioned Funds, for the fiscal year in which this section is enacted, and for each fiscal year thereafter, such sums as may be necessary to place each of such Funds in the same financial position as that which it would have been in if this section had not been enacted.

"Medicare Benefits Extended

"(d)(1) Subsections (a) and (b) of section 103 of the Social Security Amendments of 1965 are amended to read as follows:

"'(a) Anyone who—

"'(1) has attained the age of 65,

"'(2) is not, and upon filing application for monthly insurance benefits under section 202 of the Social Security Act would not be, entitled to hospital insurance benefits under section 226 of such Act, and is not certifiable as a qualified railroad retirement beneficiary under section 21 of the Railroad Retirement Act of 1937,

"'(3) is a resident of the United States (as defined in section 210(i) of the Social Security Act), and is (A) a citizen of the United States, or (B) an alien lawfully admitted for permanent residence who has resided in the United States (as so defined) continuously during the 5 years immediately preceding the month in which he files application under this section, and

"'(4) has filed an application under this section in such manner and in accordance with such other requirements as may be prescribed in regulations of the Secretary,

shall (subject to the limitations in this section) be deemed, solely for purposes of section 226 of the Social Security Act, to be entitled to monthly insurance benefits under such section 202 for each month, beginning with the first month in which he meets the requirements of this subsection and ending with the month in which he becomes (or upon filing application for monthly insurance benefits under such section 202 of such Act would become) entitled to hospital insurance benefits under such section 226 or becomes certifiable as a qualified railroad retirement beneficiary. An individual who would have met the preceding requirements of this subsection in any month had he filed application under paragraph (4) hereof before the end of such month shall be deemed to have met such requirements in such month if he files such application before the end of the twelfth month following such month. No application under this section which is filed by an individuals more than 3 months before the first month in which he meets the requirements of paragraphs (1), (2), and (3) shall be accepted as an application for purposes of this section.

"'(b) The provisions of subsection (a) shall not apply to any individual who—

"'(1) is, at the beginning of the first month in which he meets the requirements of subsection (a), a member of any organization referred to in section 210(a)(17) of the Social Security Act, or

"'(2) has, prior to the beginning of such month, been convicted of any offense listed in section 202(u) of the Social Security Act.'

"(2) The amendments made by subsection (1) shall be effective on and after the first day of the month after the month in which this section is enacted."

AMENDMENT TO H.R. 6950

Amendment intended to be proposed by Mr. PROUTY to H.R. 6950, an act to restore the investment credit and the allowance of accelerated depreciation in the case of certain real property

On page 4, after line 6, insert the following new section:

"SEC. 5. (a) Subsections (a) and (b) of section 103 of the Social Security Amendments of 1965 are amended to read as follows:

"'(a) Anyone who—

"'(1) has attained the age of 65,

"'(2) is not, and upon filing application for monthly insurance benefits under section 202 of the Social Security Act would not be, entitled to hospital insurance benefits under section 226 of such Act, and is not certifiable as a qualified railroad retirement beneficiary under section 21 of the Railroad Retirement Act of 1937,

"'(3) is a resident of the United States (as defined in section 210(i) of the Social Security Act), and is (A) a citizen of the United States or (B) an alien lawfully admitted for permanent residence who has resided in the United States (as so defined) continuously during the 5 years immediately preceding the month in which he files application under this section, and

"'(4) has filed an application under this section in such manner and in accordance with such other requirements as may be prescribed in regulations of the Secretary,

shall (subject to the limitations in this section) be deemed, solely for purposes of section 226 of the Social Security Act, to be entitled to monthly insurance benefits under such section 202 for each month, beginning with the first month in which he meets the requirements of this subsection and ending with the month in which he becomes (or upon filing application for monthly insurance benefits under such section 202 of such Act would become) entitled to hospital insurance benefits under such section 226 or becomes certifiable as a qualified railroad retirement beneficiary. An individual who would have met the preceding requirements of this subsection in any month had he filed application under paragraph (4) hereof before the end of such month shall be deemed to have met such requirements in such month if he files such application before the end of the twelfth month following such month. No application under this section which is filed by an individual more than 3 months before the first month in which he meets the requirements of paragraphs (1), (2), and (3) shall be accepted as an application for purposes of this section.

"'(b) The provisions of subsection (a) shall not apply to any individual who—

"'(1) is, at the beginning of the first month in which he meets the requirements of subsection (a), a member of any organization referred to in section 210(a)(17) of the Social Security Act, or

"'(2) has, prior to the beginning of such month, been convicted of any offense listed in section 202(u) of the Social Security Act.'

"(b) The amendments made by subsection (a) shall be effective on and after the first day of the month after the month in which this Act is enacted."

H.R. 6950 (AMENDMENT No. 142)

Amendment intended to be proposed by Mr. PROUTY to H.R. 6950, an act to restore the investment credit and the allowance of accelerated depreciation in the case of certain real property.

On page 4, after line 6, insert the following new section:

"SEC. 5. (a) (1) (A) The heading to section 228 of the Social Security Act is amended to read as follows:

"'BENEFITS AT AGE 65 FOR CERTAIN UNINSURED INDIVIDUALS'

"(B) Section 228 of such Act is amended to read as follows:

"'SEC. 228. (a) Every individual who—

"'(1) has attained age 65,

"'(2)(A) is not and would not, upon filing application therefor, be entitled to monthly benefits under section 202 or 223, or (B) is entitled, or would upon filing application therefor, be entitled to monthly benefits under such section 202 or 223 which is smaller than the amount shown by the first figure in column IV of the table in section 215 (a),

"'(3) is a resident of the United States (as defined in section 210(i)), and (A) is a citizen of the United States or (B) an alien lawfully admitted for permanent residence who has resided in the United States (as so defined) continuously during the 5 years immediately preceding the month in which he files application under this section,

"'(4) has filed application for benefits under this section,

shall (subject to the limitations in this section) be entitled to a benefit under this section for each month beginning with the first month after September 1967 in which he becomes so entitled to such benefits and ending with the month preceding the month in which he dies. No application under this section which is filed by an individual more than 3 months before the first month in which he meets the requirements of paragraphs (1), (2), and (3) shall be accepted as an application for purposes of this section.

"'Benefit amount

"'(b) The benefit amount to which an individual is entitled under this section for any month shall be an amount equal to whichever is the larger: (1) zero, or (2) the amount determined by subtracting from an amount equal to 80 percent of the amount shown by the first figure in column IV of the table in section 215(a) an amount equal to the amount of the monthly benefit to which such individual is entitled under section 202 or 223. For the purpose of the preceding sentence, the amount of the monthly benefit to which an individual is entitled under section 202 means the amount to which he is entitled after any reduction in such amount made by reason of the provisions of subsection (q) of such section.

"'Deductions in benefit amounts

"'(c)(1) Notwithstanding the preceding provisions of this section, payments of amounts as benefits provided by this section shall not be made to an individual otherwise entitled thereto if, and to the extent, that the making of any such payment would result in such individual receiving, for any calendar year, income in excess of $2,840 in the case of an individual who is married and is living with or providing more than one-half of the support of a spouse who is not entitled to benefits under this section, or $1,840 in the case of any other individual. For the purposes of the preceding sentence, the term "income" means income from any and all sources (including monthly benefit payments under this title).

"'(2) Deductions, in such amounts and at such time or times as the Secretary shall determine, shall be made from any payment or payments to which an individual is entitled under this section so as to carry out the limitation set forth in paragraph (1).

"'Suspension when individual is residing outside United States

"'(d) The benefit to which any individual is entitled under this section for any month shall not be paid if, during such month, such individual is not a resident of the United States (as defined in section 210(i)).

"'Treatment as monthly insurance benefits

"'(e) For purposes of subsections (t) and (u) of section 202, and of section 1840, a monthly benefit under this section shall be treated as a monthly insurance benefit payable under section 202.'

"(C) Notwithstanding subsection (a), section 228 of the Social Security Act, as in effect prior to the enactment of this section, shall remain in force with respect to any individual for any month if such individual—

"(1) would have been entitled to a benefit under such section, as in effect prior to the enactment of this section, but would not be entitled, for such month, to a benefit under such section, as in effect after enactment of this section, or

"(2) if the amount of such individual's benefit under such section, as in effect prior to the enactment of this section, would (after all reductions provided in such section) be larger than the amount of the benefit to which he is entitled under such section, as in effect after enactment of this section.

"Increase in benefits for the transitionally insured

"(b)(1) The second sentence of section 227(a) of the Social Security Act is amended by striking out 'be $35 and the amount of the wife's insurance benefit of his wife shall, notwithstanding the provisions of section 202(b), be $17.50' and inserting in lieu thereof 'be an amount equal to 80 percent of the amount shown by the first figure in column IV of the table in section 215(a) and the amount of the wife's insurance benefit of his wife shall, notwithstanding the provisions of section 202(b), be an amount equal to 37½ percent of the amount shown by such first figure'.

"(2) The second sentence of section 227(b) of such Act is amended to read as follows: 'The amount of her widow's insurance benefit for each month shall, notwithstanding the provisions of section 202(e) (and section 202(m)), be equal to 37½ percent of the amount shown by the first figure in column IV of the table in section 215(a).'

"(3) The amendments made by this section shall be effective in the case of monthly payments under title II of the Social Security Act for months after September 1967.

"Appropriation authorization

"(c) In addition to all other sums authorized under any other provisions of law to be appropriated to the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, there are hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, to each of the aforementioned Funds, for the fiscal year in which this section is enacted, and for each fiscal year thereafter, such sums as may be necessary to place each of such Funds in the same financial position as that which it would have been in if this section had not been enacted.

"Monthly benefit increases

"(d)(1) Section 215(a) of the Social Security Act is amended by striking out the table and inserting in lieu thereof the following:

"'TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

"'I		II	III		IV	V
(Primary insurance benefit under 1939 Act, as modified)		(Primary insurance amount under 1965 Act)	(Average monthly wage)		(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
		$44.00		$67	$70.00	$105.00
		58.00	$91	92	70.00	105.00
		59.00	93	94	70.80	106.20
	$23.08	60.00	95	96	72.00	108.00
$23.09	23.44	61.00	97	97	73.20	109.80
23.45	23.76	62.10	98	99	74.60	111.90
23.77	24.20	63.20	100	101	75.90	113.90
24.21	24.60	64.20	102	102	77.10	115.70
24.61	25.00	65.30	103	104	78.40	117.60
25.01	25.48	66.40	105	106	79.70	119.60
25.49	25.92	67.50	107	107	81.00	121.50

"I		II	III		IV	V
(Primary insurance benefit under 1939 act, as modified)		(Primary insurance amount under 1965 act)	(Average monthly wage)		(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
$25.93	$26.40	$68.50	$108	$109	$82.20	$123.30
26.41	26.94	69.60	110	113	83.60	125.40
26.95	27.46	70.70	114	118	84.90	127.40
27.47	28.00	71.70	119	122	86.10	129.20
28.01	28.68	72.80	123	127	86.70	130.10
28.69	29.25	73.90	128	132	88.00	132.00
29.26	29.68	74.90	133	136	89.20	133.80
29.69	30.36	76.00	137	141	90.50	135.80
30.37	30.92	77.10	142	146	91.80	137.70
30.93	31.36	78.20	147	150	92.30	138.50
31.37	32.00	79.20	151	155	93.50	140.30

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

"I (Primary insurance benefit under 1939 act, as modified)		II (Primary insurance amount under 1965 act)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
$32.01	$32.60	$80.30	$156	$160	$98.80	$142.20
32.61	33.20	81.40	161	164	96.10	144.20
33.21	33.88	82.40	165	169	97.30	146.00
33.89	34.50	83.50	170	174	97.70	146.60
34.51	35.00	84.60	175	178	99.00	148.50
35.01	35.80	85.60	179	183	100.20	150.30
35.81	36.40	86.70	184	188	101.50	152.30
36.41	37.08	87.80	189	193	102.80	154.40
37.09	37.60	88.90	194	197	103.20	159.60
37.61	38.20	89.90	198	202	104.30	161.60
38.21	39.12	91.00	203	207	105.60	165.60
39.13	39.68	92.10	208	211	106.90	168.80
39.69	40.33	93.10	212	216	108.00	172.80
40.34	41.12	94.20	217	221	108.40	176.80
41.13	41.76	95.30	222	225	109.60	180.00
41.77	42.44	96.30	226	230	110.80	184.00
42.45	43.20	97.40	231	235	112.10	188.00
43.21	43.76	98.50	236	239	113.30	191.20
43.77	44.44	99.60	240	244	113.60	195.20
44.45	44.88	100.60	245	249	114.70	199.20
44.89	45.60	101.70	250	253	116.09	202.40
		102.80	254	258	117.20	206.40
		103.80	259	263	118.40	210.40
		104.90	264	267	118.60	213.60
		106.00	268	272	119.80	217.60
		107.00	273	277	121.00	221.60
		108.10	278	281	122.20	224.80
		109.20	282	286	123.40	228.80
		110.30	287	291	123.60	232.80
		111.30	292	295	124.70	236.00
		112.40	296	300	125.90	240.00
		113.50	301	305	127.20	244.00
		114.50	306	309	128.30	247.20
		115.60	310	314	128.40	251.20
		116.70	315	319	129.60	255.20
		117.70	320	323	130.70	258.40
		118.80	324	328	131.90	262.40
		119.90	329	333	133.10	266.40
		121.00	334	337	133.20	269.60
		122.00	338	342	134.20	273.60
		123.10	343	347	135.50	277.60
		124.20	348	351	136.70	280.80
		125.20	352	356	137.80	284.80

"I (Primary insurance benefit under 1939 act, as modified)		II (Primary insurance amount under 1965 act)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
		$126.30	$357	$361	$138.30	$288.80
		127.40	362	365	138.90	292.00
		128.40	366	370	140.00	296.00
		129.50	371	375	141.20	298.00
		130.60	376	379	142.40	299.60
		131.70	380	384	142.90	301.60
		132.70	385	389	143.40	303.60
		133.80	390	393	144.60	305.20
		134.90	394	398	145.70	307.20
		135.90	399	403	146.80	309.20
		137.00	404	407	147.20	310.80
		138.00	408	412	147.70	312.80
		139.00	413	417	148.80	314.80
		140.00	418	421	149.80	316.40
		141.00	422	426	150.90	318.40
		142.00	427	431	151.20	320.40
		143.00	432	436	151.60	322.40
		144.00	437	440	152.70	324.00
		145.00	441	445	153.70	326.00
		146.00	446	450	154.80	328.00
		147.00	451	454	155.10	327.60
		148.00	455	459	155.40	331.60
		149.00	460	464	156.50	333.60
		150.00	465	468	157.50	335.20
		151.00	469	473	158.60	337.20
		152.00	474	478	158.90	339.20
		153.00	479	482	159.20	340.80
		154.00	483	487	160.20	342.80
		155.00	488	492	161.20	344.80
		156.00	493	496	162.30	346.40
		157.00	497	501	162.50	348.40
		158.00	502	506	162.80	350.40
		159.00	507	510	163.80	352.00
		160.00	511	515	164.80	354.00
		161.00	516	520	165.90	356.00
		162.00	521	524	166.10	357.60
		163.00	525	529	166.30	359.60
		164.00	530	534	167.30	361.60
		165.00	535	538	168.30	363.20
		166.00	539	543	169.40	365.20
		167.00	544	548	169.50	367.20
		168.00	549	550	169.70	368.00."

"(2) The amendment made by subsection (1) shall be effective with respect to monthly benefits under title II of the Social Security Act for months after the month following the month in which this subsection is enacted."

H.R. 6950 (AMENDMENT No. 143)

Amendment intended to be proposed by Mr. PROUTY to H.R. 6950, an act to restore the investment credit and the allowance of accelerated depreciation in the case of certain real property

On page 4, after line 6, insert the following new section:

"SEC. 5. (a) (1) (A) The heading to section 228 of the Social Security Act is amended to read as follows:

"'BENEFITS AT AGE 65 FOR CERTAIN UNINSURED INDIVIDUALS'

"(B) Section 228 of such Act is amended to read as follows:

"'SEC. 228. (a) Every individual who—

"'(1) has attained age 65,

"'(2) (A) is not and would not, upon filing application therefor, be entitled to monthly benefits under section 202 or 223, or (B) is entitled, or would upon filing application therefor, be entitled to monthly benefits under such section 202 or 223 which is smaller than the amount shown by the first figure in column IV of the table in section 215(a),

"'(3) is a resident of the United States (as defined in section 210(i)), and (A) is a citizen of the United States or (B) an alien lawfully admitted for permanent residence who has resided in the United States (as so defined) continuously during the 5 years immediately preceding the month in which he files application under this section,

"'(4) has filed application for benefits under this section,

shall (subject to the limitations in this section) be entitled to a benefit under this section for each month beginning with the first month after September 1967 in which he becomes so entitled to such benefits and ending with the month preceding the month in which he dies. No application under this section which is filed by an individual more than 3 months before the first month in which he meets the requirements of paragraphs (1), (2), and (3) shall be accepted as an application for purposes of this section.

"Benefit amount

"'(b) The benefit amount to which an individual is entitled under this section for any month shall be an amount equal to whichever is the larger: (1) zero, or (2) the amount determined by subtracting from an amount equal to 80 percent of the amount shown by the first figure in column IV of the table in section 215(a) an amount equal to the amount of the monthly benefit to which such individual is entitled under section 202 or 223. For the purpose of the preceding sentence, the amount of the monthly benefit to which an individual is entitled under section 202 means the amount to which he is entitled after any reduction in such amount made by reason of the provisions of subsection (q) of such section.

"'Deductions in benefit amounts

"'(c) (1) Notwithstanding the preceding provisions of this section, payments of amounts as benefits provided by this section shall not be made to an individual otherwise entitled thereto if, and to the extent, that the making of any such payment would result in such individual receiving, for any calendar year, income in excess of $2,840 in the case of an individual who is married and is living with or providing more than one-half of the support of a spouse who is not entitled to benefits under this section, or $1,840 in the case of any other individual. For the purposes of the preceding sentence, the term 'income' means income from any and all sources (including monthly benefit payments under this title).

"'(2) Deductions, in such amounts and at such time or times as the Secretary shall determine, shall be made from any payment or payments to which an individual is entitled under this section so as to carry out the limitation set forth in paragraph (1).

"'*Suspension when individual is residing outside United States*

"'(d) The benefit to which any individual is entitled under this section for any month shall not be paid if, during such month, such individual is not a resident of the United States (as defined in section 210(i)).

"'*Treatment as monthly insurance benefits*

"'(e) For purposes of subsections (t) and (u) of section 202, and of section 1840, a monthly benefit under this section shall be treated as a monthly insurance benefit payable under section 202.'

"(C) Notwithstanding subsection (a), section 228 of the Social Security Act, as in effect prior to the enactment of this section, shall remain in force with respect to any individual for any month if such individual—

"(1) would have been entitled to a benefit under such section, as in effect prior to the enactment of this section, but would not be entitled, for such month, to a benefit under such section, as in effect after enactment of this section, or

"(2) if the amount of such individual's benefit under such section, as in effect prior to the enactment of this section, would (after all reductions provided in such section) be larger than the amount of the benefit to which he is entitled under such section, as in effect after enactment of this section.

"Increase in benefits for the transitionally insured

"(b)(1) The second sentence of section 227(a) of the Social Security Act is amended by striking out 'be $35 and the amount of the wife's insurance benefit of his wife shall, notwithstanding the provisions of section 202(b), be $17.50' and inserting in lieu thereof 'be an amount equal to 80 percent of the amount shown by the first figure in column IV of the table in section 215(a) and the amount of the wife's insurance benefit of his wife shall, notwithstanding the provisions of section 202(b), be an amount equal to 37½ percent of the amount shown by such first figure'.

"(2) The second sentence of section 227(b) of such Act is amended to read as follows: 'The amount of her widow's insurance benefit for each month shall, notwithstanding the provisions of section 202(e) (and section 202(m)), be equal to 37½ percent of the amount shown by the first figure in column IV of the table in section 215(a).'

"(3) The amendments made by this section shall be effective in the case of monthly payments under title II of the Social Security Act for months after September 1967.

"Appropriation authorization

"(c) In addition to all other sums authorized under any other provisions of law to be appropriated to the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, there are hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, to each of the aforementioned Funds, for the fiscal year in which this section is enacted, and for each fiscal year thereafter, such sums as may be necessary to place each of such Funds in the same financial position as that which it would have been in if this section had not been enacted."

Mr. TALMADGE. Mr. President, I would like to take a few minutes to comment on the Social Security Amendments of 1967.

First, I should like to say that I think my colleagues on the Finance Committee and the committee staff deserve to be commended for their work on this bill, and in particular, Chairman LONG deserves recognition for directing the detailed and comprehensive study given this legislation.

While reviewing this legislation, I have attempted to keep in mind both the needs of our senior citizens and the young taxpayers. Spiral inflation has pushed the cost of living up to a point where many of our retirees are forced to live in poverty or subpoverty conditions. These people obviously deserve our consideration and help. At the same time it is very important that we do not overburden the young with a large tax increase. With both of these factors in mind, and after reviewing the financial condition of the social security program, I have concluded that the committee bill which retains the 4.4-percent tax rate and raises benefits an average of 15 percent, provides the best alternative while maintaining the actuarial soundness of the social security program.

I am happy that I was able to add certain provisions to this bill that are, I feel, much needed additions to the Social Security Act, and I would like to make a few brief comments on my amendments.

One such amendment added a provision to the House bill which would permit medicare payment for services received in certain nonparticipating hospitals. At present, payments can be made to participating hospitals and, in an emergency case, to a nonparticipating hospital which meets certain standards only if the hospital agrees to accept the reasonable costs as full payment for the services rendered.

For a temporary period, almost all of which has already expired, my amendment would permit direct reimbursement to be made to an individual who has furnished hospital services during the period in a nonparticipating hospital. This coverage would not extend to admissions after 1967. Payment would be limited to 80 percent of the hospital ancillary charges and 60 percent of the room and board charges, for up to 20 days in each spell of illness—subject to the $40 deductible and other statutory limitations of payment in present law—if the hospital did not formally participate in medicare before January 1, 1969. If it did participate in medicare before that date and if it applied its utilization review plan to the services it provided before its regular participation started, the full 90 days of coverage could be provided. Thus, there would be an incentive for presently nonparticipating hospitals to participate because participation is a condition for coverage.

A similar provision would apply beginning January 1, 1968, but only as an alternative to present coverage of emergency care. Hospitals could apply for payment for a period of up to 90 days under present law provisions, or if the hospital did not apply, the patient could obtain payment on the basis of 60 percent of room and board charges and 80 percent of ancillary service charges under the new provision.

A second amendment that was added to this bill is designed to increase the purchasing power of persons receiving old-age assistance. This provision requires States to adjust their standards of need and maximum payment provisions to guarantee that old-age assistance recipients, both those eligible for social security benefits and those who are not, will receive, on the average, an increase in total income equal to $7.50 a month. This will not cost the State any additional money.

A third amendment added a provision to the House bill modifying the social security coverage provisions applying to State and local government employees who are compensated solely on a fee basis, such as constables and justices of the peace. Under present law, fee-basis employees, like other State and local government employees, may be covered only under a State coverage agreement. Under the provision approved by the committee, in the case of employees who are compensated solely on a fee basis, fees received after 1967 which are not covered under a State agreement would be covered under the self-employment provisions.

A fourth amendment granted an additional opportunity, through 1969, for election of social security coverage by employees of States and localities who did not elect coverage when they previously had the opportunity to do so under the provision of present law permitting specified States to cover only those members of a retirement system who desire coverage.

I was especially pleased that the committee has seen fit to adopt the recommendations of Commissioner Sam Caldwell, Georgia Department of Labor, placing the new work incentive program for families receiving AFDC payments under the jurisdiction of the U.S. Department of Labor. This Department has all the necessary facilities to assist these families and are better equipped to do the job than welfare departments.

Mr. CLARK. Mr. President, now that the Committee on Finance has reported out the social security improvements bill, I wish to extend my congratulations to the members of that committee for a job well done. The committee was faced with an exacting and often exasperating task. There were vexing questions of priorities and fiscal limitations. But by and large these questions were resolved by the committee in an equitable and wise manner.

There is, however, one problem area of particular importance in my home State of Pennsylvania, with regard to which the committee bill fails to make adequate provision. Pennsylvania, I am proud to say, is still very much a steel State, and as a result the problems which are experienced by workers in the steel industry because of unique developments in that industry are of very great concern to me.

One of the more serious of these problems arises from the spread of automation throughout the steel industry, and the loss of jobs through plant shutdowns. As a result of these developments, workers too often find themselves without jobs at age 50, with no real hope to get a new job, and with no chance of getting their social security benefits.

In order to make a start toward correcting this situation I cosponsored an amendment to the social security bill with the Senator from Indiana [Mr. HARTKE]. Much to my regret the committee did not include this amendment in the bill.

In view of the committee's action on the Hartke amendment, I am aware that there is little hope that the Senate can be persuaded to provide an equitable solution to the problem this year. Nevertheless I would like to take this occasion to place this matter on the agenda for consideration when Congress reconvenes next year. Although the prospects at the moment are not bright, I am confident that ultimately the Congress will take action to remove this inequity from our social security law.

SOUP KITCHENS AND BREAD LINES MUST NEVER AGAIN BE TOLERATED: OUR SOCIAL SECURITY SYSTEM MUST BE LIBERALIZED AND EXPANDED

Mr. YOUNG of Ohio. Mr. President, the pending bill, H.R. 12080, as amended in the Senate Finance Committee, is a great advance in social legislation. The 11 members of the Senate Committee on Finance who signed the majority report and reported the bill, as amended, are to be congratulated for the real and needful public service they have performed for the Nation.

Mr. President, more than 32 years ago, the most humane and advanced social legislation in our Nation's history, the Social Security Act, was enacted into law. The man who proposed this legislation and whose signature placed it on the statute books is dead. This is one of many imprints that Franklin D. Roosevelt left upon the pages of American history which will endure forever. I am very happy that during my first term as Congressman at Large from Ohio, I voted for and spoke in favor of passage of the first Social Security law.

Since passage of the Social Security Act of 1935, Congress has made changes in the act in keeping with fast-changing times. We have a duty to further expand and liberalize this program. The Social Security Amendments of 1967 will help assure that millions of Americans will enjoy a measure of security and dignity in their old age.

It is a happy personal recollection that as Congressman at Large from Ohio and a member of the Committee on Ways and Means in the House of Representatives, I helped draft our present liberalized and expanded social security program. Over the years I have always supported and voted for liberalizing amendments. I consider it a privilege to vote this week for this bill as reported by a majority of the Senate Committee on Finance and for some amendments which are among the most far-reaching improvements to our social security insurance program since its enactment more than 32 years ago.

When the Social Security Act became law, there were fewer than 7 million Americans 65 years or older. Today, there are more than 19 million men and women 65 years of age or older. By 1970 there will be more than 20 million.

The majority of men and women beyond 65 years old have inadequate incomes. Most do not receive private pensions. The majority cannot afford proper medical care. Many are ill-housed and, unfortunately, too many lack means to obtain proper diet and are undernourished. It is clear that social security benefits must be greatly increased and the social security program greatly expanded if we are to meet present needs of older Americans.

The proposal reported by the Finance Committee raises average benefits for nearly 24 million social security recipients—men, women, and children—by 15 percent across the board. It increases the monthly minimum benefit from $44 to $70. The optional retirement age is lowered from 62 to 60 at reduced benefits for those who may choose to retire at this earlier age. This will cause 760,000 additional Americans to be eligible for benefits amounting to $524 million during the first 12 months after this act goes into effect. Benefits have been liberalized for disabled widows and for widows of workers covered during their lifetime. This proposal eases eligibility requirements for payments to the blind.

Our social security system, which is actually the old-age, survivors, disability, and health insurance program, is an actuarially sound insurance system. The present surplus in the social security and disability trust funds exceeds $23 billion. Under the bill as amended by the Senate Finance Committee, this program will continue to be actuarially sound without imposing unduly heavy premium payments on Americans.

Mr. President, in the United States we have gone a long way under great leadership since those dark depression days of 1931 and 1932, when a high-placed Government official said, "Relief is a local problem."

The hope we all cherish is an old age free from care and want. To that end people toil patiently and live closely, seeking to save something for the day when they can earn no more. As age creeps on, there is a constantly declining capacity to earn, until at 65 many find themselves unemployable.

There was no more pitiful tragedy than the lot of the worker who had struggled all his life to gain a competence and who, at 65, was poverty stricken and dependent upon charity. The black slave knew no such tragedy as this. It was a tragedy reserved for the free worker in the greatest nation on earth in an era which now seems remote but in fact was as recent as the late 1920's and early 1930's.

Mr. President, back in 1931, in my home city of Cleveland, and in cities throughout the country, there were bread lines and soup kitchens. Unless one lived through and can recall the terrible depression, he would have difficulty in believing the conditions that existed at that time. Banks in 48 States were closed. Many had failed and the savings of millions of citizens were wiped away. In the final months of the administration of President Herbert Hoover, the entire financial structure of the United States had collapsed. Never at any time since the Federal troops streamed back into Washington in panic in July 1861, after the Battle of Bull Run, or Manassas, in the War Between the States, was our Nation so imperiled.

Farmers were not making enough money to pay their taxes and the interest on their mortgages. Groups of farmers gathered on courthouse steps threatening to hang judges, demonstrating

against foreclosures of farms, and interfering with the orderly processes of the law. At that time, 14 million worthy and industrious men and women walked city streets jobless. This represented 26 percent of the Nation's workingmen and workingwomen, eager to be gainfully employed but denied any employment whatever. Time and events have proved that since the enactment of the social security law, under which checks totaling more than $20 billion in social security benefits were paid last year to almost 23 million beneficiaries, there has been and is no possibility of a cruel depression such as was experienced commencing in 1930.

Where would the American people have been without that law? Think of the distressful situation of our country during those three recession periods of the Eisenhower administration. Where would they have been except for social security and the payments that came in every month to the beneficiaries of the social security system? Those recessions would have become great, deep and sorrowful depressions. No one today seriously questions the need for our social security system or its importance in promoting economic and social stability.

Americans now know that private charities, bread lines and soup kitchens must never again be the answer of American intelligence and sense of justice to the problems of unemployment and indigent old age.

Mr. President, at present social security recipients may not earn more than $1,500 per year without suffering deductions from their social security benefits. The present limitation imposes a cruel financial burden on people still able to work after 65 and denies them a right which they have earned by their own contributions into the social security fund. It is reasonable to look forward to dramatic new breakthroughs in the search for cures for cancer and heart disease that will push higher and higher the life expectancy of Americans. Men and women of 65 and 70 and 75 will—and many now do—have the ability to participate in gainful employment after retirement.

It is unfair to bar these men and women from receiving social security retirement payments for which they have paid premiums during their more active years. This can be remedied at no cost whatsoever to taxpayers by increasing the earnings limitation.

In four successive Congresses I introduced legislation to increase the earnings limitation for social security recipients. I was very glad that the Senate Finance Committee has recommended that the earnings limitation be increased from $1,500 to $1,680 in 1968, and $2,000 annually thereafter, with no reduction in social security benefits. I am hopeful that in the future the earnings limitation will be increased even further and finally removed altogether.

Social security payments totaling more than $90 million are now delivered each month to 1,250,000, Ohio men, women, and children. With the enactment of the pending bill, this amount will be increased to more than $105 million. Soon, 24 million Americans—children, men, and women—will receive social security checks amounting to $2 billion, or more, each month.

Mr. President, I congratulate our colleagues who serve on the Senate Committee on Finance for their outstanding work. The Nation is indebted to them for the social security bill they have reported to the Senate and which we are considering today. It will truly be a great day in our Nation's history when the Social Security Amendments of 1967 are enacted into law.

SOCIAL SECURITY ACT AMENDMENTS OF 1967

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that the unfinished business be laid before the Senate.

The PRESIDING OFFICER. The bill will be stated by title.

The ASSISTANT LEGISLATIVE CLERK. A bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill? The Chair hears none.

The Senate resumed the consideration of the bill.

PRIVILEGE OF THE FLOOR

Mr. MONTOYA. Mr. President, I ask unanimous consent that from now until disposition of consideration of my amendment No. 440 to H.R. 12080, Glen Marcus, of the Library of Congress, be permitted to be in the Chamber to advise me.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ERVIN. Mr. President, under existing law, the Secretary of Health, Education, and Welfare does not have authority to pay the counsel fee out of the recovery of an award to a claimant.

I introduced a bill, S. 1860, to provide that the Secretary of Health, Education, and Welfare could withhold from recovery of benefits where the benefits had been denied for counsel's fees paid direct to counsel rather than to the claimant whichever is the smallest of the following sums:

First, not to exceed 25 percent of past due benefits, or such fee as the Secretary might fix, or the amount of the fee agreed upon between the claimant and attorney as a fee for the attorney's services.

This is comparable to the allowances made where the attorney goes into court and sustains a claim. This is to cover cases where the claim is denied and the attorney sustains the claim in administrative proceedings.

Under Secretary of Health, Education, and Welfare, Wilbur J. Cohen, wrote a letter to the chairman of the Finance Committee on November 14, 1967, and sent me a copy of it, stating that the Department of Health, Education, and Wel-

fare has no objection to the enactment of S. 1860.

Accordingly, I have incorporated the provisions of S. 1860 into this amendment which I now send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment will be stated by title.

The ASSISTANT LEGISLATIVE CLERK. On page 224, between lines 14 and 15, insert the following:

ATTORNEY'S FEES FOR CLAIMANTS

SEC. 176. Section 206(a) of the Social Security Act is amended by inserting, immediately before the last sentence thereof, the following new sentences: "Whenever the Secretary, in any claim before him for benefits under this title, makes a determination favorable to the claimant, he shall, if the claimant was represented by an attorney in connection with such claim, fix (in accordance with the regulations prescribed pursuant to the preceding sentence) a reasonable fee to compensate such attorney for the services performed by him in connection with such claim. If as a result of such determination, such claimant is entitled to past-due benefits under this title, the Secretary shall, not withstanding section 205(1), certify for payment (out of such past-due benefits) to such attorney an amount equal to whichever of the following is the smaller: (A) 25 per centum of the total amount of such past-due benefits, (B) the amount of the attorney's fee so fixed, or (C) the amount agreed upon between the claimant and such attorney as the fee for such attorney's services."

Mr. ERVIN. Mr. President, I ask unanimous consent to have a copy of the letter written by Mr. Cohen to the chairman of the Finance Committee printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: This letter is in response to your request of May 27, 1967, for a report on S. 1860, a bill "To amend title II of the Social Security Act to establish a procedure whereby attorneys representing successful claimants for benefits thereunder may be paid reasonable fees for their services out of the past-due benefits to which such claimants are entitled."

The Department of Health, Education, and Welfare has no objection to enactment of S. 1860.

The bill would permit the Secretary, when he determines an individual to be entitled to social security benefits and that individual was represented by an attorney in proceedings before the Secretary, to deduct from the claimant's past-due benefits and pay directly to the attorney the smaller of the following: (A) 25 percent of the past-due benefits; (B) the amount of the attorney's fee fixed pursuant to the regulations implementing section 206(a) of the Social Security Act; or (C) the amount agreed upon by the claimant and the attorney.

The bill's provision for certifying the fee amount for direct payment to the attorney is comparable to that in section 206(b) of the Act, which relates to fees for services before Federal courts. Added by P.L. 89-97 (July 30, 1965), section 206(b) provides that a court may allow, as part of a favorable judgment, a reasonable attorney fee, not in excess of "25 percent of the past-due benefits to which the claimant is entitled by reason of such judgment", and this amount may be withheld from the claimant's past-due benefits and paid directly to the attorney. When a favorable court decision is effectuated, 25 percent of the claimant's past-due benefit's is automatically withheld, and the remaining 15 percent released to the claimant.

If the court allows no fee or the court allows less than the 25 percent maximum, appropriate payment is made to the claimant. If S. 1860 were enacted, similar procedures could be established to withhold the maximum amount which could be paid directly to the attorney, with any amount in excess of the attorney fee subsequently fixed to be released to the claimant.

Time has not permitted us to clear this report with the Bureau of the Budget in accordance with standard procedure.

Sincerely,

WILBUR J. COHEN,
Under Secretary.

Mr. ERVIN. Mr. President, I should like to state that I have consulted with the ranking minority member on the Finance Committee and he says he has no objection to this amendment.

I should like to ask the chairman if he does not look with favor upon this amendment.

Mr. LONG of Louisiana. Mr. President, the Senator from North Carolina [Mr. ERVIN] has discussed his amendment with a number of us serving on the committee, and we see nothing wrong with it. Insofar as I can determine, it is a meritorious amendment and I would be pleased to accept it. It will go to conference between the Senate and the House. I would certainly think that the amendment should be agreed to, in view of the fact we can find nothing wrong with it. I propose to vote for it.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from North Carolina.

The amendment was agreed to.

AMENDMENT NO. 440

Mr. MONTOYA. Mr. President, I call up my amendment No. 440 and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated for the information of the Senate.

The assistant legislative clerk proceeded to read the amendment.

Mr. MONTOYA. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered; and the amendment will be printed in the RECORD at this point.

The amendment offered by Mr. MONTOYA, is as follows:

On page 164, between lines 5 and 6, insert the following:

"COVERAGE OF CERTAIN DRUG EXPENSES UNDER PART B OF TITLE XVIII OF THE SOCIAL SECURITY ACT

"SEC. 149c. (a) Section 1832(a) of the Social Security Act is amended (1) by striking out 'and' at the end of paragraph (1), (2) by striking out the period at the end of paragraph (2) and inserting in lieu thereof '; and' and (3) by adding at the end thereof the following new paragraph:

"'(3) entitlement to be paid for allowable expenses (as defined in section 1845(a)(2), or, if lower, actual expenses, incurred by him for the purchase of qualified drugs (as defined in subsection (a)(1) of such section).'

"(b) Section 1833(a) of such Act is amended (1) by inserting 'or qualified drugs' after 'incurs expenses for services', (2) by striking out the period at the end of paragraph (2) and inserting in lieu thereof '; and', and (3) by adding at the end thereof the following new paragraph:

"'(3) in the case of expenses covered under section 1832(a)(3)—100 per centum of such expenses.'

"(c) Section 1833(b) of such Act (as amended by the preceding sections of this Act) is further amended—

"(1) by inserting '(insofar as subsection (a) relates to expenses incurred with respect to services referred to in paragraphs (1) and (2) thereof)' after 'Before applying subsection (a)';

"(2) by redesignating clauses (1) and (2) as clauses (A) and (B), respectively; and

"(3) by inserting '(1)' immediately after '(b)', and

"(4) by adding at the end thereof the following new subparagraph (2):

"'(2) Before applying subsection (a) (insofar as subsection (a) relates to expenses incurred with respect to qualified drugs, as referred to in paragraph (3) thereof) with respect to expenses incurred by an individual during any calendar year, the total amount of the expenses incurred by such individual during such year (which would, except for this subsection, constitute incurred expenses from which benefits under subsection (a) are determinable) shall be reduced by a deductible of $25; except that (A) the amount of the deductible for such calendar year as so determined shall first be reduced by the amount of any expenses incurred by such individual in the last three months of the preceding calendar year, and (B) for purposes of determining amounts to be counted toward meeting the $25 deductible imposed by this paragraph, the actual expenses incurred by an individual with respect to qualified drugs shall be used instead of the allowable expenses (as established pursuant to section 1845).'

"(d) Part B of title XVIII of such Act is amended by adding at the end thereof the following new sections:

"'ALLOWABLE EXPENSES FOR QUALIFIED DRUGS

"'SEC. 1845. (a) For purposes of this part—

"'(1) The term "qualified drug" means a drug or biological which is included among the items approved by the Formulary Committee (established pursuant to section 1846(a)).

"'(2) The term "allowable expense" when used in connection with any quantity of a qualified drug, means the amount established with regard to such quantity of such drug by the Formulary Committee and approved by the Secretary.

"'(b) Amounts to which an individual is entitled by reason of the provisions of section 1832(a)(3) shall be paid directly to such individual. No individual shall be paid any amount by reason of the provisions of section 1832(a)(3) prior to the presentation by him (or by another on his behalf) of documentary or other proof satisfactory to the Secretary establishing his entitlement thereto.

"'(c) The benefits provided by reason of section 1832(a)(3) may be paid by the Secretary or the Secretary may utilize the service of carriers for the administration of such benefits under contracts entered into between the Secretary and such carriers for such purpose. To the extent determined by the Secretary to be appropriate, the provisions relating to contracts entered into pursuant to section 1842 shall be applicable to contracts entered into pursuant to this subsection.

"'FORMULARY COMMITTEE

"'SEC. 1846. (a) There is hereby established a Formulary Committee to consist of the Surgeon General of the Public Health

Service, the Commissioner of the Food and Drug Administration, and the Director of the National Institutes of Health.

"'(b)(1) It shall be the duty of the Formulary Committee, with the advice and assistance of the Formulary advisory group (established pursuant to section 1847), to—

"'(A) determine which drugs and biologicals shall constitute qualified drugs for purposes of the benefits provided under section 1832(a); and

"'(B) determine, with the approval of the Secretary, the allowable expense, for purposes of such benefits, of the various quantities of any drug determined by the Committee to constitute a qualified drug; and

"'(C) publish and disseminate at least once each calendar year among individuals insured under this part, physicians, pharmacists, and other interested persons, in accordance with directives of the Secretary, an alphabetical list naming each drug or biological by its established name as defined in the Federal Food, Drug, and Cosmetic Act, as amended, and by each other name by which it is commonly known, which is a qualified drug, together with the allowable expense of various quantities thereof, and if any such drug or biological is known by a trade name, the established name shall also appear with such trade name.

"'(2)(A) Any drug or biological included on the list of qualified drugs shall, if listed by established name, also be listed by its trade name or names, if any.

"'(B) Drugs and biologicals shall be determined to be qualified drugs if they can legally be obtained by the user only pursuant to a prescription of a lawful prescriber; except that the Formularly Committee may include certain drugs and biologicals not requiring such a prescription if it determines such drugs or biologicals to be of a lifesaving nature.

"'(C) In the interest of orderly, economical, and equitable administration of the benefits provided under section 1832(a)(3), the Formulary Committee may, by regulation, provide that a drug or biological otherwise regarded as being a qualified drug shall not be so regarded when prescribed in unusual quantities.

"'(3) In determniing the allowable expense for any quantity of any qualified drug, the Formulary Committee shall be guided by the acquisition cost to the ultimate dispenser (generally, community pharmacists) for the quantities most frequently prescribed plus a reasonable professional fee for dispensing to the patient the prescription or other authorized lifesaving drugs, or biologicals not requiring a prescription, with a view to determining with respect to each qualified drug a schedule of prices for various quantities thereof. In any case in which a drug or biological is available by established name as defined in the Federal Food, Drug, and Cosmetic Act, as amended, and one or more trade names any one of which is different from such established name, the cost of such drug or biological, for purposes of the preceding sentence, shall be deemed to be the lowest cost of such drug, however named, which is of a quality acceptable to the Formulary Committee. Whenever the lowest cost (to the ultimate dispensers thereof) of a particular drug or biological differs in the various regions of the United States, the Formulary Committee shall establish, for the various regions of the United States, separate schedules of allowable expense with respect to such drug or biological so as to reflect the lowest cost at which such drug or biological is generally available to the ultimate dispensers thereof in each such region.

"'ADVISORY GROUP TO FORMULARY COMMITTEE

"'SEC. 1847. (a) For the purpose of assisting the Formulary Committee to carry out its duties and functions, the Secretary shall appoint an advisory group to the Formulary Committee (hereafter in this section referred to as the "advisory group". The advisory group shall consist of seven members to be appointed by the Secretary. From time to time, the Secretary shall designate one of the members of the advisory group to serve as chairman thereof. The members shall be so selected that each represents one or more of the following national organizations: an orgahization of physicians, an organization of manufacturers of drugs, an organization of pharmacists, an organization of persons concerned with public health, an organization of hospital pharmacists, an organization of colleges of medicine, an organization of colleges of pharmacy, and an organization of consumers. Each member shall hold office for a term of three years, except that any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term, and except that the terms of office of six of the members first taking office shall expire, as designated by the Secretary at the time of appointment, two at the end of the first year, and two at the end of the second year, and two at the end of the third year, after the date of appointment. A member shall not be eligible to serve continuously for more than two terms.

"'(b) Members of the advisory group, while attending meetings or conferences thereof or otherwise serving on business of the advisory group, shall be entitled to receive compensation at rates to be fixed by the Secretary, but not exceeding $75 per day, including traveltime, and while so serving away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

"'(c) The advisory group is authorized to engage such technical assistance as may be required to carry out its functions, and the Secretary shall, in addition, make available to the advisory group such secretarial, clerical, and other assistance and such pertinent data obtained and prepared by the Department of Health, Education, and Welfare as the advisory group may require to carry out its functions.'

"(e) The amendments made by this section shall become effective on July 1, 1969."

Mr. MONTOYA. Mr. President, this amendment is designed to fill a critical gap in the coverage afforded millions of older Americans under the medicare program. Under the present program, the aged do not have any protection against the costs of prescription medicines, costs which represent a heavy financial burden upon the limited, fixed income resources of older people.

The amendment would establish a new prescription drug benefit under the voluntary supplementary insurance program of medicare. In many respects, this amendment is similar to an amendment which the Senate adopted in October of last year, but which we were unable to carry through conference into enactment. Under the amendment, which I am pleased to note has 27 cosponsors, the medicare beneficiary who is enrolled in the voluntary program would be entitled to benefits toward the costs of prescription medicines after meeting an annual $25 drug deductible. The purpose of this deductible is to assure that those who need help most in meeting prescription drug expenses benefit from the program.

The amount of benefits payable would vary on a drug-by-drug basis. Under some private drug plans, beneficiaries are normally reimbursed a fixed percentage of total prescription charges for covered drugs. Under my amendment, the program's financial liability would be based upon an amount equal to the lowest wholesale or acquisition cost of a covered drug plus an allowance representing the value of the services necessary to fill the prescription for the particular drug.

Under the amendment, benefit payments would be made directly to the beneficiary after he submitted bills which exceeded the amount of the deductible. The claim for reimbursement would be made in the same manner as claims for other expenses are made under the supplementary, or part B program. In no way does the amendment interfere with the right of the physician to prescribe in any manner he sees fit, nor does it restrict in any way the choice of medicines he wishes to prescribe for his older patients. The amendment actually assumes that the physician will continue to prescribe in the same manner as he has in the past. The amendment also in no way interferes with any pricing policies employed by pharmacists filling prescriptions for medicare beneficiaries. Pharmacists continue to fill prescriptions in their usual manner and render their customary charges for these prescriptions as they now do for medicare beneficiaries. The amendment proposes only to help the elderly finance part of the costs of these prescriptions by providing an allowance toward the amount of the actual charges.

There is clear need to provide some relief for older people who incur large drug expenses. The National Health Survey has reported that persons aged 65 and over acquire prescription medicines nearly three times more frequently than do persons under the age of 65. The average cost of each of these prescriptions was $4. In contrast, persons under age 65 acquired prescribed medicines at the rate of four prescriptions per person per year, and at an average prescription cost of $3.50 per prescription. The aged, therefore, not only acquire more prescribed medicines, but also pay more for each prescription than their younger counterparts.

A look at annual drug expenditures among the aged tells the real story about the financial burden they must bear. During fiscal 1965, older people on the average spent over $50 annually for medicines of all kinds. This was nearly three times the amount, on the average, spent by younger persons for all medicines. The disparity in expenditures between young and old becomes even more severe when we look at the portion spent for prescribed drugs. The aged spent an average of $41 annually—3.3 times the expenditures for prescribed drugs for those under age 65. Expenditures for prescribed medicines also rise sharply with the presence of chronic conditions or impairments and with the limitations which arise from these conditions and impairments. Since nearly 80 percent of persons aged 65 and over suffer from at least one or more chronic conditions, the requirements for life-sustaining and life-giving drugs among the aged are particularly important. It is estimated

that three million older Americans spend more than $100 a year for drugs and medicines, and 600,000 have drug bills exceeding $250 each year. Can there be any doubt, then, Mr. President, that many older people need help with drug expenses, and that they need this help now?

As Senators know, medicare is designed primarily to cover the costs of short-term institutional care provided in connection with periods of acute illness. The costs of medicines requiring the order of a physician which are provided to inpatient beneficiaries are paid for under the hospital insurance program, their costs being included as part of the facilties' charges for services. But there is no provision to cover the costs of drugs prescribed for outpatient beneficiaries, the very drugs which help to keep these people ambulatory and away from more expensive forms of institutional care. This omission is an unfortunate and costly oversight.

It was pointed out to the Senate early in 1965, when the medicare program was still under consideration by this body, that the costs of prescription medicines were not covered under the House-passed bill. In the medicare bill which we passed later in 1965, the Senate adopted an amendment calling for a study of the drug purchase problems of the aged and a review of ways in which the cost of prescription drugs could be included under the supplementary medical insurance program. Although the provision calling for the study was deleted from the bill by conference action, we were assured that HEW and its many advisory groups would review the need for additional benefits under medicare, including drugs, as part of their overall responsibility to carry on studies of all the programs authorized under the Social Security Act.

Last year, the Committee on Finance reported and the Senate unanimously adopted an amendment to include a drug benefit under the supplementary insurance program. The committee, in its report, stated that the amendment represented a "reasoned and economic approach toward meeting a genuine need of our older people." The Senate, therefore, did more than just recognize the need; the Senate acted on behalf of millions of older people to do something about this need.

Regrettably, the amendment did not clear the conference committee. We now have an opportunity, in this bill, to sustain the commitment we made last year. The amendment I am proposing is, for the most part, identical to the amendment which we passed last year.

The amendment is designed to meet part of the costs of prescribed medicines acquired by beneficiaries enrolled in the voluntary program. The amendment does not propose to subsidize all drug costs of the aged, since there are many older persons who can manage to pay their drug bills themselves. The bill seeks to help those with catastrophic expenses—those who need assistance most.

There seems to have arisen some confusion about the provisions in the amendment which would be used to determine the extent of the program's liability for the drug expenses of the aged. To clear up any questions, I would like to briefly explain how these provisions would be implemented.

Under the amendment, a national formulary would review the range of prescription medicines required by older people for purposes of diagnosis, cure, treatment, and the prevention of disease. Formularies of the kind the amendment envisions have long been used in a number of private and public programs throughout the United States, so that we are not talking about a new and untried concept. Included in the formulary, which is simply a listing of substances for which reimbursement could be made, would be drugs which can be obtained only upon written order of a physician. The actual inclusion of a drug would be left to the professional judgment of the formulary committee and its advisory group, which would be composed of representatives of professional health organizations, including physicians, community and hospital pharmacists, manufacturers, public health officials, colleges of medicine and pharmacy, and representatives of the general public. From among the entire selection of drug products for any one particular drug, the committee would identify the wholesale price of the least expensive product meeting an acceptable level of quality as a matter of professional judgment. This price, together with an amount representing the value of the services in preparing a prescription for this drug, then becomes the "allowance" which the program would pay to the beneficiary.

Under this procedure, the physician is free to prescribe any drug he believes necessary for the proper treatment of his patient. This decision is a medical decision and can only be the responsibility of the physician. My amendment supports this concept that the physician, and only the physician, can make these judgments. Regardless of what the physician prescribes, insofar as the drug or its name are concerned—it makes no difference—the program will pay for a portion of the actual charge for a particular prescription on the basis of the allowances provided under the formulary. The pharmacist will fill the prescription just as he now does and charge what he usually charges. The patient pays the charge just as he now does, and then makes application for partial reimbursement of the charges to the amount allowed under the program. Only where the actual charges equal the allowance, can the beneficiary expect 100 percent reimbursement. If the physician prescribes a drug not included in the formulary, no reimbursement can be made to the patient. But, if the physician believes that such a drug is important to the treatment of his patient, he is completely free to write such a prescription. It is expected, however, that the formulary committee would include most of the kinds of drugs which the aged frequently require in their care.

Under present law, Mr. President, regardless of the manner in which any prescription is written for a medicare beneficiary, the patient can look forward to absolutely no assistance in financing his drug costs. Under my amendment, the beneficiary can at least expect to receive some help in meeting the high costs of prescription medicines, particularly when they constitute an inordinantly high part of their total health care bill. Since the allowance system is so structured as to provide benefits directly to the beneficiary only, the pharmacist is in no way harmed financially; the doctor's professional judgment is likewise secured.

The proposed effective date of the amendment is July 1, 1969. Since we are all aware of the need to control Federal expenditures at this time, I might point out that no appropriations would be required to finance this benefit until fiscal year 1970. The mid-1969 effective date of the amendment also would provide the executive branch with ample time to work out any administrative problems they foresee at this time. And even if circumstances are such that not all solutions can be found by that time—more time, by the way, Mr. President, than was needed to tool up for the immensely more complex medicare program itself—enactment of the amendment now would leave us in the position to provide this vitally needed benefit at the earliest possible moment. At the present time, I estimate the cost of providing this much needed benefit to result in an increase in the monthly insurance premium of about 50 cents for each beneficiary who is enrolled in the voluntary program. This amount, of course, would be matched out of funds from the general revenue, as are the other benefits provided in the part B, or voluntary, program. I am certain the Nation's millions of older people would welcome the opportunity to insure themselves against catastrophic drug expenses with this modest increase in premiums.

Like the amendment for which the Senate voted last year, this amendment, I believe, offers a "reasoned and economic approach toward meeting a genuine need of our older people."

I urge that the amendment be adopted.

Mr. WILLIAMS of Delaware. Mr. President, I ask for the yeas and nays on the pending amendment.

The PRESIDING OFFICER. There is not a sufficient second.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield to the Senator from Louisiana.

Mr. LONG of Louisiana. Mr. President, in order to save time, I ask unanimous consent that the yeas and nays be ordered on the pending amendment.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Louisiana?

There being no objection, the yeas and nays were ordered.

Mr. WILLIAMS of Delaware. Mr. President, the committee considered this amendment and rejected it, largely because its costs are somewhat prohibitive.

This is an entirely new program. It should be pointed out that the amendment, as offered, carries no method of financing. The latest estimate on the amendment as written, which we re-

ceived just today, is that it would cost $690 million annually.

The PRESIDING OFFICER. The Senator from Delaware will suspend until order is restored. The Senate will be in order.

The Senator may proceed.

Mr. WILLIAMS of Delaware. The amendment, as has been described, proposes to initiate an entirely new program under the medicare section of the bill to include the cost of prescription and certain nonprescription drugs.

The chief actuary of HEW has furnished an estimate that the first year's cost would be $690 million. That is based upon today's current prices of drugs. While it is true that the amendment would not be fully effective until 1970, nevertheless, once initiated it would be a part of the medicare law.

Part B medicare payments today are costing those participating $3 per month. Secretary Gardner has already announced publicly that due to the increased cost of operating the medicare program that cost will increase next year to at least $4 per month, or an increase of 33⅓ percent. If this amendment is adopted and becomes a part of the medicare program it would raise the monthly cost of each participant under that program by an additional $1.60 per month. The total cost of financing the $690 million would be $3.20 a month for each participant, of which the Government would pay one-half. But if the amendment is adopted each participant would have to pay $1.60 per month more than he is presently paying, which is a 60-percent increase in the cost of the medicare program as compared to what he is paying today.

As I stated earlier, the participants are already confronted with an increase next year of $1 per month. Can they afford this additional $1.60 per month?

Furthermore, I believe that this is a poor time to consider initiating an entirely new program and that we should have the benefit of more experience with the medicare program as presently constituted before expanding it.

Mr. CURTIS. Mr. President, will the distinguished Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. CURTIS. I believe an examination of the amendment would show that it goes far beyond reimbursing medicare patients for the cost of prescriptions.

It involves Government policing and formulating a list of medicines that are acceptable. It involves price fixing and a number of issues on which several Senate committees have been working—I believe one of the subcommittees of the Judiciary Committee, the Select Committee on Small Business, and others.

When the distinguished Senator from Delaware yields the floor, it will be my purpose to suggest the absence of a quorum and insist that we have a live quorum because there is something involved here that goes far beyond the problem of paying for medicare prescriptions and the considerations to be taken into account which go far beyond what the Senator has mentioned and concern the cost.

Mr. WILLIAMS of Delaware. The Senator is correct; I was going to mention that particular point later. Those points were discussed in our committee and were some of the major items which prompted us to include in the bill a provision for the Health, Education, and Welfare Department to make a study and report on this and other phases of the drug proposal.

We should have the benefit of that study and report before we consider the initiation of an entirely new program on top of other programs, a program which is estimated to cost a minimum of $690 million a year and one which would raise the cost to all of those participating in the medicare program today by at least 60 percent.

I do not think this is the time to initiate a new program with the information we have available.

I hope that the amendment will be rejected.

CALL OF THE ROLL

Mr. CURTIS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. HARRIS in the chair). The clerk will call the roll.

The bill clerk called the roll, and the following Senators answered to their names:

[No. 322 Leg.]

Aiken	Hansen	Montoya
Allott	Harris	Morse
Anderson	Hart	Morton
Baker	Hartke	Moss
Bartlett	Hatfield	Mundt
Bayh	Hayden	Muskie
Bennett	Hickenlooper	Nelson
Bible	Hill	Pastore
Boggs	Holland	Pearson
Byrd, Va.	Hollings	Pell
Byrd, W. Va.	Hruska	Prouty
Carlson	Inouye	Proxmire
Case	Jackson	Randolph
Clark	Javits	Ribicoff
Cotton	Jordan, Idaho	Russell
Curtis	Kennedy, Mass.	Smith
Dirksen	Kennedy, N.Y.	Spong
Dominick	Kuchel	Stennis
Eastland	Lausche	Symington
Ellender	Long, La.	Talmadge
Ervin	Magnuson	Tydings
Fannin	Mansfield	Williams, N.J.
Fong	McCarthy	Williams, Del.
Fulbright	McClellan	Yarborough
Gore	McIntyre	Young, Ohio
Griffin	Metcalf	
Gruening	Miller	

Mr. BYRD of West Virginia. I announce that the Senator from Nevada [Mr. CANNON], the Senator from North Carolina [Mr. JORDAN], and the Senator from Missouri [Mr. LONG] are absent on official business.

I also announce that the Senator from Maryland [Mr. BREWSTER], the Senator from North Dakota [Mr. BURDICK], the Senator from Idaho [Mr. CHURCH], the Senator from Connecticut [Mr. DODD], the Senator from Wyoming [Mr. MCGEE], the Senator from South Dakota [Mr. MCGOVERN], the Senator from Minnesota [Mr. MONDALE], the Senator from Oklahoma [Mr. MONRONEY], the Senator from Florida [Mr. SMATHERS], and the Senator from Alabama [Mr. SPARKMAN] are necessarily absent.

Mr. KUCHEL. I announce that the Senator from Kentucky [Mr. COOPER] and the Senator from Texas [Mr. TOWER] are absent on official business.

The Senator from Massachusetts [Mr. BROOKE], the Senator from California Mr. MURPHY], the Senator from Illinois [Mr. PERCY], the Senator from Pennsylvania [Mr. SCOTT], and the Senator from South Carolina [Mr. THURMOND] are necessarily absent.

The Senator from North Dakota [Mr. YOUNG] is absent because of death in family.

The PRESIDING OFFICER. A quorum is present.

The question is on agreeing to the amendment (No. 440) of the Senator from New Mexico.

Mr. CURTIS. Mr. President, amendment No. 440 involves, really, two questions. One is: Shall we add the cost of prescriptions to the medicare program? The other is: If that is done, how shall it be done?

For the moment, I wish to address myself to the manner in which the amendment would provide that medicare patients under part B could get their prescriptions paid for.

I suggest to Senators now in the Chamber that they turn to page 4 of amendment No. 440, beginning on line 5:

ALLOWABLE EXPENSES FOR QUALIFIED DRUGS

SEC. 1845. (a) For purposes of this part—

(1) The term "qualified drug" means a drug or biological which is included among the items approved by the Formulary Committee (established pursuant to section 1846(a)).

Mr. President, this amendment would call for an OPA setup. This would be price control. This would be prescribing medicines for patients by bureaucrats.

Reading on, we find that if the patient is to be reimbursed, the prescription must be listed by the Formulary Committee which publishes a list once a year.

Reading on from line 11, page 4:

(2) The term "allowable expense" when used in connection with any quantity of a qualified drug, means the amount established with regard to such quantity of such drug by the Formulary Committee and approved by the Secretary.

The Formulary Committee and the Secretary, or, in other words, the bureaucrats, will decide how many spoonfuls of medicine shall be taken. The language refers to the quantity.

It would be so much simpler, if it should be the will of the Senate to add prescription drugs to the program, it should be done by simply including the cost of prescriptions, period.

The rental on a wheelchair is provided. Should we set up an Office of Price Administration to control wheelchair costs?

This is the back door approach to control of the drug industry, which threat has been around Capitol Hill for months and years.

The medicare patient is being used to bring about control of medicines, their manufacture, and distribution.

Reading on:

(b) Amounts to which an individual is entitled by reason of the provisions of section 1832(a)(3) shall be paid directly to such individual. No individual shall be paid any amount by reason of the provisions of section 1832(a)(3) prior to the presentation by him (or by another on his behalf) of documentary or other proof satisfactory to the

Secretary establishing his entitlement thereto.

Skipping over to page 5, there is the machinery to be created to reimburse for a medical prescription:

Section 1846(a) There is hereby established a Formulary Committee—

Where are we going to house such a committee? How many employees will it need? The committee will have power to say what drugs shall or shall not be listed, and that a patient cannot be reimbursed unless his prescription is on that list?

FORMULARY COMMITTEE

SEC. 1846. (a) There is hereby established a Formulary Committee to consist of the Surgeon General of the Public Health Service, the Commissioner of the Food and Drug Administration, and the Director of the National Institutes of Health.

Mr. President, everyone knows that those three gentlemen are all very eminent and well-qualified persons, but they are busy men and they will not perform this service personally. Those duties, for which they will be charged with responsibility, will be performed by a bureau which they will have to create.

Reading on:

(b)(1) It shall be the duty of the Formulary Committee, with the advice and assistance of the Formulary advisory group (established pursuant to section 1847), to—

How much will that cost?

Here is their power:

(A) determine which drugs and biologicals shall constitute qualified drugs for purposes of the benefits provided under section 1832 (a); and

Mr. President, if this amendment is agreed to, can a medicare patient who has been prescribed a new drug which has come out since the bureaucrats made their list public, be reimbursed for his prescription? No; he cannot be reimbursed for it.

All this machinery is not necessary.

Let me repeat, that if it is the will of the Senate to pay for prescription drugs, let us do it without subjecting the drug industry to all this control.

Let me say at this point that I am not weeping for the drug industry. I am in no way connected with it. None of my family or none of those with whom I am intimately associated are connected with the industry. I have one interest, and that is the welfare of the patient. This is the backdoor to controlling the drug industry, which, in my opinion—and I respect those who disagree with me—is to retard the advance of it in this country, and it is not in the best interests of the patient.

Mr. HICKENLOOPER. Mr. President, will the Senator yield?

Mr. CURTIS. I yield.

Mr. HICKENLOOPER. I am not too familiar with this subject, because I am not on a committee that has anything to do with it, but I have read a prospectus on this proposal. In addition to what I think are the very serious points, which may be deficiencies in this proposal, that the Senator from Nebraska has pointed out, I wonder if the Senator has an opinion on whether or not the enactment of this particular bill would not seriously impede, if not almost destroy, independent research in this country in medicines and in drugs.

Mr. CURTIS. It will adversely affect it.

Mr. HICKENLOOPER. In other words, it will turn research for new drugs and new medicines in this country almost entirely over to the tender mercies of the bureaucrats?

Mr. CURTIS. That is correct. If we once establish a Formulary Committee that has the power to police both the type of drug and the quantity used in medicare, how long will it be until that system is extended to every other Government program, to public health hospitals, and veterans hospitals? The next step is a local hospital to which Federal money has been contributed. Then we will have the situation in which no one can prescribe drugs or sell or distribute them to this particular category of patients—which will include a great portion of our population—until they are approved by the Formulary Committee.

Mr. HICKENLOOPER. In other words, as I understand one of the points the Senator is making, it is that if someone has an ailment and the doctor says, "Well, there is a new drug that has come on the market. Nothing so far that we have tried does you any good. This has some potential. Would you mind if we tried this?" that person cannot get paid for it because the bureau has not put it on the list?

Mr. CURTIS. Yes.

Mr. HICKENLOOPER. And many a person has been cured by such experimentation or trial as that.

Mr. CURTIS. That is right. I emphasize that this is the back-door approach which will apply to medicare first; but once the principle is adopted, then the move will be toward a formula that will apply to all Government programs.

Now, I am reading from line 19, page 5, of the amendment, relating to the power of the Formulary Committee to "determine, with the approval of the Secretary, the allowable expense, for purposes of such benefits, of the various quantities of any drug determined by the Committee to constitute a qualified drug."

A person will have to get permission from Washington as to how many aspirins a medicare patient can be reimbursed for. Why is that necessary? If the Senate wants to pay for the drug, let us take the less expensive way, and just pay the bill.

If the object of this amendment is to serve patients who cannot pay for their own medicines, why do they include all these sections of control? Has our country become great because of controls? Have we made great advances in medicine because of freedom or because of controls?

Going now to page 5, line 23, it provides that the Formulary Commission shall "publish and disseminate at least once each calendar year among individuals insured under this part, physicians, pharmacists, and other interested persons, in accordance with directives of the Secretary, an alphabetical list naming each drug or biological by its established name as defined in the Federal Food, Drug, and Cosmetic Act."

That is the contest between trade names and generic terms.

Let us think about something else. This is a proposal which provides that the bureaucrats shall publish a catalog, and they must distribute it to everyone registered under medicare, and all the pharmacists, and all the physicians, and all other interested persons.

What will it cost to publish 25 or 30 million lists every year? What will it cost the Post Office Department to distribute 25 million lists of approved drugs?

It would be my hope that the distinguished Senator from New Mexico would withdraw that part of his amendment, which is not necessary, and which makes the measure more costly. And I still personally have doubts about enlarging the medicare program at this time. It is just getting started. Our elder citizens are paying $3 a month. That is going to have to be raised to about $4 a month without this provision.

We have a system which provides medicare benefits for everybody, regardless of income; and some consideration should be given to that fact, in light of the heavy costs.

I said a moment ago that my only concern in this drug controversy is the welfare of the patient. While I have no interest whatever in any drug business, I have had a great deal of interest in many people who are very dependent on medicine. I have endeavored to try to find out what is the right answer to the question involving generic terms or trade names.

I think we should totally disregard the business pressures and determine just simply what is best for the patient. I believe that it is the trade name. There are many things that go into the making a good medicine besides those ingredients listed in the generic terms. Would anyone say that all houses that have the same number of bricks and the same number of board feet of lumber are equal? Would anyone say that every cake made from the same recipe is equal with every other cake that follows the recipe? No. Workmanship, research, testing, filler ingredients, care in packaging—many, many things make a drug superior to another drug other than the ingredients that are disclosed by the generic term. I have secured the opinion of, among others, family doctors who have no interest in any drug store, any drug or manufacturing company. I have asked, "What is best for the patient?"

Every time, they point out that equally important with the ingredients described in generic terms are all of these other factors of care in manufacture, time in manufacture, process, filler ingredients, research, testing along the way, time on the shelf, and many other things. And just as one has the right to know who made an article that he buys for any other purpose, the purchaser should have a right to know who made the article of medicine.

That is what is involved here. It is written right out on page 6: They shall list it "by each other name by which it

it commonly known, which is a qualified drug, together with the allowable expense of various quantities thereof."

The bureaucrats are not only going to publish a list of the drugs that can be used, but the quantity and the price.

Why is all that necessary? Do Senators realize that while hospital costs have gone up 68 percent in the last 10 years, and doctor bills and dentist bills have gone up from 20 to 25 percent, prescription drugs have gone down between 1 and 2 percent, over the last 10 years?

Next, beginning on page 6, line 11:

(2) (A) Any drug or biological included on the list of qualified drugs shall, if listed by established name, also be listed by its trade name or names, if any.

(B) Drugs and biologicals shall be determined to be qualified drugs if they can legally be obtained by the user only pursuant to a prescription of a lawful prescriber; except that the Formulary Committee may include certain drugs and biologicals not requiring such a prescription if it determines such drugs or biologicals to be of a lifesaving nature.

That gives the Formulary Committee the right to write a prescription, publish it, and distribute it to 25 million people.

The Formulary Committee may, by regulation, provide that a drug or biological otherwise regarded as being a qualified drug shall not be so regarded when prescribed in unusual quantities.

Who is to determine whether they are unusual quantities, the physician in charge of the case? No. He has to look in the book of Government regulations.

(3) In determining the allowable expense for any quantity of any qualified drug, the Formulary Committee shall be guided by the acquisition cost to the ultimate dispenser (generally, community pharmacists)—

If that is not price control, how do you establish it?

for the quantities most frequently prescribed plus a reasonable professional fee for dispensing to the patient the prescription or other authorized lifesaving drugs, or biologicals not requiring a prescription, with a view to determining with respect to each qualified drug a schedule of prices for various quantities thereof. In any case in which a drug or biological is available by established name as defined in the Federal Food, Drug, and Cosmetic Act, as amended—

In other words, the generic term—

and one or more trade names any one of which is different from such established name, the cost of such drug or biological, for purposes of the preceding sentence, shall be deemed to be the lowest cost of such drug, however named, which is of a quality acceptable to the Formulary Committee. Whenever the lowest cost (to the ultimate dispensers thereof) of a particular drug or biological differs in the various regions of the United States, the Formulary Committee shall establish, for the various regions of the United States, separate schedules of allowable expense with respect to such drug or biological—

We are even going to have regional Offices of Price Administration, under this provision—

so as to reflect the lowest cost at which such drug or biological is generally available to the ultimate dispensers thereof in each such region.

Then it goes on and sets up an advisory to this newly created bureau.

The amendment before us provides payment of prescriptions for all including the wealthy.

Mr. President, in these days when we are considering an enlarged Social Security bill, and more and more people are becoming dependent upon the Government—including individuals able to pay for their own medical care—it is interesting to note what a newspaper editor in my State recently said. I refer to an editorial printed in the Hastings, Nebr., Daily Tribune, entitled "Snap In Service."

The editorial begins:

A researcher whose identity has somehow become obscured in the passing of time came to the conclusion that nine steps occur in the collapse of a free society. They are:

1. From chains of slavery people rise to spiritual faith.
2. From spiritual faith they generate courage.
3. From courage they forge liberty.
4. From liberty comes abundance.
5. From abundance arises selfishness.
6. From selfishness, then, to complacency.
7. From complacency to apathy.
8. From apathy people degenerate to dependency.
9. And from dependency back again to bondage.

Mr. President, I ask unanimous consent that the entire editorial to which I have referred be printed in the RECORD at this point.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

SNAP IN SERVICE

A researcher whose identity has somehow become obscured in the passing of time came to the conclusion that nine steps occur in the collapse of a free society. They are:

1. From chains of slavery people rise to spiritual faith.
2. From spiritual faith they generate courage.
3. From courage they forge liberty.
4. From liberty comes abundance.
5. From abundance arises selfishness.
6. From selfishness, then, to complacency.
7. From complacency to apathy.
8. From apathy people degenerate to dependency.
9. And from dependency back again to bondage.

It might be interesting, and vastly helpful in the light of current welfare trends, for each of us to estimate which of those nine steps America may now be taking.

It might be even more helpful if, each in our own way, we would try to help adjust the nation's stride in a direction that assures a free society in perpetuity.

And perhaps we should do it soon.

Mr. CURTIS. Mr. President, I again express the hope that the mover of this amendment will reoffer his amendment for reimbursement of the cost of drugs with all of these sections relating to control of the drug industry deleted. I still would not support it, because I understood the distinguished Senator from Delaware to say it would cost around $600 million.

Perhaps if the time comes when it is determined that the cost of medical prescriptions should be included, someone will come up with a formula whereby it is provided only for those people who do not have the money to pay for their prescriptions. That is not provided in the amendment of the distinguished Senator from New Mexico. All participants are to have their medicines paid for.

Mr. President, if the amendment remains in its present form, it will be my purpose to offer an amendment to the amendment, striking out section 1845 and all remaining sections of the amendment.

The PRESIDING OFFICER. Is the Senator from Nebraska offering an amendment to the amendment?

Mr. CURTIS. Not at this time.

Mr. MONTOYA. Mr. President, does the Senator from Indiana wish to speak on the amendment?

Mr. HARTKE. I do. I am in no hurry.

Mr. MONTOYA. I yield to the Senator from Indiana.

Mr. HARTKE. Mr. President, before I proceed to make any formal statement, I should like to know whether the Senator from New Mexico considers this comparison of Senator LONG's bill (S. 2299) and Senator MONTOYA's bill (S. 17) as a complete analysis or comparison of the two bills.

Mr. MONTOYA. No; not at all, Mr. President.

This is merely a capsule digest of the identification with respect to both bills.

Mr. HARTKE. Does the memorandums imply that the formulary aspect of the Montoya bill and the Long bill are the same?

Mr. MONTOYA. Not at all.

Mr. HARTKE. What does it do with regard to formulary?

Mr. MONTOYA. The purpose of my memorandums, which I have placed on the desk of each Senator, is to try to point out the objectives of my bill and the objectives of the Long bill.

Mr. HARTKE. The Senator from Nebraska has been discussing the formulary aspects of the bill for about a half an hour. I see nothing in the memorandums dealing with this aspect of the problem whatever. I wonder if the Senator considers it unimportant.

Mr. MONTOYA. I discussed it in my statement. I do not know whether the Senator heard my statement previously.

Mr. HARTKE. I heard the statement. I just wondered, though, because this is a brief comparison of them.

Mr. MONTOYA. I intend to go into it in rebuttal.

Mr. HARTKE. Does the Senator want to do that now?

Mr. MONTOYA. No. I would like to hear what the Senator has to say first.

Mr. HARTKE. Basically, as far as the overall purpose is concerned, I think the Senator from New Mexico describes a purpose with which everyone agrees, and that is that many aged people have big drug bills. This is nothing new to me.

I introduced a bill in the 89th Congress, first session, S. 1788. This was the Drug Stamp Plan Act which would have done substantially the same thing proposed by the Senator from New Mexico.

The point is that we found upon study, that some complicated features are involved, but I really still basically favor a program to determine the drug bills that aged people are paying. That question certainly presents a major problem in our society today. As we all know, the

bills are higher for the older people. The problem needs a solution.

As the Senator knows, I was the author of an amendment which dealt basically with the subject which concerns the pending amendment and by the Long amendment also. It provided for a complete study by the Department of Health, Education, and Welfare. Such a study already had begun, but as the result of the amendment, the bill itself requires by law that a complete study of the entire matter should be made by the Department of Health, Education, and Welfare.

It is not an open-ended study. It requires a complete reporting to the House Ways and Means Committee, which authorized this legislation, and to the Finance Committee of the Senate which has jurisdiction. The reporting date on this study is January 1, 1969.

What, in effect the Senator from New Mexico is saying is that the study is worthless even though the Department of Health, Education, and Welfare insists that it is well worth while and even though Dr. Goddard, the Food and Drug Administrator, says it is an absolute necessity.

The study would be completed and reported back to the two responsible committees 6 months before the date that the bill introduced by the Senator from New Mexico intends to take effect.

What the amendment before us is saying, in effect, that in this category we do not need the facts, but would merely go ahead and operate on the basic theme of the conclusions which we deem desirable.

I would think, after the study is completed, if the Senator from New Mexico wanted a program that would be worth while for these people, that he would be willing to wait until those who have the responsibility for administering the programs come forward with the facts.

I am not one who is adverse to providing assistance to the aged. Quite honestly, I am accused of going too far in these respects by some of my colleagues—on the Republican side of the aisle at least.

Mr. MONTOYA. Mr. President, will the Senator yield at that point?

Mr. HARTKE. I yield.

Mr. MONTOYA. Mr. President, I should like to inform the Senator that a study was ordered pursuant to the introduction of a bill such as this in 1965. A study was then ordered in 1966.

I should like to ask my friend, the Senator from Indiana, how long a study we must endure before the old people of this Nation have prescription drug costs reimbursed.

Mr. HARTKE. I do not know how deeply the Senator from New Mexico has gone into this matter. I have gone into it in depth. I have looked at some of the problems posed by the study itself, problems to which the administrators and experts who have attempted to do something in this field at this moment cannot give definitive answers.

I do not think there is anything wrong with a study that would take as long as the bill provides. If one reads the hearings, he will find that the Department itself needs some time. The people involved with the actual determinations as to whether a drug is defective or safe have said in public hearings that they could not at this time in good conscience go to the American people and approve a program such as the Senator from New Mexico advocates.

I am not opposed to the purpose. If the Senator wants to give money to these people, he can give them whatever amount of money he wants to if Congress votes to pay for the bills. However, that is not all that is in the bill.

I might be inclined to support the Senator if he wants to provide that. I do not think the Senator from Louisiana, the chairman of the Committee on Finance, would support such an amendment, but that is neither here nor there.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. HARTKE. I yield.

Mr. LONG of Louisiana. If we would have to pay 100 or 1,000 times what a product ought to be selling for, I would be against taxpayers paying for it. If we can do this at some reasonable cost, I would be willing to vote to put some taxpayers' money into the program.

Where the Government buys drugs for the Department of Defense or for Members of Congress, it does not permit drug companies to charge it anywhere from twice as much to 100 times as much as a product ought to sell for.

The Government pays no more than a reasonable price.

I am not here to find fault with the drug companies because they get rich. That is the whole idea of going into business, as I understand it.

However, if we are going to pay for something, it does not make a lot of sense to me that we should pay an exorbitant price for it. We have not done this in other programs where the Federal Government has bought drugs up to this time.

The drug companies have a $4 billion industry, and they spend fortunes putting their representatives in every agency of the Government that buys drugs and honeycombing them with people who try to find some way to make the Government pay 10 times what it ought to pay for its purchases.

I am opposed to letting them ever get started charging the Government 10 or 50 times what something ought to be selling for. Frankly, if we are going to let them sell drugs on that basis, we cannot afford to buy the drugs.

The taxpayers cannot afford it. If the drugs could be bought a reasonable price, the Senator from New Mexico [Mr. MONTOYA] would like to have that done. I would be willing to vote for that. But if this proposal were to be a foot in the door for drug companies to charge 40 or 50 times the cost of production for something they are selling to Uncle Sam, I would be against it.

Two large drug companies are located in the State of the Senator from Indiana. I do not blame them for trying to make money for their stockholders. But Louisiana does not have any drug companies. I am trying to look after the poor old folks. I hope the Senator will forgive me when I try to look after them.

Mr. HARTKE. I hope the Senator will realize that I am working on behalf of the poor people of my State and of his State, as well. I was the author of a bill which provides substantially the same as the proposal we are considering. I was the author of a bill which was proposed in committee to provide a study in depth. But I think I have put my finger on a very sensitive point, because I have thrown the issue into focus. There is a big difference, a wide gap, between what the Senator from Louisiana proposes and what the Senator from New Mexico proposes.

There is a difference of approach. I can understand why the Senator from Louisiana does not want to divide the issue. The Senator from New Mexico has gone to great lengths to do one of two things: Either to draw a sharp distinction between the proposal of the Senator from Louisiana and his own; or he has attempted to draw a comparison to show that they are alike. But they cannot be both different and alike. I gather that the proposals are different. I understand why they are different. I understand why the Senator from Louisiana will not support the proposal of the Senator from New Mexico. It really goes back to what has to be done at this stage.

Mr. LONG of Louisiana. The difference between the Montoya amendment and the Long amendment was, I thought, fairly clear. As far as I am concerned, I was merely trying to save the taxpayers $100 million a year by reducing the amount of money which they are unnecessarily paying to drug companies now.

The Senator from New Mexico wants to provide drugs that the people are not getting. I was not making that offer. I was trying to reduce the ridiculous price the Government pays for drugs under the medicaid program as it is now operated.

I am aware of the problem that confronts Senators from States which have drug companies. I am not trying to harm them. There are legitimate interests in my State, and I have tried to represent them properly. But on this issue, the Senator from Louisiana is not torn; he does not have a mental conflict that tortures his conscience between the drug manufacturers on one hand and the poor old people on the other.

We do not have any drug manufacturers in Louisiana, so the Senator from Louisiana is in the position of thinking about the matter entirely from the point of view of the taxpayers and the old folks and from the viewpoint of the druggists, who, incidentally, are in favor of it. So, my position is simple. I am in a position to advocate what is good for the old people, good for the taxpayers, good for the druggists, and good for the public interest generally. Inasmuch as the Senator from Louisiana has no drug manufacturers to worry about in his State, this is an ideal proposal.

The only people at all angry about the position that the Senator from Louisiana takes are some of the doctors; and, frankly, if they would get over the business of taking free samples and having so many friends among the drug manufacturers, they would find that this is not a bad deal so far as they are concerned.

I must say that this $4 billion industry has done a pretty good job of trying to persuade some doctors that they have an interest in making some poor, old person pay 100 times what he should be paying for prescription drugs. Over a period of time, I believe we can reach an understanding about that, also; because we have enough good, broadminded doctors who, when they see the matter fairly presented, will understand that, in the last analysis, this might be good for them and that, if not good, at least it would not harm their profession. We do not want to harm the medical profession.

As I understand the amendment of the Senator from New Mexico, all it proposes is that we see which quality drug meets proper standards at the lower price, and you would pay that amount. The doctor could prescribe anything he wishes. He could prescribe a different brand, a different name, that costs four or five times more. But all you would pay for it would be what you think the drug that has the right quality would be selling at, plus a professional fee that would be sufficient to assure the druggist that he would make a profit.

To do otherwise, to pay these fantastic prices for the drugs, would be to do something that is not done by any intelligent hospital administrator. They do not buy the drugs in that manner. The Federal Government does not buy drugs in that manner, and should not do so. State governments try to find methods of protecting themselves from paying such exorbitant prices. City governments try to find ways to protect themselves from paying such exorbitant prices, if they are paying for the drugs.

It seems to me that this would be a good way to do it. If you are going to do it the other way, I would be opposed to the amendment, for a different reason.

Mr. HARTKE. I understand that.

The fact remains that what the Senator from Louisiana proposes and what the Senator from New Mexico proposes will do nothing for the people in 1968. It will do nothing for the people even in 1969.

Mr. MONTOYA. Mr. President, may I ask a question of the Senator from Indiana? What will a study do for these people at any time?

Mr. HARTKE. It will do a great deal.

If the Senator from New Mexico is really sincere and wants to help these people, why does he not go ahead and join with the study, which would be completed by January 1, 1969, a full 6 months before the Senator from New Mexico intends for his bill to go into effect?

What the Senator is attempting to do is to appeal to the natural inclination in favor of alleviation of the payment of drug bills. But what good is that? Is it the intention to put it into effect in July 1970?

Mr. MONTOYA. 1969.

Mr. HARTKE. A full 6 months after the facts from the study will have been made available.

I do not know whether the Department of Health, Education, and Welfare has ever been accused of being a great protector of any special interest; nor that the Federal Food and Drug Administration ever been accused of being a great protector of any special interest. Representatives of both these agencies testified before the committee that they would like to come to the Finance Committee, to the Ways and Means Committee, and to Congress on January 1, 1969, and tell us exactly how this problem can be met.

They have some pretty big problems. They have taken over a complete medicare and medicaid program, both of which have big problems. They have done a tremendous job of administration, in my opinion. They have a great deal of trouble with respect to hospital and doctor costs, but they are trying to work them out to the best of their ability. Now the Senator expects them to do something which they, themselves, say they cannot do.

I do not have to come in with a lame heart or weak feet. My 1965 proposal was before this body, before the Senator from New Mexico submitted a proposal, to do this very thing. I will be glad to join in this effort, but I do not believe a person should try to legislate facts. The facts must be determined. We do not have a legislative study committee. If the Senator wants the Finance Committee to do it, that is fine. I am not opposed to a study of the facts. But I believe we should operate on facts, not on emotions. This is an emotional amendment. It does not provide for anything for which the bill itself does not provide. It would be of no help, and, in fact, it may be a detriment to many people.

I ask the Senator from New Mexico on what authority he comes up with a proposal of 50 cents a month.

Mr. MONTOYA. The Senate Finance Committee, pursuant to inquiry of the Department of Health, Education, and Welfare, came to this conclusion; and I understand that the staff of the committee still clings to this actuarial requirement.

Mr. HARTKE. It clings?

Mr. MONTOYA. I read from page 80 of the committee report on the Foreign Investors Tax Act of 1966:

> The monthly cost of providing this benefit is estimated at 50 cents to the participant and 50 cents to the Federal Government. The participant's share would become part of the regular part (b) premium.

Mr. HARTKE. I understand that the Senator from Delaware now has in his possession a letter from the Department of Health, Education, and Welfare as to the actual cost involved. Is my understanding correct?

Mr. WILLIAMS of Delaware. Mr. President, I will have the letter confirming these estimates. I talked with the Department of Health, Education, and Welfare, and a letter will be here in a few minutes which will be printed in the RECORD. I ask unanimous consent that the letter be printed at this point in the RECORD.

Mr. LONG of Louisiana. Mr. President, I object. I am willing that it go into the RECORD, but I am not willing to permit a letter that has not yet been written to go into the RECORD.

Mr. WILLIAMS of Delaware. I will read the letter when it arrives, which should be within 10 minutes.

Mr. LONG of Louisiana. The Senator need not read it. The Senator can put it in when it is here. It has not yet been written.

Mr. WILLIAMS of Delaware. The figures which I have quoted as furnished by the chief actuary of HEW—the same estimates which have been furnished to the Senator from Louisiana—indicate that the proposed amendment would cost $690 million a year. The present participants in the part (b) program are paying $3 a month at this time for medicare benefits. Secretary Gardner has already announced that this cost will go up about $1 in January 1968, to $4. The Department's estimate is that the $690 million cost under this amendment would result in an additional cost of $3.20 per month, one-half of which would be borne by the Federal Government and one-half by the beneficiary.

If this amendment is adopted, when it becomes operative it will cost every participant in the medicare program an extra $1.60 per month, which will be added to the existing $4 that will be in effect on January 1. So it would bring the total cost to $5.60 per month for each beneficiary under the medicare program, compared with $3 at present.

Mr. President, I shall ask to have the Department's letter printed in the RECORD later. However, these figures I am quoting were furnished officially to the committee. I understand that the sponsors of the amendment have an estimate of their own. I do not question the right of anyone to make a guess. The chief actuary, Mr. Myers, furnished these figures, they were also furnished to the chairman of the committee, and they are available to anyone who is interested. That is the same source from which every one of these figures in the committee report came. The actuaries furnish all of the figures for the Committee on Finance. That is the only official source we have.

Mr. President, so many wild estimates are being thrown around about the cost of this program that I thought it was better to have an official statement from the actuary of the Department of Health, Education, and Welfare and that statement will be placed in the RECORD today.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. HARTKE. I have the floor. I shall yield later. First, I wish to ask another question.

Is it not true that in these programs frequently there have been errors on the conservative side?

Mr. WILLIAMS of Delaware. The Senator is correct.

Mr. HARTKE. The Senator from Delaware sometimes accuses me of being perhaps too liberal——

Mr. WILLIAMS of Delaware. There are, but this estimate is based on the cost as near as they could project the cost. Under this proposal it would be operative July 1, 1969, but it would not become fully effective until 1970. In all fairness it should be pointed out that this extra cost to which we refer is for

a full year's operation. Nevertheless, once we initiate this program it is in the law and all of those who are taking part in medicare would either have to meet this extra cost or drop the program.

Mr. HARTKE. The cost would be about $67.20; is that correct?

Mr. WILLIAMS of Delaware. That is correct, compared with $36 per month today.

Mr. HARTKE. It would increase the cost to the person from $36 per month today to $67.20 per month.

Mr. WILLIAMS of Delaware. When this becomes operative.

Mr. HARTKE. And that would be in 1970.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. HARTKE. I am glad to yield to the Senator from Nebraska.

Mr. CURTIS. Mr. President, I am delighted that the distinguished Senator from Indiana has brought up the figures from the Department of Health, Education, and Welfare as to the estimated cost. I was interested in the figures advanced by the proponent of the amendment to the extent that the patient would pay one-half and the Government would pay one-half, or 50 cents each, which would be $1 a month.

If that is the correct answer—and I do not believe it is—it would mean that the average cost of medicine to an aged person is $12 a year, and there is a $25 deductible in it. Therefore, by the figures advanced by the proponents—if they are correct, and I am sure they are intended to be correct but I believe there is an error—this could be done for $1 a month and there is a $25 per month deductible, so that nobody would get anything.

Mr. MONTOYA. Mr. President, will the Senator yield?

Mr. HARTKE. I yield.

Mr. MONTOYA. The figure which I read from the committee report was based——

Mr. HARTKE. Which figure?

Mr. MONTOYA. The figure of 50 cents as being the requirement for each participant under the program. That figure was based on complete coverage of drug costs without any deductions.

I have a $25 deduction in my proposal. With respect to the figure that has been thrown around here, that the title B program will be increased from $3 to $4 and then, eventually, to $60, we must discern here that my program will stand on its own on the basis of the initial premium payment of 50 cents a month; whereas the figure that has been thrown around here for the doctors' care and the medical plan in title B is now on the statute books.

Mr. HARTKE. The Senator from New Mexico is claiming that it will cost 50 cents a month, and the Department of Health, Education, and Welfare claims that the cost will be $1.60 a month. These figures are in direct conflict.

Mr. MONTOYA. The figure I used is as of a year ago. I am sure the Senator voted for this to be reported.

Mr. HARTKE. I voted to report it. These figures come from Robert Myers, of the Department of Health, Education, and Welfare. It is on his statement that the bill is presented to the committee.

Mr. President, this demonstrates to me that not only is there a study of factual matters needed to determine how to handle drugs, but information as to the actual cost of Senator MONTOYA's amendment is also needed. This conflict on the floor of the Senate demonstrates the need for a study which will be completed 6 months before the effective date which the Senator from New Mexico asks for in his proposal.

Mr. MONTOYA. I am not convinced by the figure presented here by the Senator from Indiana; the figure of $600 million as the cost. In a survey heretofore made by the Department of Health, Education, and Welfare, it was estimated that the total cost of drugs for people over the age 65 in this country was $716 million. There is a $25 deductible.

Mr. HARTKE. Does the Senator agree that there is a dispute?

Mr. MONTOYA. Yes, I agree.

Mr. HARTKE. Does not the Senator think that we should go back and determine the facts?

Mr. MONTOYA. I might say to my good friend from Indiana that there is a dispute as to whether or not it is advisible to wait for another study after previous studies have been ordained by the conferences and both Houses of Congress, and nothing comes of them. It is about time that the old people of this country avail themselves of the legislative process for the provision of free prescription drugs so that they may endure in health.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. HARTKE. I yield.

Mr. WILLIAMS of Delaware. Mr. President, I wish to make clear that I am not trying to say who is right or wrong about the cost estimate of this program.

However, the Committee on Finance, of which the Senator from Indiana is a member and the Senator from Louisiana is chairman, has always accepted and based its reports on figures furnished by the Chief Actuary, Bob Myers. These were the figures of Bob Myers as of today.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. HARTKE. I yield.

Mr. LONG of Louisiana. Mr. President, that is one reason I objected to that letter being placed in the RECORD when the Senator does not have it.

We debated an amendment similar to the one the Senator is offering now, and we adopted it last year. That amendment was offered by former Senator Douglas, of Illinois. I think the Senator voted for it. I know I did. It was agreed to. We had the Foreign Investors Tax Act before us at that time. We had the cost estimate which was the best estimate we could arrive at at that time. There were two things in that Douglas amendment to cut the cost.

I want to compliment that $4 billion drug industry. I have never seen a more adequate lobbying job done in my service in the Senate. They kept our hearing room filled with lobbyists even when we were not talking about drugs. They importuned me and others about this matter.

They wanted this study and this amendment. Their position was "Beat the Long amendment; the Long amendment would save money; it would not cost anything. Please beat that Long amendment. If there is any way on earth to beat it, beat it, because it would take away from us $100 million of the exorbitant profits we plan to make and are not making."

They would be happy to see the Montoya amendment agreed to, if you can put a couple of hundred million dollars in exoribitant profits in it for them. But we do not do that where the Government buys medicine elsewhere and we should not do it here.

If we are going to pay for it, we should get it for a reasonable price.

Mr. President, now I am somewhat familiar with that business because my father was once a patent medicine salesman. He sold two patent medicines. One was named "High Poplarlorum" and the other was named "Low Poplarhirum." One sold for $1 a bottle and the other for 50 cents a bottle. It was the same size bottle.

The folks always bought the $1 bottle, not because there was much difference between the two, because there was not much difference. The only difference between the two products was that the High Poplarlorum was made from the bark that had been skinned down the tree, and the Low Poplarhirum was made from the bark that had been skinned up the tree.

All we are saying here is that if we are going to pay for it and it is all the same thing, why not buy the 50-cent bottle? That is what we are contesting here. The savings will be enormous, unless we let the drug manufacturers get their foot in the door. One pill may cost one penny to manufacture when it is in the public domain. If they have done the research and have a private patent on it, it is all right with me to charge more; but if it is in the public domain, everyone is privileged to manufacture it, and we should be able to buy it on a competitive basis.

Mr. President, the so-called cost estimate is obviously wrong. It could not be right by any stretch of the imagination. It was not prepared by Mr. Myers. It was prepared by some fellow in his office who is well known to the staff on the Finance Committee. Our people know more about the cost estimate than this fellow does. He cannot correct an obvious error when it is pointed out to him, but I am sure that with experience he will learn.

The total cost of drugs last year, as stated by the Senator from New Mexico [Mr. MONTOYA] was $716 million. That is what the old people paid even when they were paying 100 times what the medicine should have cost, if we look at what it is really worth and what it would cost with the $25 deductible.

As suggested by the Senator, the cost would be far below that. It would be about the same as the Douglas amendment and would be the same as the committee felt, after studying it with the best advice it could find, that the cost

would be about 50 cents to the person taking part (b) in medicare and 50 cents out of general revenue.

So far as the druggists are concerned, those who dispense the prescriptions, they think that the Senator from New Mexico is right about this. They also think that I am right about it. They think that charging fabulous and fantastically high prices for drugs on their shelves, when they have the same thing for a fraction of that price, is ridiculous. All they want to do is make a decent profit out of the stocks of drugs on their shelves which they sell across the counter. They have a staff to work on this through their association. Their estimate is about the same as the Senator's cost estimate in his amendment. It was about the same the committee determined the Douglas amendment would cost, to which we agreed last year.

Thus, when the Senator gets this letter, whether it has Mr. Myers' name on it or not, I am sure he would not make an obvious mistake like that on the cost estimates. We will send it out and have it studied and we will advise the Senator what it would cost. But I think it will be just about what the Senator's estimate is.

Now, Mr. President, I do not have the floor, so I will yield, but first let me thank the Senator for yielding to me at this point. I see the Senator from Wisconsin [Mr. NELSON] has come into the Chamber, and he knows a very great deal about this subject. I am happy to see him on the floor.

I am sorry to have trespassed upon the time of the Senator from Indiana.

Mr. HARTKE. The Senator from Louisiana is not trespassing on my time. It is the Senate's time.

Mr. WILLIAMS of Delaware. Mr. President, I have just received the letter from Mr. Myers, which I wish to read to the Senate. I sent a copy of it over to the Senator from Louisiana, the chairman of the Finance Committee, in the event he does not already have it.

Mr. LONG of Louisiana. I have not seen it.

Mr. WILLIAMS of Delaware. The letter is dated November 16——

Mr. HARTKE. That is today; is it not?

Mr. WILLIAMS of Delaware. Yes; that is today. It is from Robert J. Myers, and reads as follows:

MEMORANDUM

NOVEMBER 16, 1967.

From: Robert J. Myers, chief actuary, Social Security Administration.

Subject: Cost estimate for drug benefits proposal by Senator MONTOYA.

This memorandum will present a summary cost estimate for Amendment No. 440 introduced by Senator Montoya, which would amend H.R. 12080. This Amendment would add certain drug benefits to the Supplementary Medical Insurance program, with an annual deductible of $25, and with 100% reimbursement for allowable expenses of drugs in excess of this amount (and with a carry-over deductible provision from one year to the next). I estimate that this Amendment would increase the cost of the program by $3.20 per month (i.e. $1.60 payable by the enrollee, and $1.60 coming from the General Fund of the Treasury). The $3.20 figure is subdivided into $2.85 for benefit costs, and $.35 for administrative-expense costs. This cost estimate is for the first full year of operation of the proposal—namely, the period July 1969 through June 1970.

On the basis of an average enrollment of 18 million persons, the total annual cost is estimated at $691 million, of which half would be payable from the General Fund of the Treasury.

ROBERT J. MYERS.

Mr. MONTOYA. Mr. President, will the Senator from Indiana yield at this point?

Mr. HARKTE. I am happy to yield to the Senator from New Mexico, who has proposed an amendment which will take effect 6 months after the study in the bill has been completed.

Mr. MONTOYA. Mr. President, I should like to answer the Senator from Delaware on this particular point——

Mr. WILLIAMS of Delaware. This is a report by Mr. Myers, the chief actuary.

Mr. MONTOYA. I am going to answer him, too. This letter is a study and an opinion made by Mr. Myers with respect to 100-percent reimbursement. My bill is tuned to another approach, and I will give the Senate an example.

Suppose there are five drugs which will accomplish the same objective. Suppose drug A costs $1.20 and that drug E, the last in the same category, costs $20. There are situations like that. Under the evaluation which is the basis for this estimate, Mr. Myers estimates the high value of the drug, not the low value.

Mr. HARKTE. The Senator from New Mexico is making a statement or an assertion that I do not see in the letter.

Mr. MONTOYA. Let me read from the letter.

Mr. HARKTE. Very well.

Mr. MONTOYA (reading):

This amendment would add certain drug benefits to the Supplementary Medical Insurance program with an annual deductible of $25, and with 100 percent reimbursement for allowable expenses of drugs.

My amendment does not contemplate 100-percent reimbursement; it contemplates reimbursement only for such expense as may be determined by the Formulary Committee to be a reasonable claim for reimbursement for a particular drug.

Mr. HARKTE. The Senator may contend that the actuary did not understand his amendment, but as I read the letter—and I am sure the letter will speak for itself—it is speaking about amendment No. 440, submitted by the Senator from New Mexico [Mr. MONTOYA]. Mr. Myers does not say anything about the actual cost at the drugstore.

I think this demonstrates quite conclusively that there is a dispute as to cost, as well as to some other factors.

Merely so that there will not be any further misunderstanding, there are some other facts to which I should like to return. I shall read them:

This is further borne out, this high cost of drugs for such persons, in the same calendar 1963 report, which is that of the Division of Program Statistics and Analysis, Bureau of Family Services, in the Department of Health, Education, and Welfare, under date of May 25, 1964.

Before the Senator from New Mexico becomes too excited, these figures really back up the type of approach which the Senator from New Mexico is advocating. I continue to read:

There a combined dollar figure is given for the total amount of payment for vendor medical bills in five types of public assistance. There the total of $96,425,000 paid for physicians' services was almost matched by the sum of $92,229,000 paid for prescribed drugs.

Those words demonstrate the high cost of drugs. They are from my statement at the time I introduced the Drug Stamp Act of 1965 in support of my own basic approach, which the Senator from New Mexico is also seeking to achieve. They appear in the CONGRESSIONAL RECORD of April 13, 1965, at page 7822.

What I am trying to tell the Senate, and I hope the Senate will understand it, is that I support a program which will provide for the paying of drug expenses, but I do not think we should do that without first determining facts which cannot be determined on the floor of the Senate. I really concur in the testimony of the Department of Health, Education, and Welfare that the implementation of this type of approach should await the completion of the study of costs of drugs. That is what I propose.

I am the author of an amendment which is now a part of the pending bill. It was approved by the Committee on Finance. The committee rejected the approach of the Senator from New Mexico and rejected, incidentally, the approach of the Senator from Louisiana by a roll-call vote in committee to continue the present study. The study which is underway is being conducted at this time in good conscience by the Department of Health, Education, and Welfare, and will be completed and ready for a report by January 1, 1969, 6 full months before the Senator from New Mexico even intends that his amendment should take effect.

If we had the study completed, it would enable this body to act in full knowledge of the circumstances and the facts, not only the facts with regard to the drugs, but also with regard to the costs, in order that we could present them to the Finance Committee.

This is nothing new. For many months the Senate and the House of Representatives have been forums for what is an increasingly bitter and emotional debate over drug quality and prices. Those studies and hearings are going on at the present time in this body, not only in the Finance Committee, but in other committees of the U.S. Senate.

It has been repeatedly stated—and as often denied—that as simple an expedient as prescribing or buying drugs by their generic names would produce major savings for Federal and State health and welfare agencies and for individual patients everywhere, with no loss in therapeutic—that is, medical—effectiveness of the products given to patients.

I fear that we are getting involved, not in questions of fact, nor in questions of debate and study as to what is involved, but in an emotional discussion over a whole series of complex medical, social, scientific, economic, and related issues, which have been oversimplified. And that is the approach of the Senator from New Mexico. That is exactly what the Senator from Indiana proposed in his drug stamp plan, which was rejected. I am not complaining about that. I am not complaining of the fact that I introduced an overall proposal, as to

Mr. MONTOYA. Under some of the State laws or practices, there have been formulary committees established. The Veterans' Administration has a formulary committee. Walter Reed Hospital operates under a formulary committee concept for the prescribing of drugs. The Naval Hospital at Bethesda does the same thing. Eighty percent of the hospitals in this country operate under a formulary committee.

The basis and reason for the Formulary Committee is to try to prevent the gouging of innocent people, and to enable the doctors to have guidelines that they can depend on.

I state an example: In studying the need for formulary recommendations, we found glaring discrepancies in costs for the same drugs. Take the drug named methyltestosterone, a male hormone; in the classification of drugs in this particular category, the cost for one form of that drug is $1.17 for 25 milligram tablets. The highest cost for the same drug in the same quantity is $20.40; a discrepancy of almost $19 for the same drug, but manufactured by different manufacturers.

Let me go into another comparison. On pentaerithrithol tetranitrate, for 10 milligram tables, the minimum price is 25 cents, but another company charges $2.50. For the same drug prescribed in a different dosage, 20 milligram tablets instead of 10, the cost is 28 cents by one manufacture, and $3.75 by another manufacturer, for the same quality drug in the same quantity.

That is what the Formulary Committee concept is trying to focus on: The discrepancy between charges by different manufacturers for the same drug, of the same quality.

I believe that the formulary concept is something Congress should look into. I think that my amendment would establish this concept and approach across the medical landscape of this country.

Mr. HARTKE. I do not know whether the Formulary Committee approach is right or not. I am not going to try to make that judgment. I am not against cutting down costs of drugs where excessive.

I am no Johnny-come-lately in this field myself. My bill was introduced in 1965. But if the Senator from Maryland thinks something great is going to happen, I call to his attention that what this does is delay the very study he wants until July 21, 1969, but if you follow the bill itself, you will have the study completed by January 1, 1969, the effective date of the amendment of the Senator from New Mexico.

I cannot even begin to understand all the things on page 5, all the things on page 6, or all the things on page 7 which deal with the complaints that the Senator from New Mexico has as to the drug industry. I am not talking about that. I am talking about getting an effective bill.

Mr. TYDINGS. Mr. President, will the Senator yield?

Mr. HARTKE. I am glad to yield.

Mr. TYDINGS. Is the Senator aware of the efforts that have been made by leaders of the Senate, over the years, dating back to the time of the late distinguished Senator Kefauver from Tennessee, to get some sort of exposure on the exorbitant costs of drugs before the American people, the efforts made to get the inquiry taken up in the Antitrust Subcommittee of the Committee on the Judiciary, and the tremendous lobbying efforts brought, time and again, to beat it down?

Is the Senator aware of the tremendous lobbying efforts now being made to beat down the proposal of the Senator from New Mexico? Does the Senator think there will be any less efforts next year, or 2 years from now, if they are successful in beating down this measure again now?

Mr. HARTKE. The Senator makes a highly emotional speech, and tries to talk about things which have nothing to do with what I am talking about. The Senator ignores the fact that section 1846 of the proposed amendment of the Senator from New Mexico will not go into effect until July 1969. I ask him, regardless of whether any effort is being made—I am not saying whether it is or is not——

Mr. TYDINGS. Does the Senator deny it?

Mr. HARTKE. Mr. President, I have the floor. The Senator from Maryland ought to first read and find out that all the same arguments that could be made against this proposition can be made just as well July 1, 1969, 6 months after the completion of the study provided for in this bill. He does a great disservice if he is really interested in helping people, and he does a great disservice to the elderly, by attempting to put off this type of study until July 1969. I suggest he read the bill. The bill provides that this study begin on January 1, 1969.

The fact of the matter is that I do not see why the Senator does not join me, if he believes what he says.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. HARTKE. Yes; I am happy to yield.

Mr. LONG of Louisiana. Mr. President, this amendment is not offered as a substitute for the study the Senator from Indiana wants. The Senator can have his cake and eat it, too, as far as the sponsors of the amendment are concerned. But we think we know what this study is all about. We think the drug companies are urging it.

I think their purpose is, hopefully, that in the next election they may be able to defeat a few of us who are running for office, some of us who want to protect the old people from paying high drug prices. They think that, after they get through with that effort, we certainly will not be able to legislate on the subject, and they will still be able to require the old folks to pay the high prices.

If the Senator wants to help the old people get drugs at a reasonable price, it would be better to try to do this when the legislators are here who want to do so. It would not be wise to wait until after the next election when the drug people will perhaps succeed in getting some people elected so that they may be sure that the drugs will not be purchased unless they are purchased on their terms.

That is what the drug people want to use this study for. They think that perhaps the 91st Congress might be more favorable to the drug manufacturers or, on the other side of the coin, less favorable to the old people than the 90th Congress.

That is basically, I suspect, why the drug companies prefer that a study be made, and nothing more. But the Senator from New Mexico prefers that we have the study and also act so that the people can have the drugs, and rather than paying a high price for the drugs, the people would pay 50 cents a month each.

That is what we are talking about, getting drugs for a reasonable price. The old people would pay half the cost and the Government would pay half the cost. And if we have to buy High Poplarlorum, it would be bought at a reasonable cost.

We can pay high tributes to some of the fine manufacturers who produce good drugs. But the executives get all on earth that the traffic can possibly bear and they find ways to keep from competing with their neighbors for the business.

Mr. HARTKE. I thank the Senator from Louisiana.

The committee bill would order studies to be made, and in fact work on certain aspects of this project is well underway.

I shall give a quotation concerning what Congress has been told about this very thing. I do not know whether I am as well informed as is the Senator from Louisiana on all of these facts. However, these words are important.

On January 23, 1967, in his message on older Americans, the President noted that—

> Medicare does not cover prescription drugs for a patient outside the hospital.

He told the Congress:

> We recognize that many practical difficulties remain unresolved concerning the cost and quality of such drugs. This matter deserves prompt attention. I am directing the Secretary of Health, Education, and Welfare to undertake immediately a comprehensive study of the problems of including the cost of prescription drugs under Medicare.

Those are the words of the President of the United States on January 23, 1967, less than a year ago.

Mr. LONG of Louisiana. Is the Senator prepared to say that the President is right about everything he says?

Mr. HARTKE. I have just called attention to the fact that the President did say that. Let me say that I have some difference of opinion with the President on some matters.

Subsequently, however, the Secretary of Health, Education, and Welfare established a special departmental task force on prescription drugs. The Secretary directed the task force "to measure the value of possible solutions not only in terms of dollars to be saved, but in the quality of health care to be delivered." The Secretary of Health, Education, and Welfare, in my opinion, should be applauded, Mr. President, for expressing the task force's mandate in these terms.

The committee bill would broaden the area to be studied by the Department

of Health, Education, and Welfare and extend the completion date to January 1, 1969—6 months before the effective date or the beginning of the study of the formulary concept, which is not universally approved.

The fact of the matter is that even at Walter Reed, if the Senator from New Mexico is familiar with that institution, the formulary committees are only advisory under the bill submitted by the Senator from New Mexico. They are not mandatory.

I do not pretend to know which is right. However, during the hearings on this legislation, compelling testimony was given by the Department of Health, Education, and Welfare and by the Food and Drug Administration, among others, that urged Congress to await the results of departmental studies before it acted on these proposals.

The fact of the matter is that the proposal of the Senator from New Mexico in effect says that we will make a predetermination of what the facts are now and then put this procedure into effect 6 months after possibly contrary conclusions are found by the HEW study.

Would it not be remarkable if we followed the suggestion of the Senator from New Mexico and then found from the study by the Department of Health, Education, and Welfare that they completely contradict the assumptions made by the Senator from New Mexico?

The Health, Education, and Welfare Secretary stated that he would be "extremely reluctant" to see any action taken by Congress before his Department's task force study is completed.

I do like Secretary Gardner, and he is very highly esteemed. I think he is an extremely dedicated and competent public servant. His assistant, Mr. Wilbur Cohen, is very dedicated also.

To say that these people are not interested in doing what is right for the aged would cast aspersions on them which would not be warranted.

When the department has completed its study, the Secretary testified, it would be perfectly prepared to move ahead. And so would the Senator from Indiana.

I would hope at that time that the Senator from Louisiana and the Senator from New Mexico will join with us in moving rapidly to approach the matter on the basis of the facts established by the study.

The Secretary then went ahead and declared:

> But we want to be sure that before we undertake price-setting that affects 55,000 pharmacists, and before we undertake the very serious business of quality control, we could come to you with a confident statement that we can do it, that we know we are going to do it, and so forth. That is the only point.

I think that is a point well taken, indeed. I think it is a point in which, I am confident the Senate will concur, just as the Committee on Finance did concur in that recommendation.

I am sorry that the Senator from Maryland [Mr. Tydings] is not present. I want to document some of the factual material that he has either overlooked or forgotten.

Let me briefly summarize some of the uncertainties which caused the administration to conclude that a careful study should be completed before Congress acts on these legislative proposals.

The Secreatry of the Department of Health, Education, and Welfare, in a report to the Committee on Finance, pointed out that the task force, though engaged primarily with the question of including outpatient prescription drugs in the medicare program, also had to concern itself with areas affected by these acts, and specifically by S. 2299, the proposed Quality and Cost Control Standards for Drugs Act.

This study will produce in organized form, for the first time anywhere or any place, the facts that the administration and the Congress sorely need in order to act responsibly on these matters of such grave concern.

Here are some of the subjects that the Health, Education, and Welfare Secretary reported are being examined by his task force on prescription drugs:

Analysis is being made of the economic and health needs of those over 65, in an effort to design programs which will provide maximum help to those who need it, without dissipating Federal funds on those who do not require such assistance.

Data from National, State, and local surveys of the elderly are being analyzed to provide a basis for predicting costs of a Federal program, and to determine potential savings which might be produced if reimbursement were provided only for the low-cost generics where such drugs are available. New surveys have been initiated by the task force to solve problems created by substantial inconsistencies in the available survey data.

Analyses have been undertaken to determine the relative advantages and disadvantages to the drug industry, to pharmacies, and to the Government of such reimbursement techniques as first, acquisition cost plus percentage fee; second, acquisition cost plus professional fee; third, acquisition cost plus "reasonable" fee; fourth, "reasonable price"; fifth reimbursement to the pharmacist; sixth, reimbursement to the patient; and, seventh, joint reimbursement.

Faced with the possibility of processing, auditing, paying, and conducting utilization reviews on an estimated 250,000,000 individual prescription bills per year, the task force is proceeding with research, design, development, and field testing of electronic and other data processing systems.

As an essential phase in the development of such a system, or any other system involving accounting procedures as well as adverse reaction reporting for any large-scale Federal prescription drug program, the task force is investigating a uniform nomenclature and coding system which can be utilized by all hospitals, pharmacists, manufacturers, insurance companies and other third-party institutions, and Government agencies. I am sure both the Senator from Louisiana and the Senator from New Mexico approve of this approach. I grant that they have made these conclusions, but the Department of Health, Education, and Welfare has not.

Faced with the serious possibility of coping with accidental or deliberate abuse of a program, the Task Force is initiating the design and testing of appropriate utilization review methods. These are not in the formulary system. Most of these factors are not considered. This is a broad, comprehensive approach which is recommended, and I believe it is a worthwhile program. It indicates the depth to which the Department of Health, Education, and Welfare has gone in making this intensified study.

Intensive studies are being conducted on the relative advantages and disadvantages of a wide variety of formularies now being used by Federal and State agencies, hospitals, insurance companies, and others, in order to determine their effects on cost, rational drug therapy, the interference with the professional prerogatives of physicians, and possible incentives to irrational diagnosis, irrational prescription, and other abuses.

Investigations are underway on the relative advantages and disadvantages of a variety of distribution systems, including community pharmacies, mail-order pharmacies, central or controlled pharmacies, Government or State stores, physician dispensing, and outpatient hospital dispensing.

Studies are being conducted of widely differing prescription drug programs now being operated by State welfare programs, labor unions, cooperatives, health insurance companies, group health plans, special drug insurance companies, and other groups. Similar studies are being made on selected programs in other countries.

Investigations are underway to provide an objective basis for settling the problem of clinical equivalency of generic counterparts, to identify those drugs for which a significant lack of clinical equivalency appears to be most probable and to represent a significant hazard to health, and to establish suitable protocols for necessary clinical testing. Preliminary clinical trials of selected generic counterpart drugs which most urgently require study are being initiated by the Public Health Service and Food and Drug Administration.

Through PHS and FDA, the task force is studying a variety of proposed procedures to improve the quality of all drugs, including improved plant inspection, increased batch testing, increased testing of market samples, establishment of approved formulation procedures, establishment of self-certification procedures, and the modification of existing laboratory test specifications.

The task force is considering possible methods to solve the problem of single-source drugs, still under patent, which may be available only at excessive cost.

Mr. President, with so many crucial issues unresolved, is it any wonder that the Health, Education, and Welfare Department and the administration are reluctant to see legislation passed by Congress before completion of these important studies?

I point out again to the Senate that even if the proposed amendment were adopted, we would be adopting a procedure and a system which can be clarified by the bill itself 6 months before the amendment would even begin to operate in any field, including the establisment of the studies as prescribed under the formularies approach beginning on page 3 of the amendment.

I ask unanimous consent, Mr. President, that the text of this brief HEW status report on the task force on prescription drugs be printed in its entirety at this point in the RECORD for the information of all Senators.

There being no objection, the status report was ordered to be printed in the RECORD, as follows:

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE,
Washington, September 1, 1967.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I am pleased to have this opportunity of submitting to you this status report on the Task Force on Prescription Drugs, which was appointed on June 1, 1967, and directed to present its final report to me in twelve months.

Its mission is primarily a study of the possible inclusion of outpatient prescription drugs in the Medicare program. Many of its activities, however, touch areas which are also concerned in your proposed bill S. 2299, the "Quality and Cost Control Standards for Drugs Act."

As of August 23, the Task Force has not made any formal recommendations to me. The Task Force members and members of its staff have been undertaking intensive investigations in a number of significant fields.

1. A careful analysis is being made of the economic and health needs of those over the age of 65, in an effort to design programs which will provide maximum help to those who need it most seriously, without dissipating Federal funds on those who do not require such assistance.

2. Existing data from national, State, and local surveys of the elderly are being analyzed to provide a basis for predicting costs of a Federal program, and to determine potential savings which might be produced if such a mechanism as reimbursement were provided only for the low-cost generics where such drugs are available. New surveys have been initiated by the Task Force to solve problems created by substantial inconsistencies in the available survey data.

3. Comparative analyses have been undertaken to determine the relative advantages and disadvantages to the drug industry, to pharmacies, and to the Government of such reimbursement techniques as (*a*) acquisition cost plus percentage fee, (*b*) acquisition cost plus professional fee, (*c*) acquisition cost plus "reasonable" fee, (*d*) "reasonable price," (*e*) reimbursement to the pharmacist, (*f*) reimbursement to the patient, and (*g*) joint reimbursement.

4. Conferences between the Task Force and representatives of such agencies as the Department of Defense and the Veterans Administration are being conducted in an effort to determine how prescription drug acquisition and quality control policies utilized by such agencies could be adopted for a Medicare program.

5. Faced with the possibility of processing, auditing, paying, and conducting utilization reviews on an estimated 250,000,000 individual prescription bills per year, the Task Force is now investigating the essential research, design, development, and field testing of appropriate electronic and other data processing systems.

6. As an essential phase in the development of such a system, or any other system involving accounting procedures as well as adverse reaction reporting for any large-scale Federal prescription drug program, the Task Force is now investigating a uniform nomenclature and coding system which can be effectively utilized by all hospitals, pharmacists, manufacturers, insurance companies and other third-party institutions, and governmental agencies.

7. Faced with the serious possibility of coping with accidental or deliberate abuse of a program, the Task Force is initiating the design and testing of appropriate utilization review methods.

8. Intensive studies are being conducted on the relative advantages and disadvantages of a wide variety of formularies now being used by Federal and State agencies, hospitals, insurance companies, and others, in order to determine their effects on cost, rational drug therapy, the interference with the professional prerogatives of physicians, and possible incentives to irrational diagnosis, irrational prescription, and other abuses.

9. Investigations are underway on the relative advantages and disadvantages of a variety of distribution systems, including community pharmacies, mail-order pharmacies, "central" or "controlled" pharmacies, government or "State" stores, physician dispensing, and outpatient hospital dispensing.

10. Studies are being conducted on the relative advantages and disadvantages of such devices as deductibles, coinsurance, copay, dollar limitations, quantity limitations, added premiums, and control of rebates to limit costs and minimize abuse.

11. Studies are being conducted on the relative advantages, disadvantages, and costs of widely differing prescription drug programs now being operated by a number of State welfare programs, labor unions, cooperatives, health insurance companies, group health plans, special drug insurance companies, and other groups throughout the United States. Similar studies are being made on selected programs in other countries having experience with one or more features proposed for an American program.

12. Investigations are underway to provide an objective basis for settling the problem of clinical equivalency of generic counterparts, to identify those drugs for which a significant lack of clinical equivalency appears to be most probable and to represent a significant hazard to health, and to establish suitable protocols for necessary clinical testing. Preliminary clinical trials of selected generic counterpart drugs which most urgently require study are being initiated by the Public Health Service and Food and Drug Administration.

13. Through PHS and FDA, the Task Force is studying a variety of proposed procedures to improve the quality of all drugs, including improved plant inspection, increased batch testing, increased testing of market samples, establishment of approved formulation procedures, establishment of self-certification procedures, and the modification of existing laboratory test specifications.

14. The Task Force is considering possible methods to solve the problem of single-source drugs, still under patent, which may be available only at excessive cost.

In carrying out their mission, members of the Task Force and its staff are consulting with many highly qualified members of the scientific and medical communities, as well as with representatives of major consumer, union, pharmacy, brand-name manufacturing, generic manufacturing, medical and other interested groups. Equally valuable assistance is being provided by representatives of many State agencies and of the Department of Defense, the Veterans Administration, the Department of Justice, and other Federal agencies.

Enclosed is the memorandum you requested me to sumit on "policy and Procedural Problems Under S. 2299 Which Require Further Examination."

I must tell you that after reviewing with members of the Task Force the formidable difficulties involved in this matter, I would be extremely reluctant to see any action taken before the Task Force study is completed.

Sincerely,

JOHN W. GARDNER,
Secretary.

Mr. HARTKE. The Secretary of Health, Education, and Welfare also supplied to our committee a brief staff report on policy and procedural problems with respect to the proposed Quality and Cost Control Standards for Drugs Act.

HEW staff explorations relating to this proposal produced many thought-provoking comments. Let me summarize a few of them:

Under this measure, reasonable charges for prescription drugs would have to be established, and this would be a protracted and complex undertaking, the staff report says. Even under the bill offered by the Senator from New Mexico, instead of doing it under the study proposed here, he would in effect wipe this study out and delay until July 1, 1969, all the beginnings of such a study, while the study could be completed 6 months before the bill of the Senator from New Mexico would be operative.

After 25 years of discussion of this subject, the elements to be included and excluded remain in controversy, this report declares.

Let me read a few more paragraphs from the HEW staff analysis:

Cost ranges for drugs would be based on current market practices, with all the complexities of quantity discounts, hospital discounts, rebates, geographical differences in price, determination of prices which vary 'significantly' from others, and the need to consider claims of 'distinct therapeutic advantages' for certain products—ratesetting in a novel field presenting novel problems.

Setting criteria to govern professional fees would have to take into account not only 'costs of overhead, professional services, and a fair profit' mentioned in the bill, but also such variables as volume of business done, drugstore as compared to hospital pharmacy operation, independent as against chain stores, extent of late hour and weekend operation, and many other factors.

These statements come from the Department of Health, Education, and Welfare, in their staff report.

Establishment of both acquisition costs and professional fees would require consultation with the many interested groups, with State agencies, and with accountants and other advisers.

Under the system provided by the Senator from New Mexico, all these procedures would have to be delayed until July 1, 1969, when we could well have them 6 months earlier, if the Senator from New Mexico would be content to go along with an established procedure which the administration itself recommends:

The difficulty of arriving at acceptable criteria would be greater if, as is understood to be the case, the concept that professional fees should be determined by the Federal Government is opposed by the National Association of Retail Druggists.

All these things are left undecided in the bill before the Senate at this time.

It is problematical whether the States would be either willing or able, as contemplated by the bill, to undertake under the Federal criteria the actual fixing of professional fees in the infinitely varied situations that would exist within each State. This is a matter which requires exploration with the States.

Once the cost and reimbursement patterns were worked out, the program would require not only dealing with 55,000 community pharmacies, 7,000 hospital pharmacies, and more than 12,000 skilled nursing homes, but also dealing indirectly with about 200,000 prescribing physicians.

And this comes from the staff committee's report.

Discussing economic factors relating to manufacturers and retailers, the HEW staff report made several other important points:

First. Establishment of a "reasonable cost range," rather than a maximum reimbursable price, may in effect establish a floor for prices, and in some cases raise the cost of a drug.

Second. Using an approved cost—or cost range—of drug acquisition provides no incentive for the pharmacy to purchase at the lowest possible cost. While acquisition cost plus markup may encourage the pharmacist to dispense the highest cost drug, the acquisition cost plus fixed fee does not encourage the pharmacist to buy at lower prices.

Third. The exclusion of competitive therapeutically duplicative drugs may tend to eliminate competition among manufacturers.

Fourth. The advantage to a manufacturer of having his drug in the Formulary, while possibly equally good drugs are excluded, provides an economic advantage not related either to quality or to the marketplace.

Additionally, the HEW report points out, Federal setting of a basis of payment for outpatient drugs raises the question whether there should be similar Federal control of prices making up other major expenditures, such as those for physicians' services; that is, nationally prescribed criteria for State fee schedules.

I do not believe we have yet reached the point, Mr. President, where Congress is ready to establish Federal controls over fees charged by the health professions.

I, for one, oppose any such fixing of physicians' fees. But the HEW staff report properly raises the question—if we are to fix payments for one factor in medical costs, what about the others? Once we have fixed a fee for pharmacists, why should we not do the same for physicians, nurses, and even hospitals?

Mr. MONTOYA. Mr. President, will the Senator yield?

Mr. HARTKE. I yield.

Mr. MONTOYA. Is not the report which the Senator is reading from directed toward the Long bill and not the Montoya bill?

Mr. HARTKE. It is directed at both of them.

Mr. MONTOYA. Does it so specifically state?

Mr. HARTKE. It comments on S. 17 and S. 2299. I think S. 17 is the bill of the Senator from New Mexico. Is that correct?

Mr. MONTOYA. Yes.

Mr. HARTKE. We have concluded that it does, then. The fact is that the Senator from New Mexico does require in his bill a Federal formulary committee.

Mr. MONTOYA. The Senator is correct.

Mr. HARTKE. And that is the point to which I am directing attention at this time, and I am commenting on the statement of HEW. I compliment them on their thoroughness and their interest in the welfare of the aged. They are interested on an objective basis. I share their objectivity in trying to help these people in a field which, as I said before, predates that of the Senator from New Mexico. I congratulate the Senator from New Mexico upon being concerned, but it is my position that his bill does not do what he wants done.

Here is what the Department of Health, Education, and Welfare said:

The therapeutic equivalency of generic counterparts has not been established in all cases. In some instances agreement on "distinct, demonstrated therapeutic characteristics not otherwise available" will be difficult if not impossible to achieve.

Then they went on with another statement:

The goal of minimizing the use of "therapeutically duplicative" drugs may be desirable, but an objective, noncontroversial method of determining which drugs [are] therapeutically duplicative has not been developed. The implications of this provision with respect to effects on quality of care, research, and competition need further study.

That is why I say that this is an emotional appeal. It is an emotional appeal when, in effect, all that we are doing is delaying a scientific approach to the problem by postponing it an additional 6 months beyond the date of the Committee on Finance, if it were voted for.

The definition of "qualified drug" includes only those drugs listed in the Formulary of the United States or in a hospital formulary which are "prescribed or furnished in such quantities and under such conditions as are necessary to meet requirements established by the Formulary Committee under regulations designed to assure the orderly, efficient, and proper use of drugs." This means that the Formulary Committee should provide conditions of use of drugs with both therapeutic effect and cost of medication in mind. It could limit the use, for example, of high cost drug specialties in situations in which less costly drugs of the same class were the drugs of first choice, and in this way bring down the cost to the Federal program. But in doing this it would give the Committee the responsibility for regulating what types of drugs could be prescribed in what clinical situations, in what amounts, in what total quantities, and over how long a period.

Mr. MONTOYA. Mr. President, will the Senator yield?

Mr. HARTKE. I yield.

Mr. MONTOYA. Under my bill there would be no restriction as to what drugs could be prescribed for reimbursement. The formulary committee would list all drugs which were of equal quality in a certain category and the physician would be free to prescribe any drug in that category. There is no cost prescribed for reimbursement purposes.

Mr. HARTKE. I am fully aware of that.

Mr. MONTOYA. In the formulary committee.

Mr. HARTKE. I understand. However, the committee will have to make these determinations before making the determination of what the charge is to be.

Mr. MONTOYA. Yes.

Mr. HARTKE. So the reimbursement of the person is based on this. Therefore, the formulary committee is going to be the doctor and not the doctor himself.

This is the difference between the Long approach and the Montoya approach. The formulary committee represents a distinct difference in emphasis. If the Senator from New Mexico only wants to pay bills without determining the type of treatment, that is one thing. I might be inclined to give him limited support along that line. But if he agrees to that, then the Senator from Louisiana will oppose the bill and I understand why. This puts it in sharp focus. It does not make any difference how criteria are established. Once the formulary committee sets forth the conditions as to how the physician should prescribe this drug and this quantity for this disease, that is what they are going to get reimbursed for.

Mr. MONTOYA. I would not put it that way. This is the way it would work. The formulary committee would state certain drugs would take care of certain diseases.

Mr. HARTKE. Just a moment. Let me ask this. Would it say how many?

Mr. MONTOYA. How many what?

Mr. HARTKE. How many pills?

Mr. MONTOYA. No.

Mr. HARTKE. Why not?

Mr. MONTOYA. That would be up to the physician.

Mr. HARTKE. The physician might say he needs 100 but the committee said it should be 50.

Mr. MONTOYA. They would not do that.

Mr. HARTKE. Why not?

Mr. MONTOYA. They would merely be charged with the responsibility to categorize what drugs are of a quantitative quality to take care of a certain disease.

Mr. HARTKE. There are different drugs. How do you make the determination? You say, for instance, they are of an equal value. Would you divide the pill in half?

Mr. MONTOYA. No, if the physician requires 10 grams——

Mr. HARTKE. Of what?

Mr. MONTOYA. Of any certain medicine.

Mr. HARTKE. I am not a physician. As I understand it, there is a difference. They could be equivalent.

Mr. MONTOYA. One drug manufacturer has tablets containing only 5 grams; he would just double the pills in order to arrive at the required amount, but that is up to the physician and not the formulary committee.

Mr. HARTKE. The formulary committee has to make the determination according to this bill. This is the criticism and the questions posed by the staff of the committee, which I want to keep in

effect and which the Senator from New Mexico, in effect, would say is unnecessary.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. HARTKE. I yield.

Mr. LONG of Louisiana. I said there is nothing involved here telling a drug company what they have to charge or do not have to charge, or telling a physician what he must prescribe or not prescribe. I am not talking about the Long bill. Let us talk about the Montoya bill.

The Montoya bill, I understand, provides that if you want to order tetracycline—which is one of the wonder drugs which kill bacteria—if you want to order that you can get it from lots of people who manufacture it.

I am looking now at the formulary of the State of Illinois—it looks as if it has the name of a Democratic Governor on the front, Otto Kerner. Here is a list of items which they are willing to pay for. Here it says tetracycline prescribed in 500-milligram capsules. The maximum amount covered is 24. I am told if one were to take that much it would kill every bacterium in his body. I am told that 16 is the number that you should take, and so that means there are eight extra. You take those capsules and that is all you would need. How much would it cost to buy that many capsules, which is about what the doctor would prescribe, with a few left over?

How much should that cost? Five cents apiece is the most this formulary would pay for them under any circumstances because someone is selling it for 2 cents. He can make a profit or allow the pharmacist his $2 charge. So we say we think that 24 of them times 5 cents—all right—that is about $1.20—let the pharmacist make $2 as his professional fee. So it is $3.20. That is what the Montoya amendment says. We will pay $3.20. So that a fellow can buy tetracycline anywhere in America, assuming a manufacturer makes it for that price, so that he can buy it at that price; $3.20 for the prescription, $2 of which represents the druggist's cost and profit factor.

That is a small price compared to what the drug companies would like to charge. They have been holding that price up for a long time. They had a 50-cent capsule which cost them about one and a half cents to manufacture. I have been making speeches about it, and the price has been coming down; but if the drug companies had their way, they would charge us 50 cents a capsule for it.

So there are 40 capsules—24 times 40 is—what?—I am calculating offhand here—$9.60 compared to $3.20 and perhaps they might want a markup on top of that.

The point is, if we are going to pay $3.20, the $3.20 must be distributed between the druggist, and the drug company, and perhaps someone else who might be kept in the picture.

But they may want us to pay 10 times more for it. That is what it can be bought for. Here is what can happen: If a doctor wants to buy a drug from Squibb, instead of some other company, because he thinks it might be better—which is not necessarily true, because drug companies manufacture drugs of about the same quality—but let the doctor order from any firm he wishes. We know, as a practical matter, that the old folks will catch onto it, that they can buy it for a certain price when the doctor insists they pay more for it. They talk to each other about it and realize that they are getting the worst of it. Word gets around, and the price tends to come down.

Many people feel that Squibb is the only firm which manufactures good drugs, or Pfizer, but the manufacturers will all say that the other fellow is deserving, being in the same fraternity with them, because they all manufacture a sorry lot of drugs, now and then, themselves. If they sought to expose each other's "dirty linen" we would find out that none of them has ever been 100-percent correct, that at one time or another they have all manufactured a product that might not have been up to snuff at one time or another.

I say, let us pay a reasonable price for these products. Let the old folks pay 50 cents toward their drugs costs from now until God calls them home. We can study this from now until kingdom come, and we still will not come to grips with the real question.

Are we going to line up with the old people? Are we going to line up with the taxpayers? Are we going to line up with the druggists who are on the side of the old people? Or, are we going to line up with the pharmaceutical manufacturers and those doctors they have managed to brainwash? Are we going to vote for the public interest?

Louisiana does not manufacture many drug products. It does manufacture some patent medicines. Someone might possibly think that Squibb products are the best. I think someone in Louisiana puts out a shaving lotion, comprised of alcohol and some perfume which some people put on their face thinking they will get rid of blackheads. There are similar products which people think will make them beautiful. That is all right with me, too, but Louisiana is not famous as a drug manufacturing State.

There is no reason for people to have to pay exorbitant prices. This study is not going to answer any questions of that kind. By the time the drug manufacturers get through lobbying, contributing to our campaigns—although I do not think they will contribute to mine, the way things are going with me right now, but they might contribute to someone else's—but by the time they get through lobbying and doing the best they can to ingratiate themselves, to do everything they can to increase the profits of their business, how is Congress going to vote? Is it going to vote to buy drugs at twice the price, or at a reasonable price?

Let us face it. Since the Senator from New Mexico offered his amendment the opposition has worked fervently against the amendment so that the old people could not buy drugs with some help from the Federal Government. Indeed, the furious opposition goes to the point that the Government does not feel it should pay more than a reasonable price for it. Indeed, the Government does not pay more than the reasonable price whenever the Government buys a drug. Why should we start it now when we pay for drugs under medicare?

Mr. HARTKE. Mr. President, I have listened with great interest to what the Senator from Louisiana has said. I do not find that we have come anywhere near discussing the issue, but I do not find much fault with his presentation.

The point I wish to go back to is that I did not write the amendment. The Senator from New Mexico [Mr. MONTOYA] wrote the amendment. All I can say is that I did not make the staff report. To my knowledge, I do not think the staff at HEW can be accused of being the handmaiden of any of the drug lobbyists. If they are, there should be an investigation of that.

All I am doing is taking the words of the Senator from New Mexico. I am taking his amendment. I am taking his study. I am taking the study from HEW. It is not my study. I did not make it. I am just reading the words.

Mr. LONG of Louisiana. Mr. President, will the Senator from Indiana yield?

Mr. HARTKE. I yield.

Mr. LONG of Louisiana. We all know where that Department of Health, Education, and Welfare is. I was trying to get a report on the Long bill out of that Department. The Abbott Laboratories had it, but I could not get it. The lobbyists down there with the executive branch—just as there are lobbyists on Capitol Hill—Abbott Laboratories sent the letter around. It was distributed to Senators, but I could not get it myself out of the Department, a report on my own bill. They did not stop just lobbying in Congress. They worked overtime down at the executive branch as well. That is why we can find these estimates ridiculous. I do not know that Mr. Meyers actually made that estimate himself. We had previous estimates by the same Department, and by the same actuary. He does not make those same mistakes. But things of this sort could happen.

I am not finding fault. I know that many of those in the drug business are fine people. With the kind of progress they are making, I wish I held some stock in their business. I wish I could afford it. But those people have done a great job representing the industry on the Hill, and also down at those departments. I regret to say that when we wanted that letter on my bill we could not get it. People have been padding down the halls of the Department of Health, Education, and Welfare and in various other Federal agencies getting this letter on the Long bill such as Abbott Laboratories did and circulated it to Senators, but I—the author of the bill—could not get that same report on my own bill. They were doing a great job for those who were paying them.

Mr. WILLIAMS of Delaware. Much has been said about this, but I am wondering whether the Senator from Louisiana would feel, in light of his discussion about so many lobbying agents around, if we could come to the conclusion that they were well oiled.

Mr. HARTKE. I want to come back—now that we have had this little escapade

of going down side avenues—I want to come back to the situation at hand.

I honestly feel that Mr. Myers, and the rest of the people at the Department of Health, Education, and Welfare, including Mr. Gardner are extremely competent people.

Mr. Myers is now in the gallery. I know that there is no more dedicated, loyal public servant than he. I am sure that he would say so, if he knew he had made a mistake. And if he has, I am sure that it was an honest mistake since someone may have given him the wrong information. I also think that he would be the first to say he was not perfect.

I do think that there is a dispute on the cost. That much has to be agreed to. I am not talking about the cost. I am not talking about getting the price down. I am talking about the bill before the Senate, and that provides for the establishment of a formulary committee.

The report to which I am referring answers the very question and deals with the very point brought up by the definition of "qualified drugs." That is where we were interrupted.

To put the discussion back into proper focus, and not to deal with this emotionally or go down side avenues or on excursions, I said that the report of the HEW staff on S. 2299 went into the definition of "qualified drug." It stated:

The definition of "qualified drug" includes only those drugs listed in the Formulary of the United States or in a hospital formulary which are "prescribed or furnished in such quantities and under such conditions as are necessary to meet requirements established by the Formulary Committee under regulations designed to assure the orderly, efficient, and proper use of drugs.

The Department's staff is going to have to complete the report before the Senator from New Mexico's amendment could start his study. The Senator proposes a method by which we will have to wait 6 months.

Here is the conclusion. These are not my words. This is the Department's staff report:

This means that the Formulary Committee should provide conditions of use of drugs with both therapeutic effect and cost of medication in mind. It could limit the use, for example, of high cost drug specialties in situations in which less costly drugs of the same class were the drugs of first choice, and in this way bring down the cost to the Federal program. But in doing this it would give the Committee the responsibility for regulating what types of drugs could be prescribed in what clinical situations, in what amounts, in what total quantities, and over how long a period.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. HARTKE. I yield.

Mr. PASTORE. I regret very much that I could not be here earlier, because this is a very important subject. I am conducting hearings on the foreign aid bill.

Could the Senator explain what his amendment does?

Mr. HARTKE. It is not my amendment. It is the amendment of the Senator from New Mexico.

Mr. PASTORE. Is the Senator from Indiana speaking in behalf of the amendment?

Mr. HARTKE. I am speaking in opposition to the amendment, because it does not do any good. If the Senator wants the Senator from New Mexico to explain it, I shall be glad to yield to him to do that.

Mr. PASTORE. Could the Senator from New Mexico give us a very simple explanation of it?

Mr. MONTOYA. Yes. The bill which I am offering in the nature of an amendment is designed to prescribe a program of insurance in which the enrollee over the age of 65 may participate by paying an estimated sum of 50 cents per month and the Government paying the other 50 cents on a matching basis similar to the matching concept in the medicare bill. The enrollee will be reimbursed for prescription drug costs which he incurs after leaving the hospital.

Right now there is no provision under the law for reimbursement to him after he leaves the hospital under the medicare program.

The amendment which I am offering will alleviate his financial stress by providing an allowance of reimbursement to him after he presents bills for prescription drug costs incurred by him, with the additional proviso that the first $25 of his cost shall have to be borne by him. It is a $25 deductible program.

Mr. PASTORE. Mr. President, will the Senator yield——

Mr. HARTKE. Mr. President, I may say there is a dispute as to the cost involved, whether one agrees with the Senator from New Mexico as to the cost involved or whether one agrees with the statement, which is in the RECORD, of the Chief Actuary of the social security system, who says that the cost will be approximately $3.20, or $1.60 for the enrollee, rather than the 50 cents. The effective date of the bill is July 1, 1970, 6 months after the study I have been referring to will be completed.

Mr. MONTOYA. Mr. President, if the Senator will yield, I do not think the dollar figure is correct.

Mr. HARTKE. I said it is in dispute.

Mr. MONTOYA. I have stated, on the basis of the actuarial study and information given to the committee, which appears in the committee report of last year, the requirement would be 50 cents a month. The Senator from Delaware [Mr. WILLIAMS] has brought in a new figure, which indicates the cost would be increased, with which the distinguished chairman of the Finance Committee, the staff, and I disagree.

Mr. HARTKE. Let me say to the Senator from Rhode Island that this is not my information. I will give him the letter. It is not my information. Mr. Myers is in the gallery. I am sure he will be glad to confirm the statement in that letter.

Mr. PASTORE. Is the Senator from Indiana resisting this amendment because of the cost or the principle involved?

Mr. HARTKE. Neither one. As a matter of fact, I espoused the principle involved before the Senator from New Mexico did.

Mr. PASTORE. Now may I ask a question of the Senator from New Mexico?

Mr. HARTKE. Yes.

Mr. PASTORE. Must it be a drug which is prescribed by a doctor?

Mr. MONTOYA. Yes, it must be a drug which is prescribed by a doctor.

Mr. PASTORE. In other words, it could not be a vitamin tablet or aspirin; it would have to be a prescription drug?

Mr. MONTOYA. If it was prescribed by the doctor and was contained in the formulary list put out by the HEW.

Mr. PASTORE. Which is already established?

Mr. MONTOYA. Which is already established under medicare. There is a medicare formulary established.

Mr. PASTORE. The person who is entitled to this relief under the social security law would make a payment of 50 cents on each dollar, himself?

Mr. MONTOYA. That is correct.

Mr. PASTORE. And the Government would make a payment of 50 cents?

Mr. MONTOYA. Yes.

Mr. PASTORE. In order to be reimbursed, his cost would have to be $25?

Mr. MONTOYA. Yes.

Mr. PASTORE. Over what period of time?

Mr. MONTOYA. The $25 deductible would have to be on an annual basis.

Mr. PASTORE. That is all I wanted to know.

Mr. HARTKE. Let me make a clarification. The study provided for in the bill would have to be completed 6 months before the effective date of Senator MONTOYA'S measure.

Mr. PASTORE. What study are we talking about?

Mr. HARTKE. The same study the Senator from New Mexico would have made 6 months later.

Mr. MONTOYA. Mr. President, will the Senator yield at that point?

Mr. HARTKE. I yield.

Mr. MONTOYA. May I say, for the information of the Senator from Rhode Island, that in 1965 the Congress voted and mandated that a study be made on this particular subject. In 1966, when the same bill as my amendment passed unanimously here in the Senate and went to conference, the conferees took that bill out and substituted and mandated a study to be made by HEW. This was in 1966. So there has been a provision for a study for the last 2 years; and still the only defense that is offered to my amendment is that more study time is required.

The question that we have to resolve here is, Shall we wait for another study or shall we get down to brass tacks and provide free prescription drugs for the old people of this country? Can they afford to wait for this study?

Mr. PASTORE. It would not be free. They would have to pay $25 of the initial cost. Over and above that amount, there would be reimbursement. So what we are saying is there would be reimbursement in the case of dire sickness. I am sure no drug prescription would cost over $25 unless a person suffered a serious illness. After that there then may be reimbursement.

Mr. MONTOYA. May I point out that the $25 deductible is for the whole year.

Mr. PASTORE. Twenty-five dollars for the whole year.

Mr. MONTOYA. Yes.

Mr. PASTORE. A person would have to be pretty ill to spend that much on drugs.

Mr. MONTOYA. According to studies, the average annual cost for drugs for a person over 65 is about $47 a year.

Mr. PASTORE. About $47 a year?

Mr. MONTOYA. Yes.

Mr. HARTKE. Let me put this matter into focus again, because the point of it has been lost. The Senator from Rhode Island is left with the first part of the bill. If we were to add to the first part of the bill what has been discussed, the Senator from Louisiana would oppose it, and has so stated publicly, on the floor.

There is the question of the formulary committee, which I am discussing at the present time. The whole study would start 6 months after this study would be completed, if we adopted the amendment.

Mr. ALLOTT. Mr. President, will the Senator yield for a question?

Mr. HARTKE. I yield.

Mr. ALLOTT. The Senator from Rhode Island and I and other Senators have been involved in committee meetings all afternoon. Was this amendment presented to the Finance Committee?

Mr. HARTKE. The Long amendment?

Mr. ALLOTT. No; the Montoya amendment.

Mr. HARTKE. The Montoya amendment was included with it, and the amendment of the Senator from Indiana was adopted by a 9-to-8 vote.

Mr. LONG of Louisiana. Mr. President, if the Senator will yield, what happened in the committee was that, by a vote of 9 to 8, the Hartke study motion was substituted for the Long amendment, which was aimed at holding down prices paid for drugs. Unfortunately, the Hartke motion as drafted, also applies to the Montoya amendment, which would undertake to keep the costs of insuring drugs at a reasonable level. The Montoya motion was never actually presented in our executive session. It was, in effect, brushed aside by the Hartke motion, which was offered as a substitute for the Long motion.

Mr. HARTKE. Mr. President, that is an accurate interpretation.

Mr. ALLOTT. Would it be fair to say that during the course of the committee meetings the Montoya amendment was offered to the committee and that, in the decisions the committee made, it had in mind the consideration of the Montoya amendment?

Mr. HARTKE. It was discussed in the hearings, but not brought up in the final vote.

Mr. ALLOTT. It is in an amendment of the first bill here on the floor of the Senate. That is what I am trying to say.

Mr. HARTKE. That is right.

Mr. ALLOTT. It was discussed in the committee.

Mr. HARTKE. And discussed at length in the committee report.

Mr. LONG of Louisiana. Let us put it this way: We knew about the amendment. The Hartke motion for a study, carried. It was a motion to provide a study rather than to provide affirmative action legislatively. But the Montoya amendment was never formally offered. As a matter of fact the amendment before us today was not even introduced until November 15, the day after our bill was reported.

Mr. ALLOTT. I understand. I thank the Senator for yielding.

Mr. AIKEN. May I ask a question?

Mr. ALLOTT. I am happy to yield to the Senator from Vermont.

Mr. AIKEN. Was not the Montoya amendment approved by the Senate a year ago, and lost in conference with the House of Representatives?

Mr. HARTKE. If I may respond to the Senator from Vermont, if I am not mistaken, the Senator from Vermont has presented a somewhat similar proposal.

Mr. AIKEN. I introduced a bill with eight proposed amendments. I went before the committee and described the bill with the eight amendments. One of them was similar if not identical to the Montoya amendment.

But now, I think, something has to be done. The most common complaint we receive from old people is that they cannot afford the cost of the drugs, and they are going up every day.

Take this little package I have in my hand here. At the present time, there are probably more people with sour stomachs in this country than there have been since I was born, and yet the cost of this little anti acid mint went up 33⅓ percent last week.

Can the Senator from Indiana tell me how it could cost 5 cents more to put up a roll of these—I do not know whether it is Indiana limestone, or what is in it—how it could cost 5 cents more to manufacture a 1-cent package than it did the week before? I think the drug companies are taking unmerciful advantage of the old people of this country.

Mr. HARTKE. If the Senator from Vermont will yield a moment, if the Senator wants to present his amendment alone, I would vote for it.

Mr. AIKEN. How does it differ from the Montoya amendment?

Mr. HARTKE. This is the very point I have been making all afternoon. When you seek to do that, you immediately have the opposition of the chairman of the Committee on Finance, who is supporting the Montoya amendment.

Mr. AIKEN. What is in it that is not in mine?

Mr. HARTKE. Mr. President, if the Senator from Vermont wants to cover this, this is the same question that I am dealing with now: The formation of this formulary committee. Reading, now, from the HEW report, it states:

> Formulary Committees in hospitals normally provide a mechanism by which the physician can justify and prescribe drugs not listed in the hospital formulary when his clinical judgment requires it. Such flexibility is needed to make the operations of the proposed Formulary Committee workable.

That is not included in the amendment of the Senator from New Mexico. These are all serious questions.

Mr. MONTOYA. Mr. President, will the Senator yield at that point?

Mr. HARTKE. I yield.

Mr. MONTOYA. My bill does not prohibit a physician from prescribing any medicine that is not in the formulary list. Does the Senator disagree with that?

Mr. HARTKE. But he cannot be reimbursed for it.

Mr. MONTOYA. That is true.

Mr. HARTKE. So he is locked out.

Mr. MONTOYA. But the formulary is designed to be almost all-inclusive, for all medicines available.

Mr. HARTKE. I am not one to disagree with the Department of Health, Education, and Welfare. It says this is a very serious problem. I know that the Senator from New Mexico thinks this is a good approach, but there are serious questions about potential interference with the physician in the practice of his art and science. Both the administration and the Congress should think long and hard before establishing any program that promises to prevent the American doctor from administering the therapy that, in his professional judgment, is indicated for a particular patient.

The administration is now attempting to find sound solutions to these difficult questions. The administration does not approve of the method suggested by the Senator from New Mexico at this time. They are trying to do this by careful analysis and examination. I think we in Congress should do no less than cooperate in this endeavor, and not try to thwart it. The Committee on Finance seeks to do the same thing through the broad study it now recommends, which was adopted in the Finance Committee.

Finally, the HEW Department's staff report included estimates for the Committee on the administrative costs of the program envisioned. There is a big question, for example, as to how much it will cost. These estimates take in all the drugs under the formulary. The first-year cost was estimated to be over $100 million. That is primarily for the clinical testing of drugs.

For the succeeding 5 years, the estimate was more than $90 million a year, including $50 million annually for clinical tests.

This study, again, under the approach of the Senator from New Mexico, would begin 6 months after we had already had the completed report. In other words, he just comes in 6 months late and wants to start doing what we are proposing to do by this committee action.

By the end of 6 years, the big job of clinically evaluating all drugs presumably would have been completed. So what we have here is an estimate by the department that by 1976, Senator MONTOYA's approach might start to take effect, according to HEW. I should like to do it a little quicker than that, if we are going to try to help old people. I would like to start in a couple of years. If we follow the approach the committee has outlined, we might have something around 1969 or 1970.

Mr. MONTOYA. Mr. President, will the Senator yield at this point?

Mr. HARTKE. I am happy to yield.

Mr. MONTOYA. The Senator has been referring to a report which appears, I believe, on page 396 of the committee hear-

ings under the Social Security Amendments of 1967, is that correct?

Mr. HARTKE. I do not know, but it is probably in the report.

Mr. MONTOYA. I have been following the Senator, and it is verbatim from this particular page.

Mr. HARTKE. All right.

Mr. MONTOYA. This report relates to S. 2299, and not to the Montoya amendment.

Mr. HARTKE. It relates to both of them. If I have to go back and read the amendment, then I guess I will just have to do it.

Mr. MONTOYA. I would not want the Senator to go through that ordeal again.

Mr. HARTKE. It is no ordeal for me to correct the RECORD. Let me read it. I am going to read from the amendment in front of me; I am talking about the amendment proposed by the Senator from New Mexico [Mr. MONTOYA] to H.R. 12080, amendment No. 440. Is that the correct one?

Mr. MONTOYA. That is right.

Mr. HARTKE. Am I correct or incorrect, in reading from this, that on page 4 there is a definition of qualified drugs?

Mr. MONTOYA. That is correct.

Mr. HARTKE. Am I correct that on page 5, there is a discussion of a formulary committee?

Mr. MONTOYA. My bill so reads.

Mr. HARTKE. That is right. Then what I was reading about was identical—I was reading from their report—in which they discuss the definition of qualified drugs.

Mr. MONTOYA. But the provisions for the formulary committee in the Montoya bill and in the Long bill are separate and distinct, in function and in origin.

Mr. HARTKE. They both provide for the same one, however, and they describe them the same. In fact, the reports are the same.

I am not trying to mislead anyone. I am merely trying to say what the facts are. If one does not like the facts, I cannot help it.

But, it should not be overlooked that these proposed cost and quality controls would cost the Federal Government and the States, according to the Secretary of Health, Education, and Welfare, more than a half a billion dollars in the first 6 years. This figure, moverover, does not include the cost of the drugs themselves.

I ask unanimous consent that the entire text of the Health, Education, and Welfare staff report be printed at this point in the RECORD, so that the Senate can determine for itself exactly what the facts are.

There being no objection, the text of the staff report was ordered to be printed in the RECORD, as follows:

STAFF REPORT: POLICY AND PROCEDURAL PROBLEMS UNDER S. 2299 WHICH REQUIRE FURTHER EXAMINATION

This report reviews briefly the present status of staff explorations relating to the bill.

1. ESTABLISHMENT OF REASONABLE CHARGES FOR PRESCRIPTION DRUGS

In our experience the establishment of reasonable charges (the sum of the acquisition costs and reasonable professional fees) would be a protracted and complex undertaking. The only Federal requirement for reasonable costs in public assistance has dealt with hospital costs; after 25 years of discussion of this subject the elements to be included and excluded remain in controversy. Cost ranges for drugs would be based on current market practices, with all the complexities of quantity discounts, hospital discounts, rebates, geographical differences in price, determination of prices which vary "significantly" from others, and the need to consider claims of "distinct therapeutic advantages" for certain products—ratesetting in a novel field presenting novel problems.

Setting criteria to govern professional fees would have to take into account not only "costs of overhead, professional services, and a fair profit" mentioned in the bill, but also such variables as volume of business done, drugstore as compared to hospital pharmacy operation, independent as against chain stores, extent of late hour and weekend operation, and many other factors.

Establishment of both acquisition costs and professional fees would require consultation with the many interested groups, with State agencies, and with accountants and other advisers. The difficulty of arriving at acceptable criteria would be greater if, as is understood to be the case, the concept that professional fees should be determined by the Federal Government is opposed by the National Association of Retail Druggists. It is problematical whether the States would be either willing or able, as contemplated by the bill, to undertake under the Federal criteria the actual fixing of professional fees in the infinitely varied situations that would exist within each State. This is a matter which requires exploration with the States.

Once the cost and reimbursement patterns were worked out, the program would require not only dealing with 55,000 community pharmacies, 7,000 hospital pharmacies, and more than 12,000 nursing homes, but also dealing indirectly with about 200,000 prescribing physicians.

2. ECONOMIC FACTORS RELATING TO MANUFACTURERS AND RETAILERS

Further discussion with economists is necessary to explore the implications of the following factors:

(*a*) Establishment of a "reasonable cost range," rather than a maximum reimbursable price, may in effect establish a floor for prices, and in some cases raise the cost of a drug.

(*b*) Using an approved cost (or cost range) of drug acquisition provides no incentive for the pharmacy to purchase at the lowest possible cost. While acquisition-cost-plus-markup may encourage the pharmacist to dispense the highest cost drug, the acquisition-cost-plus-fixed-fee does not encourage the pharmacist to buy at lower prices.

(c) The exclusion of competitive therapeutically duplicative drugs may tend to eliminate competition among manufacturers.

(*d*) The advantage to a manufacturer of having his drug in the Formulary, while possibly equally good drugs are excluded, provides an economic advantage not related either to quality or to the market place.

3. FEDERAL-STATE RELATIONS

(*a*) The only present Federal determination of the basis on which States must pay for services in their medical care programs relates to the care of hospital inpatients, and was designed to correct inadequacy of payment. Federal setting of a basis of payment for outpatient drugs, designed to avoid excessive rather than inadequate outlays, raises the question whether there should be similar Federal control of prices making up other major expenditures, such as those for physicians' services (e.g., nationally prescribed criteria for State fee schedules).

(*b*) Since the proposed controls limit kinds as well as unit cost of drugs, a similar question arises about other health services: Should the Federal Government seek, in the interest of economy, to limit the use of kinds of health facilities and health personnel to those which the Secretary deems most efficient? Traditionally, Federal requirements have left the major decisions in these areas to the States, which have in turn left them in part to the health professions and the health institutions.

(c) Using limitation on Federal matching as the mechanism of control means that the financial risks inherent in so novel an effort (such as the risk of noncooperation by prescribing physicians) would fall either on the States or on the recipients of health care. In absence of effective control over the writing of prescriptions, the bill affords no assurance against the incurring of substantial costs in which the Federal Government would not share.

4. THE FORMULARY

(*a*) This Department would have new and heavy responsibilities in organizing and overseeing the operation of the Formulary Committee. Three of its principal health officials—the Surgeon General, the Commissioner of Food and Drugs, and the Director of the National Institutes of Health—would be members of the Committee. The Committee's assignment obviously cannot be a part-time operation. The Secretary would be responsible ultimately for the success of the program, and the Department would have to supply the resources in manpower and supporting facilities. The bill is not clear as to the responsibilities of the Secretary in relation to the Formulary Committee, which is established "within" the Department but with no clear delineation of the Secretary's responsibility for its actions.

(*b*) The Formulary Committee would have the duty of evaluating every prescription drug used in medical practice today—more than 5,000—and providing a formulary of drugs of choice. It would have to exclude drugs that it considered unnecessary, therapeutically duplicative, or of unacceptable quality. It would have to include drugs which it determined to be necessary and proper. And finally, it would be responsible for the promulgation of regulations establishing requirements to assure the orderly, efficient, and proper usage of drugs and biologicals.

The magnitude of this task should not be underestimated.

As one example of the seriousness of this problem, last year FDA entered into a contract with the National Research Council-National Academy of Sciences for a study of the validity of claims of effectiveness for drugs marketed between 1938 and 1962, when safety was the sole criterion for pre-market clearance. After a year and a half of intensive effort, this project is far from complete. Furthermore, after the reports are received, extensive administrative action will still be required to review the recommendations and put them into effect, and to deal with the challenges which will be made to some of them.

It is evident that any review of drugs, along with the promotional claims that are being made for them and the scientific data to support the promotional claims, calls for the efforts of the most highly qualified medical scientists, and that any large-scale effort must extend over a period at least of several years.

Under the bill all drugs—not only those cleared through the new drug procedures since 1938—would have to be reviewed. For many of these drugs there are no adequate, well-controlled scientific data on which the claims of therapeutic effectiveness could be properly evaluated. This is true even for a number of drugs which are widely accepted among physicians as apparently valuable in the treatment of disease.

(c) The procedures for hearings on drugs excluded from the Formulary, and for judicial review with trial *de novo* in the District

Courts, could involve inordinate delay in the final establishment of the list. With large economic interests at stake, the prospect of subtantial litigation is a serious one.

Difficult as this undertaking would be initially, the problem would be compounded by the need to keep a Formulary up to date. In view of the rapid advances in drug therapy, there is grave danger that revisions of the Formulary, and the reasonable cost determinations that would need to accompany them, could not keep pace with the ever-accelerating developments in this field. Here again, hearings and litigation would create serious factors of delay.

(d) Restrictions on the use of combination drugs in the bill appear to be too severe. Some of these drugs often provide convenience and more assurance of proper drug usage when self-administered, even though they may not have intrinsic therapeutic advantages over several drugs used separately.

(e) There may be inconsistencies between hospital and outpatient practice with respect to drugs. A patient stabilized on a particular drug in the hospital may find that drug unavailable for non-hospital use under the welfare program.

5. THERAPEUTIC EQUIVALENCY

(a) The therapeutic equivalency of generic counterparts has not been established in all cases. In some instances agreement on "distinct, demonstrated therapeutic characteristics not otherwise available" will be difficult if not impossible to achieve.

(b) Under the bill the Formulary Committee would contract for production of reliable clinical data on which to base its judgments, but this would require the cooperation of medical centers and an array of patients. It would require in particular the involvement of individual investigators of high competency who would have to be induced to undertake routine investigations offering little promise of advancing medical knowledge.

6. THERAPEUTICALLY DUPLICATE DRUGS

(a) The goal of minimizing the use of "therapeutically duplicative" drugs may be desirable, but an objective, noncontroversial method of determining which drugs therapeutically duplicative has not been developed.

(b) The implications of this provision with respect to effects on quality of care, research, and competition need further study.

7. ORDERLY, EFFICIENT, AND PROPER USE OF DRUGS

(a) The definition of "qualified drug" includes only those drugs listed in the Formulary of the United States or in a hospital formulary which are "prescribed or furnished in such quantities and under such conditions as are necessary to meet requirements established by the Formulary Committee under regulations designed to assure the orderly, efficient, and proper use of drugs." This means that the Formulary Committee should provide conditions of use of drugs with both therapeutic effect and cost of medication in mind. It could limit the use, for example, of high cost drug specialties in situations in which less costly drugs of the same class were the drugs of first choice, and in this way bring down the cost to the Federal program. But in doing this it would give the Committee the responsibility for regulating what types of drugs could be prescribed in what clinical situations, in what amounts, in what total quantities, and over how long a period.

The promulgation of regulations applicable to the orderly, efficient, and proper use of drugs would limit physicians in their practice and would make the Formulary Committee the ultimate arbiter of the proper drug in clinical situations.

(b) Federal determination of the comparative efficacy of drugs used to combat the same infectious disease or to combat diabetes, for example, was considered and rejected by the Congress in 1962 as involving too large a measure of medical judgment to authorize the exclusion from the market of new drugs that were no better than already marketed products.

(c) Formulary Committees in hospitals normally provide a mechanism by which the physician can justify and prescribe drugs not listed in the hospital formulary when his clinical judgment requires it. Such flexibility is needed to make the operations of the proposed Formulary Committee workable.

8. REGISTRATION AND INSPECTION

(a) The bill would disqualify drugs for violation of either of two provisions of the Federal Food, Drug, and Cosmetic Act. The failure to meet other applicable misbranding and adulteration provisions of the law, or the new drug or antibiotic certification provisions, is of equal importance. A drug that was prepared in an insanitary plant, or one that failed to bear adequate directions for use and adequate warnings, should warrant disqualification.

(b) The administrative process of applying sanctions to prevent a firm from using its registration number, and thus from participating in the program, would require additional personnel and would give rise to a substantial volume of administrative hearings and litigation.

9. ADMINISTRATIVE COSTS

(a) Cost of operation of the Formulary Committee and its supporting staff are estimated to be approximately $10 million a year for the first three years, and $5 million a year thereafter.

(b) Federal costs to carry out planning, State plan review, program evaluation, auditing, and technical assistance to the States are estimated to be more than $600 thousand a year.

(c) Costs for printing, maintaining, revising and distributing the Formulary to physicians, pharmacists, hospitals and State agencies—but not to individual beneficiaries—are estimated to be $3 million per year.

(d) Increased Federal-State costs to administer the program are estimated to be at least $6 million per year. The States will have to support this increased cost in part from their own limited funds, which may require a reduction in the amount of benefits available to recipients.

(e) In addition, other costs should be considered which though arising from the bill, would benefit all patients whether or not they were covered by any governmental program. Thus, the improved quality control program would cost an estimated $25 million per year, primarily for an additional 2,000 FDA inspectors, space, necessary administrative support, and strengthening of the FDA product testing program. The necessary clinical testing ordered by the Formulary Committee could cost approximately $67 million for the first year and up to $50 million per year for the next five years; manufacturers might be required to undertake some of this cost. In any event, the task of clinical evaluation is large and will be a continuing one; the scientific manpower to undertake it is in short supply, the nature of the work is not attractive to top scientists, and the procedures are time-consuming and expensive.

10. EFFECTIVE DATE

(a) The provisions of the bill would require HEW to undertake a number of new and extended responsibilities. We do not believe that these responsibilities can be satisfactorily discharged by July 1, 1969.

(b) Determination of "qualified drugs" would require many months and possibly several years of work by the Committee. But implementation of the Formulary could be delayed for additional months or even years by administrative hearings and judicial review at suit of the parties affected.

(c) Establishment of the requisite improved quality control program would need many months for the recruitment and training of the inspectors and laboratory personnel.

(d) After establishment of other phases of the program, time would be needed for State agencies to develop their own program modifications to conform to Federal regulations.

(e) Development of an essential accounting, auditing, and utilization review system would require at least two years for the necessary research, development, design, and field testing.

Mr. HARTKE. Mr. President, the Commissioner of the Food and Drug Administration, Dr. James L. Goddard, put the issue in succinct terms when he testified before the Committee on Finance. He declared:

The objectives of S. 2299, to introduce a greater rationality into the practice of drug therapy and to apply restraints to excessive costs, are obviously highly desirable.

I think this is what the Senator from New Mexico is trying to say and what I am trying to say.

But certain elements of the proposed bill, Dr. Goddard told us, raise grave problems. He said:

We believe extended consideration and opportunity for discussion with the many affected groups is needed before decisions can be properly made.

A moment later, addressing the distinguished chairman of the Committee on Finance, Dr. Goddard went right to the heart of the issue involved in this legislation, and in addressing his remarks to the distinguished chairman of the committee, the junior Senator from Louisiana, chairman of the Finance Committee, he said:

Senator, I know you want me to get down right to the guts of my objection. My problem with this bill is that the practicing physicians in this country have characteristically selected the drugs they are going to use for their patients. . . . Under the strictest terms of interpretation of this bill, I believe we are encroaching upon the practice of medicine in such a way that the physicians would rise up in wrath. Now, I am only sensing what my brother physicians' reaction will be. This is based on discussions and meetings with those who are familiar with the bill.

I must acknowledge that this statement gave me reason to pause, and I think it should give reason to the Senate to pause.

Now, what about the viewpoints of the professional and business groups that would be directly affected by these drug quality and cost control proposals? Where do they stand?

In summarizing these views, I must say that there is a difference between the two bills. There is no question of that.

I pointed out that difference because the Senator from Louisiana would not support the bill if we separated it in the form in which we would bring out those differences in the most clear fashion.

In summarizing their views and recommendations, I must distinguish between the two proposals that were before the committee.

First, with regard to S. 2299, pharmacy is sharply divided.

The American Pharmaceutical Association is in favor of enactment of this bill. But the National Association of Retail Druggists informed the committee that "we are opposed to many provisions of S. 2299." And the National Association of Chain Drug Stores recommended that Congress defer action until after the HEW Task Force study is completed.

The Pharmaceutical Manufacturers Association, which states that its members produce 95 percent of the prescription drug products made and sold in the United States, opposes this bill on grounds that it would first, reduce the quality of medical care; second, establish an involved and costly administrative mechanism that would be extremely difficult to administer fairly; third, interfere with physicians' prerogatives to treat their patients in line with their best professional judgment; and, fourth, jeopardize the research and development effort of the industry.

The American Medical Association opposed S. 2299. AMA suggested that "rather than to enact such legislation, it would be worthwhile at this time to study in depth all the economic and therapeutic factors which enter into the use of prescription drugs."

The AMA recommendation applied not only to S. 2299, the bill of the Senator from Louisiana, but also to S. 17—which, to all intents and purposes was identical to the amendment before us—to add drug benefits under the supplementary medicare insurance program and establish associated drug quality and cost controls.

With respect to S. 17, the positions of the other professional and business groups most directly affected, as revealed in our committee's hearings, are as follows:

The American Pharmaceutical Association is in favor of adding drugs and pharmaceutical services to part B of title XVIII, but the testimony of this association did not deal specifically with S. 17.

The National Association of Retail Druggists also favors the expansion of the supplementary medicare insurance program to include outpatient drugs, but, as stated with respect to S. 2299, the NARD opposes many of the bill's quality and cost control provisions.

The National Association of Chain Drug Stores took no position on S. 17.

I am trying to be fair.

Mr. MONTOYA. Is the Senator speaking of the American Pharmaceutical Association?

Mr. HARTKE. The American Pharmaceutical Association is in favor of adding drugs and pharmaceutical services to part B of title 18.

Mr. MONTOYA. Yes. I might state further that the American Pharmaceutical Association in April of 1967 at their annual convention in Las Vegas, Nev., unanimously endorsed the Montoya bill.

Mr. HARTKE. I did not say they did not.

Mr. MONTOYA. I want that for the record at this point.

Mr. HARTKE. I am glad it is in the record.

Finally, the Pharmaceutical Manufacturers Association, while stating that it does not oppose expansion of the supplementary medicare insurance program to cover drugs, urged that this new benefit not be adopted at this time because of the HEW task force study and other proposed changes in the Social Security Act affecting both benefits and tax rates.

Mr. President, such was the distressing picture of uncertainty and dispute about the many difficult issues involved and how best to resolve them—uncertainty not only in the directly affected professional and business groups but in the Health, Education, and Welfare Department and the administration. As a result, the Committee on Finance voted to adopt my amendment directing the Secretary of Health, Education, and Welfare to undertake a comprehensive examination of all medical, scientific, economic, and social effects of these two proposed bills, and report back to the Congress with its recommendations.

I am confident that the Senate will concur in this committee judgment, for the need is so clear.

I point out one rather glaring inconsistency with the whole general approach, that although there is a $25 deductible, there is no incentive to have anybody come off drugs under the proposal of the Senator from New Mexico. We provide for a 20-percent reduction in physicians fees under medicare in order to make sure of medical assistance under the bill. However, no such recommendation is contained in the bill of the Senator from New Mexico.

All I can say in good conscience and honesty is, that if we vote for the committee bill, we will have the drug costs for elderly people paid for quicker, and the result will be more scientific and safer than if we listen to an appeal which is only emotional and has no basis in fact whatever.

I share with our chairman, the Senator from Louisiana [Mr. LONG] his determination that prescription drugs of the highest quality must be available to all who need them, on the most economic basis consistent with appropriate quality requirements and safe and effective use.

No one believes more strongly than I do, in this time of huge budgetary deficits and ever increasing strain on the Federal Treasury, that the Government's programs for drug procurement should function on an "orderly, efficient, proper and economical" basis, as the Senator's bill envisions, throughout the social security and related welfare systems.

Also, Mr. President, I join with the Senator from New Mexico [Mr. MONTOYA] in the conviction that the Nation's senior citizens should be able to obtain the prescription drugs they require, not only when in hospitals and nursing homes, as under the present social security law, but also as outpatients.

If there is a need that the Federal Government can properly fill in this respect, I will join with my friends from Louisiana and New Mexico in advocating prompt and responsible action.

But let us act responsibly, after the required consideration, to resolve these issues in the general public interest.

In conclusion, Mr. President, I remind the Senate that the bill now before us, H.R. 12080, contains provisions to undo certain enactments that we in the Congress adopted 2 years ago regarding the Federal-State program for aid to the medically indigent, often known as medicaid.

It is acknowledged that the administration and the Congress acted in haste on the medicaid provisions of the 1965 Social Security Amendments.

We have been confronted ever since with the necessity of undoing what was done with insufficient concern for the consequences.

Should we not learn from that costly experience?

If we do not, we may be trying, 2 years from today, to correct an even costlier error—in more than dollars and cents—in this crucial health field.

Mr. LONG of Louisiana. Mr. President, it is my hope that we can at least dispose of the pending amendment tonight.

We will have to have quite a few rollcall votes on these major issues, some of which involve heated debate and strong difference of opinion.

So we will have some controversial matters to vote on.

I hope we can dispose of the pending amendment tonight.

I should like to ask if there are other Senators who desire to speak on the amendment.

Mr. MONTOYA. Mr. President, I should like to have about 5 minutes to close.

Mr. LONG of Louisiana. Mr. President, I would then ask unanimous consent that there be 10 minutes debate, 5 minutes to be controlled by the Senator from Montana—

I withhold the request. I understand that the minority leader would like to know about the matter.

Mr. WILLIAMS of Delaware. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MONTOYA. Mr. President, I should like to have the attention of the Senate for a few minutes, in order to conclude the debate on the pending amendment.

We have heard many arguments this afternoon with respect to the pending amendment, but not one argument has been advanced against the advisability of providing prescription drug reimbursement for the old people of this country.

The usual excuse when there is not a good frontal defense has pervaded the discussion this afternoon; namely, let us relegate this good amendment, this good objective, to a study, and postpone the enactment until we find out what that study will divulge.

Well, we have been doing this. We did this with medicare for many years. Yes, those who opposed the principle of medicare were always arguing, "Let's conduct a study." Every year when

medicare was brought up—and I have been a Member of Congress for the last 11 years—the word "study" was the usual defense.

I believe it is time that we assert our responsibility as legislators and say to ourselves that we face a problem in this country of either providing reimbursement to the aged of this country for prescription drugs or we do not want to do it. That is the issue pending before the Senate today.

Now, some hobgoblins have been injected into the discussion. I say this with all due respect to those who have presented arguments. This proposal has been called an OPA by my good friend, the Senator from Nebraska. Well, nowhere in the bill is price fixing perscribed. Nowhere in the bill is a physician told what to prescribe for a particular disease. Nowhere in the bill is there any edict provided for telling the physician or the druggist what to charge for any prescription. The druggist is not enjoined to charge a specific price. He can charge the same price he charges now, and he will be paid by the enrollee, by the old person, who presents that prescription at the prescripiton desk. My amendment only provides that this old person, when he presents a receipt, shall be reimbursed in a certain amount for that particular expenditure. A formulary is provided under my amendment.

Now, this is not a new concept. The Senator from Indiana has tried to impress upon the Senate that it will take a long time, a long study, to provide for this formulary; but I say that the formulary already exists under medicare. Eighty percent of the hospitals in this country are already using the formulary concept. We have experience in this matter.

The Senator from Indiana also says:

Let's wait for a study, the study that the Finance Committee ordained by virture of adopting my amendment in lieu of the Senator Long bill or the Senator Montoya bill.

I might say that under the theory of his study, we would have to wait until January 1, 1969, before a report was offered. My amendment, if enacted, would become effective on July 1, 1969, 6 months later. So if the Senator is insistent upon a study being made, that study or its conduct is compatible with the effectiveness of my amendment. He can go through with his study. HEW can conduct its study while my amendment becomes effective as law. And from January 1, 1969, until July 1, 1969, when my bill would become operative, he could offer any amendments to my amendment—which would then be law—that he might deem advisable in order to correct deficiencies that might be pointed out by such a study.

I believe the great challenge we face today is not whether we want more studies—we have already had two ordained by Congress—but whether or not we, as Members of the Senate, desire to offer a vehicle, an opportunity, to the old people of this country, under a sound program, by which they could be reimbursed for prescription costs they incur when they leave the hospital. That is the vital issue we must face in the Senate today.

I urge the adoption of my amendment, Mr. President.

Mr. DIRKSEN. Mr. President, the distinguished Senator from Delaware has already referred to the letter from the actuary on whom we rely for information in connection with this program. In the Finance Committee room, the social security people have been present at all times, Mr. Myers has been present most of the time, and Dr. Wilbur Cohen has been present most of the time. So, when we want information, they sit right there and look at the books and give it to us while the committee is deliberating this bill. I do not believe anybody will take exception to what I am saying, because that happens to be the case.

If today is November 16, then this letter was written this morning. It cannot be much fresher than that, because that is just like the hen getting off the nest and there is a chicken egg—and here is the chicken egg that was laid this morning. And it is quite a good-sized egg, because this is what Mr. Myers says:

This memorandum will present a summary cost estimate for amendment No. 440—

Now, that sounds very cryptic, until Mr. Myers says:

introduced by Senator Montoya—

So, you see, we can be wrong—

which would amend H. R. 12080.

Well, if I know anything about bill numbers, that is the House bill that came over and has been languishing in the Senate Finance Committee for quite a long time, until we finish the markup and send it to the calendar.

Mr. Myers continues. I must be careful not to put these words in my own mouth. This is Mr. Myers speaking:

This amendment would add certain drug benefits to the supplementary medical insurance program, with an annual deductible of $25, and with 100% reimbursement for allowable expenses of drugs in excess of this amount (and with a carry-over deductible provision from one year to the next).

Now, this is Mr. Myers speaking. This is not the minority leader. He says:

I estimate that this amendment would increase the cost of the program by $3.20 per month (i.e. $1.60 payable by the enrollee, and $1.60 coming from the general fund of the Treasury).

Now, they are paying $3 already, as I understand. And I thought I heard Mr. Myers say in the committee room that it was going up another $1.

I ask the Senator from Delaware if that is correct.

Mr. WILLIAMS of Delaware. The Senator is correct.

Mr. DIRKSEN. I thought it was correct. I did not think I was mistaken, and I listened.

The $3.20 figure is subdivided into $2.85 for benefit costs, and 35 cents for administrative-expense costs. This cost estimate is for the first full year of operation of the proposal—namely, the period July 1969 through June 1970.

On the basis of an average enrollment of 18 million persons, the total annual cost is estimated at $691 million.

Mr. President, you are not playing with hay, or with marbles here at this hour of the afternoon in connection with the Montoya amendment. You are playing with 691 million kopecks, if you want to call it that. That is a lot of money in anybody's coinage.

I have listened a little. I listened to the Senator from Nebraska this afternoon, and I have listened to my distinguished friend from New Mexico. He thinks there is nothing so very novel in this bill.

Well, start with section 1845. This committee to which he refers is going to have authority to determine what is a qualified drug. That is a pretty good chunk of authority in itself. Then, that committee is going to determine what the allowable expense is going to be when used in connection with any quantity of a qualified drug.

This formulary committee, who is it? It is the Surgeon General, the Commissioner of the Food and Drug Administration, and the Director of the National Institutes of Health. What is the duty of this Committee? Well, they are going to determine which drugs and which biologicals shall constitute qualified drugs. Mr. President, do you mean to tell me that is not autocratic power? If it is not, I have not seen a delegation of power that is autocratic.

The formulary committee shall "determine, with the approval of the Secretary, the allowable expense." Well, you are getting pretty close to control.

Then, section 1846 reads:

Publish and disseminate at least once each calendar year among individuals insured under this part, physicians, pharmacists, and other interested persons, an alphabetical list naming each drug, or biological by its established name * * *.

It will be listed by ordinary trade name; it will be listed by so-called generic name. I dread the thought of how much printing is going to be done under this measure. It will be necessary to get extra printing presses over in the Government Printing Office. So it goes.

They are going to determine this language. I am a little alarmed about the language I find.

I am not about to vote for this proposal. As a matter of fact, I think one of the nicest, gentlest things we can do until we know a little more about this $691 million package is to put it on the table.

Mr. President, I move to table the amendment.

I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

The yeas and nays were ordered.

Mr. AIKEN. Mr. President, will the Senator withhold his request?

The PRESIDING OFFICER. The motion to table is not debatable.

Mr. DIRKSEN. Mr. President, I withhold my motion.

Mr. AIKEN. Mr. President, I understand the Senator said that this proposal would cost nearly $700 million, which certainly the older people of this country, the beneficiaries——

The PRESIDING OFFICER. The motion is not debatable.

Mr. DIRKSEN. Mr. President, I withdrew the motion.

The PRESIDING OFFICER. Unanimous consent is required to withdraw the motion.

Mr. DIRKSEN. Mr. President, I ask unanimous consent to momentarily withdraw the motion.

The PRESIDING OFFICER. Is there objection? The Chair hears no objection, and it is so ordered.

Mr. AIKEN. Mr. President, all I want to say is that it will cost $700 million to finance this proposal. That means a good share of that $700 million is already being paid for drugs by the old people of this country.

I simply was going to suggest that perhaps the way to handle this matter would be to reduce the oil-depletion allowances from 27½ percent to about 20 percent, and get money enough to help out these old people who cannot afford drugs and who are writing letters every day to the effect that they cannot afford to pay for drugs.

Of course, we might be creating a severe hardship on some of our international corporations, but I would rather put the burden there than on the old people of this country.

I am sorry to disagree with my leader, but I think my suggestion is better than his.

Mr. DIRKSEN. That is a wholly irrelevant suggestion. What does oil depletion have to do with a bill like this? I remind my friend that half of this amount comes out of the general fund of the Treasury. Now, that is a red herring when the Senator talks about oil depletions. Here is an administration that is fairly distraught by a fiscal crisis and in the shank of the afternoon we come along and are willing to tax the Treasury for one-half of $691 million, or about $350 million.

Mr. President, where are you going to find it? We are being jockeyed every day about a tax bill and reduction in expenditures, and you hear it from all over; and you are going to put one-half of this or another $350 million on the general revenue.

Do not let anyone take you in with this talk about oil depletion and that sort of thing. Come in here with a bill on oil depletion and make the case. Then see what the Senate will do. Let us take this for what it is and what the Chief Actuary of the social security system has to say about it in a letter that is so fresh you can smell the nest of the chickens.

Mr. President, I renew my motion to table.

I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion to table. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. MANSFIELD (after having voted in the negative). On this vote I have a pair with the senior Senator from Louisiana [Mr. ELLENDER]. If he were present and voting, he would vote "nay." If I were permitted to vote, I would vote "yea." Therefore, I withdraw my vote.

The rollcall was concluded.

Mr. BYRD of West Virginia. I announce that the Senator from Nevada [Mr. CANNON], the Senator from Washington [Mr. JACKSON], the Senator from North Carolina [Mr. JORDAN], the Senator from Missouri [Mr. LONG], the Senator from Washington [Mr. MAGNUSON], the Senator from Montana [Mr. METCALF], and the Senator from New Jersey [Mr. WILLIAMS] are absent on official business.

I also announce that the Senator from Maryland [Mr. BREWSTER], the Senator from North Dakota [Mr. BURDICK], the Senator from Idaho [Mr. CHURCH], the Senator from Connecticut [Mr. DODD], the Senator from Louisiana [Mr. ELLENDER], the Senator from North Carolina [Mr. ERVIN], the Senator from Ohio [Mr. LAUSCHE], the Senator from Minnesota [Mr. MCCARTHY], the Senator from Wyoming [Mr. MCGEE], the Senator from South Dakota [Mr. MCGOVERN], the Senator from Minnesota [Mr. MONDALE], the Senator from Oklahoma [Mr. MONRONEY], the Senator from Florida [Mr. SMATHERS], and the Senator from Alabama [Mr. SPARKMAN] are necessarily absent.

I further announce that, if present and voting, the Senator from Maryland [Mr. BREWSTER], the Senator from North Dakota [Mr. BURDICK], the Senator from Washington [Mr. JACKSON], the Senator from Washington [Mr. MAGNUSON], the Senator from Wyoming [Mr. MCGEE], the Senator from Minnesota [Mr. MONDALE], the Senator from New Jersey [Mr. WILLIAMS], and the Senator from Nevada [Mr. CANNON] would each vote "nay."

Mr. KUCHEL. I announce that the Senator from Kentucky [Mr. COOPER] and the Senator from Texas [Mr. TOWER] are absent on official business.

The Senator from Utah [Mr. BENNETT], the Senator from California [Mr. MURPHY], the Senator from Illinois [Mr. PERCY], the Senator from Pennsylvania [Mr. SCOTT], and the Senator from South Carolina [Mr. THURMOND] are necessarily absent.

The Senator from North Dakota [Mr. YOUNG] is absent because of death in his family.

If present and voting, the Senator from Utah [Mr. BENNETT], the Senator from California [Mr. MURPHY], the Senator from Pennsylvania [Mr. SCOTT], the Senator from Texas [Mr. TOWER], and the Senator from South Carolina [Mr. THURMOND] would each vote "yea."

The result was announced—yeas 37, nays 33, as follows:

[No. 323 Leg.]

YEAS—37

Allott	Fannin	Miller
Baker	Fong	Morton
Bayh	Griffin	Mundt
Bible	Hansen	Pearson
Boggs	Harris	Prouty
Byrd, Va.	Hartke	Russell
Carlson	Hatfield	Spong
Case	Hickenlooper	Stennis
Cotton	Holland	Symington
Curtis	Hruska	Talmadge
Dirksen	Jordan, Idaho	Williams, Del.
Dominick	Kuchel	
Eastland	McClellan	

NAYS—33

Aiken	Hill	Muskie
Anderson	Hollings	Nelson
Bartlett	Inouye	Pastore
Brooke	Javits	Pell
Byrd, W. Va.	Kennedy, Mass.	Proxmire
Clark	Kennedy, N.Y.	Randolph
Fulbright	Long, La.	Ribicoff
Gore	McIntyre	Smith
Gruening	Montoya	Tydings
Hart	Morse	Yarborough
Hayden	Moss	Young, Ohio

NOT VOTING—30

Bennett	Jordan, N.C.	Monroney
Brewster	Lausche	Murphy
Burdick	Long, Mo.	Percy
Cannon	Magnuson	Scott
Church	Mansfield	Smathers
Cooper	McCarthy	Sparkman
Dodd	McGee	Thurmond
Ellender	McGovern	Tower
Ervin	Metcalf	Williams, N.J.
Jackson	Mondale	Young, N. Dak.

So the motion of Mr. DIRKSEN to lay Mr. MONTOYA's amendment on the table was agreed to.

Mr. DIRKSEN. Mr. President, I move to reconsider the vote by which the motion to lay on the table was agreed to.

Mr. HARTKE. I move to lay that motion on the table.

Mr. LONG of Louisiana. Mr. President, I ask for the yeas and nays.

Mr. WILLIAMS of Delaware. Are the yeas and nays now asked on the motion to table the motion to reconsider?

The PRESIDING OFFICER. Yes. There is a sufficient second. The yeas and nays are ordered on the motion to table the motion to reconsider.

Mr. DIRKSEN. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Illinois will state it.

Mr. DIRKSEN. I thought we just voted on a motion to table the amendment.

The PRESIDING OFFICER. The question now is on the motion to table the motion to reconsider the vote by which the amendment was tabled. The question is not debatable. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll, and Mr. AIKEN voted in the negative.

Mr. DIRKSEN. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The rollcall has started, and a parliamentary inquiry is not in order.

Mr. DIRKSEN. Mr. President, rules or no rules, there is confusion and Members of the Senate are entitled to have the Chair tell them how to vote.

The PRESIDING OFFICER. The Chair will not tell Members of the Senate how to vote, but the Chair will state that there has been a motion to reconsider the vote on the previous motion, and then a motion to table the motion to reconsider the vote was made. The vote is on the latter.

Mr. DIRKSEN. So the vote of Senators who are against the Montoya amendment is "yea."

The rollcall was resumed.

Mr. SPONG (when his name was called). On this vote, I am paired with the senior Senator from Louisiana [Mr. ELLENDER]. If he were present and voting, he would vote "nay"; if I were per-

mitted to vote, I would vote "yea." I therefore withhold my vote.

The rollcall was concluded.

Mr. BYRD of West Virginia. I announce that the Senator from Virginia [Mr. BYRD], the Senator from Nevada [Mr. CANNON], the Senator from Alabama [Mr. HILL], the Senator from Washington [Mr. JACKSON], the Senator from North Carolina [Mr. JORDAN], the Senator from Missouri [Mr. LONG], the Senator from Washington [Mr. MAGNUSON], the Senator from Montana [Mr. METCALF], the Senator from Georgia [Mr. TALMADGE], the Senator from Maryland [Mr. TYDINGS], and the Senator from New Jersey [Mr. WILLIAMS] are absent on official business.

I also announce that the Senator from Maryland [Mr. BREWSTER], the Senator from North Dakota [Mr. BURDICK], the Senator from Idaho [Mr. CHURCH], the Senator from Connecticut [Mr. DODD], the Senator from Louisiana [Mr. ELLENDER], the Senator from North Carolina [Mr. ERVIN], the Senator from Ohio [Mr. LAUSCHE], the Senator from Minnesota [Mr. MCCARTHY], the Senator from Wyoming [Mr. MCGEE], the Senator from South Dakota [Mr. MCGOVERN], the Senator from Minnesota [Mr. MONDALE], the Senator from Oklahoma [Mr. MONRONEY], the Senator from Florida [Mr. SMATHERS], and the Senator from Alabama [Mr. SPARKMAN], are necessarily absent.

I further announce that, if present and voting, the Senator from North Dakota [Mr. BURDICK], the Senators from Washington [Mr. JACKSON and Mr. MAGNUSON], the Senator from Wyoming [Mr. MCGEE], the Senator from Minnesota [Mr. MONDALE], the Senator from New Jersey [Mr. WILLIAMS], and the Senator from Nevada [Mr. CANNON], would each vote "nay."

On this vote, the Senator from Maryland [Mr. BREWSTER] is paired with the Senator from Virginia [Mr. BYRD]. If present and voting, the Senator from Maryland would vote "nay" and the Senator from Virginia would vote "yea."

On this vote, the Senator from Georgia [Mr. TALMADGE] is paired with the Senator from Maryland [Mr. TYDINGS]. If present and voting, the Senator from Georgia would vote "yea" and the Senator from Maryland would vote "nay."

Mr. KUCHEL. I announce that the Senator from Kentucky [Mr. COOPER] and the Senator from Texas [Mr. TOWER] are absent on official busines.

The Senator from Utah [Mr. BENNETT], the Senator from California [Mr. MURPHY], the Senator from Illinois [Mr. PERCY], the Senator from Pennsylvania [Mr. SCOTT], and the Senator from South Carolina [Mr. THURMOND] are necessarily absent.

The Senator from North Dakota [Mr. YOUNG] is absent because of death in his family.

If present and voting, the Senator from Utah [Mr. BENNETT], the Senator from California [Mr. MURPHY], the Senator from Pennsylvania [Mr. SCOTT], the Senator from Texas [Mr. TOWER], and the Senator from South Carolina [Mr. THURMOND] would each vote "yea."

The result was announced—yeas 34, nays 32, as follows:

[No. 324 Leg.]

YEAS—34

Allott	Fannin	McClellan
Baker	Fong	Miller
Bayh	Griffin	Morton
Bible	Hansen	Mundt
Boggs	Harris	Pearson
Carlson	Hartke	Prouty
Case	Hatfield	Russell
Cotton	Hickenlooper	Stennis
Curtis	Holland	Symington
Dirksen	Hruska	Williams, Del.
Dominick	Jordan, Idaho	
Eastland	Kuchel	

NAYS—32

Aiken	Hollings	Muskie
Anderson	Inouye	Nelson
Bartlett	Javits	Pastore
Brooke	Kennedy, Mass.	Pell
Byrd, W. Va.	Kennedy, N.Y.	Proxmire
Clark	Long, La.	Randolph
Fulbright	Mansfield	Ribicoff
Gore	McIntyre	Smith
Gruening	Montoya	Yarborough
Hart	Morse	Young, Ohio
Hayden	Moss	

NOT VOTING—34

Bennett	Jordan, N.C.	Scott
Brewster	Lausche	Smathers
Burdick	Long, Mo.	Sparkman
Byrd, Va.	Magnuson	Spong
Cannon	McCarthy	Talmadge
Church	McGee	Thurmond
Cooper	McGovern	Tower
Dodd	Metcalf	Tydings
Ellender	Mondale	Williams, N.J.
Ervin	Monroney	Young, N. Dak.
Hill	Murphy	
Jackson	Percy	

So the motion to lay on the table the motion to reconsider was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment.

SOCIAL SECURITY ACT AMENDMENTS OF 1967

The Senate resumed the consideration of the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

A COMMITMENT TO THE MEDICALLY NEEDY OF THE NATION—AMENDMENT NO. 444

Mr. KUCHEL. Mr. President, in 1965, the Congress made a pledge to help those low-income Americans unable to pay the cost of adequate medical care. It told these people that the Federal Government would provide matching funds to assist States operating Federal-State medical care programs established under title XIX of the Social Security Act. Today, the very existence of these programs is being threatened by the social security legislation now pending before the Senate.

In 1950, for the first time, the Federal law permitted States to pay vendors of medical care directly. The Congress in 1960 took a major step forward when it enacted the Kerr-Mills law which authorized vendor payments to aged persons who were not receiving cash assistance payments, but who required help to pay for medical care.

In 1965, the category of medical indigence was broadened significantly to include the medically needy in all public assistance categories: the blind, the permanently and totally disabled, and dependent children and their families as well as the aged.

In order for States to establish such a medicaid program under title XIX, they must provide medical care for all persons receiving cash assistance and, at their option, may include "medically needy" or "medically indigent" persons—those above the poverty line but unable to pay high medical bills. Each participating State must determine its own criteria on who will be deemed to be "medically indigent" under its own State laws.

Today, 29 States have approved medicaid programs providing care to over 8 million Americans. In my own State of California, close to 1.6 million needy Californians are participating in one of the largest medicaid programs in the Nation. In fiscal 1969–70, the estimated cost of this program in California will run close to $218 million.

The financing of this program is accomplished by a carefully balanced combination of Federal, State, and local funds. Federal participation ranges from 50 to 83 percent, depending on the State average per capita income. In California, the Federal Government pays for 50 percent of the program, with the State contributing 22.3 percent and the counties paying 27.7 percent.

The proposal reported by the Senate Finance Committee would strike drastically at this balanced combination of Federal and State funds. Under the committee bill, the full Federal percentage would continue to be available for medical care granted to cash assistance recipients but, with respect to the medically indigent, there would be substantial cutbacks in Federal matching funds.

Beginning July 1, 1969, Federal participation in the cost of medical services for the medically needy would be determined by squaring a State's Federal medical assistance percentage. Thus, States like California, whose Federal medical assistance percentage is 50 percent under present law, would, under the committee bill, receive only 25 percent Federal matching funds toward the costs of the medically needy. Using the 1969–70 estimated cost of the program in California of $218 million, the Federal Government will be paying approximately $54 million of matching rather than the $103 million figure required under present law.

This provision may result in a substantial reduction of Federal expenditures, but it also will result in a sharp escalation of expenditures by State and local governments who must now pick up the extra percentage abandoned by the Federal Government. To curtail the Federal obligation in meeting its responsibility for matching funds is not to reduce costs but merely to transfer the burden from one shoulder to another.

Congress ought not now to repudiate its initial pledge to the medically needy in the States of this Nation. Close to 200,000 needy Californians are receiving assistance under the term "medically indigent." These are families who have managed to pull themselves up from the depths of poverty and who are just becoming productive members of society. Are they now to be denied the assistance promised to them under medicaid? I cannot believe that the Congress is enacting the original legislation in this area intended to abandon half of an obligation it originally invited California to share in equally. Mayor Lindsay of New York, formerly a Member of Congress, phrased the result in these words:

> Will the medically indigent population of every State be encouraged, recruited, and enrolled and then offered quality medical services and then be told eventually that they must give up the protection they just began to receive . . . the original legislation declared the intent of Congress to protect a large proportion of the population from potential destitution by guaranteeing high quality medical care.

The State Welfare Department of California informs me that the financial burdens imposed by the committee bill could well threaten the existence of the medicaid program itself in California. Surely, this is not the end we seek in attempting to improve the operations of these Federal-State health programs.

It is my belief that the Congress need not resort to such drastic measures in attempting to reduce Federal costs. A reduction of expenditures can be achieved through placing a limit on Federal participation with respect to the income level States establish in determining who is medically needy. The Department of Health, Education, and Welfare proposed a limitation which I believe to be far more reasonable than the committee approach—the Federal Government would not participate in matching the cost of medical assistance to persons whose income exceeds 150 percent of the highest amount provided under the various federally aided public assistance programs within the State. This proposal establishes broad limitations on Federal participation but preserves for the State the power and flexibility to establish eligibility standards in accordance with their individual requirements. Such an approach further would eliminate the hazard of severe cutbacks were the committee proposal to become law.

I offer this approach as an amendment to the social security bill as reported out of the Finance Committee. I am hopeful that the Senate and the Congress will adopt this proposal and, in so doing, stand by the commitment to provide assistance to the medically needy of this Nation under the original medicaid program.

AMENDMENT NO. 444

Mr. President, I wanted to make that statement first. I submit an amendment intended to be proposed by me and ask that it be printed and lie on the table. It is my intention to take it up later in the debate.

The PRESIDING OFFICER. The amendment will be received and printed, and will lie on the table.

which it was demonstrated that more facts needed to be developed.

All of us are fully aware of the importance of the supporting role in the delivery of health care to our aged people. I was no newcomer to that. I helped draft the medicare bill in 1961. I have been a cosponsor of every one of these measures. I was not hesitant about these proposals. The administration proposed a 15-percent increase in retirement benefits and a $70 a month minimum, and several other proposals. If we had had the type of support which we now have on an emotional basis, perhaps we could have given the elderly people what they were entitled to, and have given them $100 per month, rather than $70. I prefer to give them the money to live on. Give the 20 million or more aged people $100, which would take them out of the level of poverty so that they can pay for their medicines.

This is more than what this body or the other body wants to do. The House of Representatives wants to give them only $50 a month.

So I do not have to apologize for my actions on this legislation.

If protecting the public health were not reason enough for us to act, and of course it is, protecting the public purse which finances the Government's expanding health programs requires that these lingering issues of drug quality and costs be resolved once and for all, and as promptly as possible.

I want to point out that there are two factors involved, not just that of cost, but of quality. They should be resolved as quickly as possible. That is what the bill intends to do. It intends to have a review of this matter and a report 6 months before the Senator from New Mexico could even have his present amendment in effect.

But dollars and cents, Mr. President, are not the only things at stake.

Assuring the quality of patient care must remain a first consideration. This has been one of the real, agonizing problems that the Department of Health, Education, and Welfare has had in putting the medicare program into effect. I compliment the Department for working out a very sticky situation and giving priority to the health of the aged people.

Our Nation's wise public policy of fostering progress of the medical and related sciences for every man's benefit must also be maintained. Only after careful consideration of all factors bearing on these crucial aspects can we really afford to get down to dollars and cents.

In recognition of the complexities of these issues, Mr. President, the Committee on Finance has added to the House-passed Social Security Amendments of 1967, H.R. 12080, a provision which was offered by the Senator from Indiana directing the Secretary of Health, Education, and Welfare to make a comprehensive investigation of the effects of two major legislative proposals in the field of health and welfare.

These legislative proposals, one introduced by the Senator from Louisiana, and the other by the Senator from New Mexico, were:

First, a bill to add certain prescribed drugs to the supplementary medicare insurance program under specific quality and cost controls; and, second, a bill to establish Federal standards of quality and cost for drugs provided under other health and welfare sections of the Social Security Act.

The Secretary of Health, Education, and Welfare would report back to the Congress with his findings and recommendations by January 1, 1969.

Consideration would be specifically given by the Secretary, under the bill, to the following factors:

First. Price savings which might accrue to the U.S. Government from the enactment of such legislation.

Second. Effects upon all segments of the health professions.

Third. Effects upon all elements of the pharmaceutical industry, including large and small manufacturers of drugs, wholesalers, and retailers of drugs.

Fourth. Such other medical, economic, and social factors as the Secretary determines to be material.

During hearings on these proposals, testimony was presented by officials of the Health, Education, and Welfare Department, including the Commissioner of the Food and Drug Administration. Witnesses from the professions of medicine and pharmacy, and from the pharmaceutical industry also appeared.

The overwhelming weight of this testimony was that action should be deferred by Congress pending the completion of comprehensive Health, Education, and Welfare Department studies of the professional, economic, social, and other effects of the proposed legislation.

Mr. TYDINGS. Mr. President, will the Senator yield?

Mr. HARTKE. I am glad to yield.

Mr. TYDINGS. I have been following the debate and the dialog of the Senator from Indiana with some interest. I wonder what additional facts we need to know that a great many American people are paying exorbitant prices for the cost of drugs, particularly to our elderly citizens.

Mr. HARTKE. May I say to the Senator from Maryland that the report of the HEW demonstrates that there are 12 items, which are complex and highly controversial, on which they have not been able to make a decision, and which I will read in a few moments.

Mr. TYDINGS. The overall problem is universally recognized, as between the work of the Antitrust Subcommittee and the Judiciary Committee, that this is one place where many American citizens are really taken advantage of.

Mr. HARTKE. Let me ask the Senator from Maryland how he proposes to do this any faster by following the proceduce outlined by the Senator from New Mexico in his amendment today, other than by following that procedure which is outlined in the bill?

Mr. TYDINGS. In the first place, the activities of the opposition indicate that if the amendment were adopted, protection would accrue to the American citizens, particularly the elderly, in a much more rapid fashion.

Basically, the minute the drug companies come under the same restrictions, the minute our elderly have the same protection on the cost of drugs outside of a hospital that they now have in it, the protection begins; is that not a fact?

Mr. HARTKE. No, that does not correspond with the facts; but the question I asked was, How would he accomplish his goal any faster? The bill of the Senator from New Mexico would not go into effect next year. Read it.

I recall that the Senator from New Mexico complained about the letter from Mr. Myers, of the Social Security Administration. I read from line 2, under section 1832(a)(3), as follows:

100 percent of such expenses.

That happens to be in the Senator's bill, in case the Senator from New Mexico failed to read his own bill.

Mr. TYDINGS. Will the Senator yield further? If it is not to go into effect next year, why the big opposition?

Mr. HARTKE. There is not going to be any effect at all. This will destroy the effect of the study now being made by the Committee on Finance. Does the Senator from Maryland not want the study made?

Mr. TYDINGS. The Senator from Maryland, quite frankly, would like to see the people of the United States protected from the exorbitant cost of drugs, particularly our elderly people.

Mr. HARTKE. I would, too.

Mr. TYDINGS. I think the amendment is worthy of commendation, and I commend the Senator from New Mexico, and hope he perseveres in this fight.

Goodness knows, the people of the United States deserve a few champions in this field, and I am glad to see the Senator from New Mexico in there looking after the little man and the elderly man, who is hit hardest by these costs. I know what those prices are.

Mr. HARTKE. The Senator from Maryland is quite right in commending the Senator from New Mexico, because this is a noble purpose. But that noble purpose will not be accomplished as fast nor in as good a fashion as if we followed the provisions in the Senate bill.

But I am not competent to determine what drugs are to be used, and do not propose to try to tell them how to do it. I think it is better to follow the Department of Health, Education, and Welfare study. I shall detail those studies in a moment.

Mr. MONTOYA. Mr. President, will the Senator yield at this point?

Mr. HARTKE. I am happy to yield.

Mr. MONTOYA. As the Senator knows, one of the features of my bill is to establish a Formulary Committee, which I think is a good idea.

Mr. HARTKE. When would that Committee be established?

Mr. MONTOYA. Immediately after the effective date of the section, which would be July 1, 1969.

Mr. HARTKE. Let me——

Mr. MONTOYA. May I go further?

Mr. HARTKE. Well, let us just——

Mr. MONTOYA. And lay my premise for the question?

Mr. HARTKE. Well, all right.

SOCIAL SECURITY ACT AMENDMENTS OF 1967

The Senate resumed the consideration of the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

Mr. PROUTY. Mr. President, I send to the desk an amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The Assistant legislative clerk proceeded to read the amendment.

Mr. PROUTY. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered, and the amendment will be printed in the RECORD.

The amendment, ordered to be printed in the RECORD, is as follows:

Add the following new section after line 21, page 423:

"PROTECTION OF VETERAN'S BENEFITS

"SEC. 508. (a)(1) Section 415(g) of title 38, United States Code, is amended by adding at the end thereof a new paragraph as follows:

"'(3) Notwithstanding the provisions of paragraph (1) of this subsection, in the case of any individual—

"'(A) who, for the month in which the Social Security Amendments of 1967 is enacted, is entitled to a monthly insurance benefit under section 202 or 223 of the Social Security Act, and

"'(B) who, for such month, or for any subsequent month, is entitled to dependency and indemnity compensation under this section,

there shall not be counted, in determining the annual income of such individual, any increase in benefits under such sections of the Social Security Act which result from the enactment of the Social Security Amendments of 1967.

"(2) Section 503 of title 38, United States Code, is amended by inserting '(a)' after '503', and adding at the end thereof the following:

"'(b) Notwithstanding the provisions of subsection (a) of this section, in the case of any individual—

"'(1) who, for the month in which the Social Security Amendments of 1967 is enacted, is entitled to a monthly insurance benefit under section 202 or 223 of the Social Security Act, and

"'(2) who, for such month, or for any subsequent month, is entitled to pension under the provisions of this chapter, or under the first sentence of section 9(b) of the Veterans' Pension Act of 1959, there shall not be counted, in determining the annual income of such individual, any increase in benefits under such sections of the Social Security Act which result from the enactment of the Social Security Amendments of 1967'."

Mr. PROUTY. Mr. President, I ask unanimous consent that the name of the senior Senator from New Hampshire [Mr. COTTON] be listed as a cosponsor on the amendment I just sent to the desk.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. PROUTY. Mr. President, it is common knowledge that the best of intentions often create irreparable harm to other individuals. For example, I am sure that each one of us felt a certain sense of pride in having performed a vitally important service when we voted for the Social Security Amendments of 1965, and certainly, Mr. President, the establishment of medicare under those 1965 amendments and the 7-percent-across-the-board benefit increase aided millions of older Americans who had been crying out for help from their elected officials.

However, as tragic as it may seem, those 1965 amendments also created a great disservice to over 26,000 individuals receiving pensions from the Veterans' Administration. I am sure that every Member in this Chamber received numerous heartbreaking letters from widows of individuals who had given the supreme sacrifice for the love of their country. I am sure that every Member in this Chamber received numerous letters from veterans themselves who were stunned with disbelief that the Government would give them a pension one year and pass legislation the next year which would have the effect of substantially diminishing their income. Quite frankly, Mr. President, I am certain that most Members of this Chamber were as shocked and surprised as the VA pensioners who suddenly have a substantially decreased income.

Mr. President, the sad situation which existed after the last social security increase was not deliberate nor malicious on the part of Congress. In fact, Congressman TEAGUE, esteemed chairman of the Veterans' Affairs Committee in the House, guided to passage a bill in 1964 which was designed to take care of the effect of any social security increases on the means test applicable to VA benefits. In 1964 this bill was passed by the House and the Senate and signed into law, with the expectation that it would prevent hardship which might result from pending legislation designed to increase social security benefits. Unfortunately, there were no social security increases in 1964.

During the hiatus between passage of the veterans bill increasing the income limitation by 10 percent and the social security bill of 1965 which increased benefits by 7 percent, numerous individuals qualified for veterans benefits because of the more liberalized formula. Consequently, when the social security bill provided a 7-percent benefit increase, many of those individuals found their total income exceeded the limitations provided under the veterans pension law. Therefore, many of them either entirely lost their eligibility for veterans pensions or had their benefits cut by as much as 30 percent.

During this session of Congress, Mr. President, both the Senate and House favorably acted on S. 16, a bill which increased veterans pensions. In the version of S. 16 that passed the Senate, there was a specific provision for exempting future social security increases from counting toward income for purposes of veterans pensions. Unfortunately, this provision was deleted from the bill during the conference between the House and the Senate.

Mr. President, I can readily understand the reasons this provision was deleted from S. 16. Certainly it would be inadvisable to create a situation similar to the one created in 1964 whereby individuals could become eligible for veterans benefits only to face certain disappointment when and if Congress ever increased social security benefits.

Now it is my understanding that during the conference on S. 16, Congressman TEAGUE assured the conferees from the Senate that as soon as a social security bill was passed his committee would initiate action on a separate bill which would exempt veterans pensions from the effect of the social security increase on their income limitations. While I have no doubt that Representative TEAGUE would do his utmost to encourage prompt enactment of such legislaiton, I fear that since the time is growing late during this session of Congress and the press of unfinished business is upon us, we must be efficient and add a savings clause to the social security bill which is before us.

During April of this year, the Subcommittee on Employment and Retirement Incomes of the Special Committee on Aging, of which I am a member, conducted hearings on the reduction of retirement benefits due to social security increases. Now both H.R. 5710, the administration's proposal, and the majority of the members on the Special Committee on Aging, recommended that persons receiving veterans benefits be given the right to waive any social security increases so as not to jeopardize their veterans benefits. I felt, as did the minority of the Special Committee on Aging, that the waiver position is grossly unfair because it in effect penalizes beneficiaries of veterans pensions by not providing them the same benefit increases granted beneficiaries of social security who do not receive veterans pensions.

For a long-range solution to the problem of reduction of retirement benefits due to social security increases, I believe that the next session of Congress should seriously consider including an automatic cost-of-living increase proviso with respect to the income limitations contained in the veterans pension law. Only by the use of such a proviso will we be able to avoid the re-occurrence of the tragic situation which occurred after the 1965 social security increase.

Mr. President, for this session of Congress I believe that we should enact the short-term solution of permitting the veteran to disregard social security increases with respect to their income limitations. I believe that the Minority report of the Special Committee on Aging clearly stated the desirability of such a solution when it pointed out:

> Because the greatest absolute injury produced by social security increases, as disclosed in the subcommittee hearing, is that being experienced by many veterans who suffer actual loss of dollar income, we believe an additional word about possible emergency action is appropriate.
>
> Rather than use of a waiver of social security benefits by the veteran, we would prefer that part or all of such benefits be disregarded in determining his eligibility for pension.
>
> We recognize that this, like any narrow approach, fails to take into account the veteran who receives income increases—which may not increase his purchasing power—from sources other than social security. It is partly because the piecemeal, stop-gap approach so commonly generates new inequities that we urge the long range, fundamental approach to such problems.

There is nothing novel about this proposal, Mr. President. On at least two previous occasions, both the Senate and House have enacted similar provisions.

I think the desirability of the amendment which would in effect exempt this particular increase in social security benefits from counting toward the income limitation in the veterans pension laws cannot be questioned. After all, the purpose of increasing social security is to provide older Americans with some relief from the inflationary pressures which have become a way of life almost since the end of World War II. Moreover, Mr. President, the very basics of the social security system is that of a social insurance. As a social insurance, it contains a contributory feature whereby those Americans covered by the system pay for or earn a substantial portion of their benefits. It seems grossly unfair to me to deny recipients of veterans pensions the increased benefits merely because there is a clash between two Federal pension systems.

If we accept the desirability of passing social security increases on to the recipients of veterans pensions as well as other Americans covered by social security, then the only question which remains is whether or not this bill is the proper vehicle for accomplishing our desired purpose.

As far as the Senate of the United States is concerned, I am sure that it makes little difference since the Fiance Committee handles both social security and veterans legislation. However, in the House there is a certain jurisdictional problem because social security legislation is handled by the House Ways and Means Committee and veterans legislation is handled by the Veterans' Affairs Committee.

During the hearings before the Ways and Means Committee, on H.R. 5710, Chairman MILLS stated:

Why would it not be simpler to allow an additional percentage of the social security payment to be disregarded for the purpose of paying veterans payments? That is what he did before. I thought that is what he wanted to do this time.

At another point in the hearings, Representative CONABLE conducted the following colloquy with Wilbur Cohen, Under Secretary of Health, Education, and Welfare, and chairman of the Ways and Means Committee, WILBUR MILLS:

Mr. CONABLE. Is there any way in which these pieces of legislation could be tied together so that if one failed and the other did not, you would not have a repetition of this kind of unfortunate thing?

Mr. COHEN. I think that at the point at which we last time imposed it, the logic was to put it in the social security bill, and over in the Senate, where the Senate Finance Committee handles both programs, in the past that has somtimes been considered; if you keep them together in the social security bill, then I think you would have a closer, more intimate relation along the line of what the chairman himself said, but I think the last time the difficulty came because it was in a different bill.

The CHAIRMAN. On the basis of the action taken in the House to provide for an increase in benefits in 1964, the Veterans' Affairs Committee passed legislation and sent it speedily through the House providing that 10 percent of the amount of the social security payment would be disregarded in determining one's eligibility for pension payments. That passed and our bill did not pass. It is our understanding that that immediately made people eligible for veterans' pensions who were not up until that time eligible for pension.

Then later on we did increase benefits, you will remember, in 1965, and because there wasn't a comparable percentage reduction in social security payments for purposes of determining one's eligibility for pension payments, some people received $5 or $6 in the way of a social security increase and then lost $25 or $30 in pensions because they were cut back from say, $105 to $80.

Mr. CONABLE. If there had been no hiatus, there would not have been this problem. This would have to be done on the Senate side.

Mr. President, I am sure that we all agree that we do not want to see veterans or their widows have a reduction in income because of social security increases provided by this bill. I believe that my amendment provides the most efficient and safest way to insure that veterans benefits are protected. It provides that this particular social security increase shall be disregarded when determining whether or not a veteran or his widow meets the eligibility requirements of the income limitations contains in the veterans pension law.

The adoption of this amendment with respect to this particular bill will avoid any confusion which might result either in Congress, the administrative agencies involved or the general public.

Mr. President, I have discussed this amendment with the distinguished chairman of the Finance Committee and with the ranking minority member, the distinguished Senator from Delaware. I understand that it is acceptable to them.

Mr. LONG of Louisiana. Mr. President, the Senator has a worthy project in mind.

The House Veterans' Affairs Committee proposes to meet the same problem in a somewhat different manner. Their approach would be to see how much the maximum increase would be under the final bill as reported from the conference committee, and then permit people to continue to get their veterans' benefits and to enjoy increased income from any source, including social security, up to the maximum provided in the bill.

Their approach, as I say, is different. However, the purpose of the Senator is what we have tried to do in the Senate on a number of occasions. We have been unable to prevail because the House conferees point out that it would be inequitable with respect to people receiving income from other sources—that they, too, should be considered.

I would be glad to take the amendment with the understanding that we anticipate difficulty on the House side because the House Veterans' Affairs Committee would propose to answer the question in a somewhat different way. However, it reaches the same result insofar as the veterans receiving the social security benefits are concerned.

I told the Senator, and I say to the Senate, that I have no objection to the amendment with the understanding and with his recognition of the fact that we will face a problem, and a difficult problem, when we reach the House side, because there is a jurisdictional problem as well as a difference in approach.

The amendment is meritorious, and I personally have no objection to it.

Mr. PROUTY. I am very grateful to the Senator for his consideration.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. PROUTY. I yield.

Mr. WILLIAMS of Delaware. I agree with what the chairman of the committee has said, and I shall be glad to take this amendment to conference. It does have a great deal of merit.

However, as the chairman has pointed out, we are confronted with a jurisdictional question when we get to the House, because the Veterans' Affairs Committee perhaps will insist upon acting on the proposal. However, I would be willing to accept the amendment and do the best we can.

Mr. PROUTY. In my judgment, adoption of the amendment as part of the Social Security Act will serve to expedite the matter in the House, if it does nothing else.

I am grateful to the chairman of the committee and the ranking minority member of the committee.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Vermont.

The amendment was agreed to.

AMENDMENT NO. 445

Mr. PROUTY. Mr. President, I send to the desk an amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk proceeded to read the amendment.

Mr. PROUTY. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered; and without objection, the amendment will be printed in the RECORD.

The amendment is as follows:

Beginning on page 62, line 3, strike out all through line 6 on page 68 and beginning on page 73, line 13, strike out all through line 15 on page 77 and add the following new section after line 21, page 423:

"PROVISION FOR MAINTAINING FINANCIAL BALANCE OF SOCIAL SECURITY TRUST FUNDS

"SEC. 508. Title XI of the Social Security Act is amended by adding the following new section:

"'APPROPRIATIONS FROM GENERAL REVENUES

"'SEC. 1121 (a) Prior to the beginning of each fiscal year (except in the case of the fiscal year ending June 30, 1968, and in the case of such year, as soon as practicable after the enactment of the Social Security Amendments of 1967) the Secretary of Health, Education, and Welfare (hereinafter in this section referred to as the "Secretary") shall submit to the Congress his estimate of the amount, if any, by which the expenditures from the Federal Old-Age and Survivors Insurance Trust Fund during such year will exceed the amounts deposited (without regard to this section) into such Fund during such year, and his estimate of the amount, if any, by which the expenditures from the Federal Disability Insurance Trust Fund during such year will exceed the amounts deposited (without regard to this section) into such Fund during such year, such estimate to be increased or decreased, as the case may be, by the amount, if any, by which the appropriation for any prior year under this section was greater or lesser than the actual difference between the amounts of expenditures and deposits involved and for which a prior adjustment in the amounts appropriated under subsection (b) had not been made.

"'(b) There are hereby authorized to be appropriated to the Federal Old-Age and Survivors Insurance Trust Fund and to the Federal Disability Insurance Trust Fund, for the fiscal year ending June 30, 1968, and for each fiscal year thereafter, amounts equal to the estimates submitted to the Congress by the Secretary pursuant to subsection (a)'."

The PRESIDING OFFICER. Does the Senator request that the various amendments be considered en bloc? I notice that they are on various pages.

Mr. PROUTY. I believe it is the same amendment.

The PRESIDING OFFICER. It is all in one amendment. It refers to five different places in the bill.

Mr. PROUTY. Mr. President, I ask unanimous consent that the amendments be considered en bloc.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and the amendments will be considered en bloc.

Mr. PROUTY. Mr. President, I ask unanimous consent that the distinguished senior Senator from New Hampshire [Mr. COTTON] be listed as a cosponsor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. PROUTY. Mr. President, I will explain briefly what the proposed amendment would do.

First, the present taxable salary base of $6,600 would be retained.

Second, the amendment would maintain the scheduled payroll tax rates as amended in 1965.

Third, it would retain the increased benefits provided in the social security bill as reported by the Finance Committee.

Mr. President, I have prepared a chart which illustrates the projected surpluses which would be created under existing tax rates with a $6,600 base.

In the judgment of Senator COTTON and myself, these surpluses are clearly ample to provide increased benefits without saddling employees and employers with unconscionable tax increases.

As a matter of fact, without a benefit increase, existing social security taxes would create a surplus of over $344 billion by the year 2000.

Mr. President, under the bill reported by the Finance Committee, increases in social security benefits would be financed by two means: First, by gradually increasing the payroll tax upon employers and employees from the present 4.4 percent to 4.8 percent in 1980; and, second, by gradually increasing the taxable income base from the present $6,600 to $10,800 in 1972.

To put it another way, under the committee bill, the maximum amount payable by an individual employee will increase from $290.40 in 1967 to $561.60 in 1972 to $626.40 in 1980.

The amendment which Senator COTTON and I propose is very simple. By striking the sections of the committee bill which change the payroll tax rates and annual base incomes subject to the tax, it leaves intact the more modest increases enacted in 1965 which are currently contained in the present law.

If my amendment is adopted, the maximum contributions by an individual employee will increase from $290.40 in 1967 to $323.40 in 1969–72 to $366.30 in 1980 to a high of $372.90 in 1987.

At the rates and bases contained in the existing law, it appears that there will be sufficient surplus each year to pay the increased benefits until 1971 or 1972, at least, and perhaps beyond that.

However, in the event that the social security surplus is not sufficient for this purpose, my amendment further provides that additional funds required to pay these benefits will be appropriated from general revenues.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD a chart, that I have compiled, which represents a comparison of contribution income and benefit outgo under present law and other proposals.

There being no objection, the chart was ordered to be printed in the RECORD, as follows:

NO NEED TO INCREASE SOCIAL SECURITY TAX RATE OR SALARY BASE TO FINANCE H.R. 12080 AS REPORTED BY THE FINANCE COMMITTEE

COMPARISON OF CONTRIBUTION INCOME AND BENEFIT OUTGO UNDER PRESENT LAW AND OTHER PROPOSALS AS COMPILED BY SENATOR PROUTY

	Contributions under present law	Benefits provided under bill reported by Finance Committee	Surplus or deficit
1967	$28,500,000,000	$	$4,300,000,000
1968	29,600,000,000	29,000,000,000	600,000,000
1969	33,700,000,000	32,700,000,000	1,000,000,000
1970	35,200,000,000	34,400,000,000	800,000,000
1971	36,200,000,000	35,900,000,000	300,000,000
1972	37,200,000,000	37,400,000,000	[1] −200,000,000
Surplus			6,800,000,000

	Contributions under Finance Committee bill	Benefits under Finance Committee bill	Surplus or deficit
1967			$4,300,000,000
1968	$31,200,000,000	$29,000,000,000	2,200,000,000
1969	36,300,000,000	32,700,000,000	3,600,000,000
1970	38,300,000,000	34,400,000,000	3,900,000,000
1971	42,500,000,000	35,900,000,000	6,600,000,000
1972	46,000,000,000	37,400,000,000	8,600,000,000
Surplus			29,200,000,000

	Contributions under House bill	Benefits under House bill	Surplus or deficit
1967			$4,300,000,000
1968	$30,800,000,000	$28,700,000,000	2,100,000,000
1969	34,900,000,000	30,300,000,000	4,600,000,000
1970	36,500,000,000	31,700,000,000	4,800,000,000
1971	40,300,000,000	33,100,000,000	7,200,000,000
1972	42,000,000,000	34,600,000,000	7,400,000,000
Surplus			30,400,000,000

	Contributions under present law	Benefits under present law	Surplus or deficit
1967	$28,500,000,000	$24,200,000,000	$4,300,000,000
1968	29,600,000,000	25,500,000,000	4,100,000,000
1969	33,700,000,000	26,900,000,000	6,800,000,000
1970	35,200,000,000	28,200,000,000	7,000,000,000
1971	36,200,000,000	29,400,000,000	6,800,000,000
1972	37,200,000,000	30,800,000,000	6,400,000,000
Surplus			35,400,000,000

[1] Deficit.

Mr. PROUTY. Mr. President, I yield the floor.

Mr. LONG of Louisiana. Mr. President, I yield to the Senator from West Virginia.

CORRECTION OF PRINTED AMENDMENT

Mr. BYRD of West Virginia. Mr. President, on yesterday, I offered on behalf of the junior Senator from Florida [Mr. SMATHERS] an amendment which was intended to be proposed by him to H.R. 12080, the social security bill.

In the printing of the amendment, my name was incorrectly shown as cosponsor of the amendment. Although I may very well vote for the amendment, I would not want to arrogate to myself any authorship of this amendment, and I would not want to take advantage of the distinguished Senator from Florida [Mr. SMATHERS] at a time when he was necessarily absent.

Therefore, I ask unanimous consent that the amendment be reprinted and that the correction be made. I was merely offering the amendment in his absence, and it was not intended to be proposed by me in behalf of myself and the junior Senator from Florida, as the printed amendment incorrectly states.

The PRESIDING OFFICER. Without objection the amendment will be reprinted, to show that it is offered by the Senator from Florida [Mr. SMATHERS] and was merely presented by the Senator from West Virginia [Mr. BYRD].

Mr. LONG of Louisiana. Mr. President, I should like to discuss some of the arguments that have been advanced as the debate has progressed; and I thought it might be well, particularly at a time when I would not be impeding the work of the Senate otherwise, to summarize the debate from the point of view of the manager of the bill.

From time to time, I will attempt to debate the general issues of the committee bill and answer the arguments tha thave been advanced against it.

Mr. President, on yesterday, Senators on the Republican side of the aisle charged that the social security bill was inflationary. I want to respond to that charge by pointing out that the social security program this year, next year, the following year, and every year into the future that we can predict will be collecting more in taxes than it would be paying out in benefits.

Between now and 1972, the committee-approved bill would raise $17 billion more in taxes for the old-age and survivors insurance trust fund than that fund would pay out in benefits. Over the same period of time, the disability insurance trust fund would accumulate almost $4 billion more in taxes than it would pay out in benefits and the hospital insurance trust fund would accumulate $3 billion more than it would pay out in benefits. That means that under the Finance Committee bill—for a period of 5 years—$24 billion more taxes would be collected than would be paid out in benefits.

In fact, Mr. President, it is against that very fact that the Senator from Vermont [Mr. PROUTY] proceeds to suggest that we should not have any tax increase at all—the amendment that is pending at present. The logic of his position, as well stated by him, is that even without any tax increase, we would have enough funds to pay the benefits which the committee bill proposes.

When I studied economics, I was taught that taking money out of circulation was deflationary. Now, to the extent that the social security program will do that, it will continue to be deflationary, even as amended by the House committee and as amended by the Senate Committee on Finance. The program is now in the black. It will be in the black next year. It will be in the black the following year. It will stay in the black for as long as we can foresee into the future, under existing law, under the House bill, and under the Senate committee bill.

Furthermore, the social security program is not the sort of program that should be debated on fiscal policy grounds, although it is desirable that it should not be a burden on the Federal budget—as, indeed, it is not. It should be debated on social policy grounds, on humanitarian grounds. It should be debated from the heart and not from the pocketbook. Based on these considerations, the bill reported by the Committee on Finance must be thunderously applauded, not criticized.

I have in my hand the long-range cost estimates for the old-age survivors disability insurance system, 1966. It is identified as actuarial study No. 67, published in January 1967, by the Office of the Actuary of the Social Security Administration. It states on page 17 in describing table 22:

> Under all three estimates, the trust fund is projected to increase continuously, reaching a level of about $250 billion in the year 2000 under the high-cost estimate, and higher levels under the intermediate-cost and low-cost estimates. These high levels result from the fact that the OASI portion of the system has a significant positive actuarial balance under all three cost estimates (i.e. it is over-financed).

Mr. President, in other words, the law today does not underfinance the social security program; it overfinances it.

Our bill does not underfinance it. If we are subject to any criticism, it would be the criticism of the Senator from Vermont [Mr. PROUTY] that we are putting too much in; not too little.

Mr. President, that is the fact. We are not subject to a charge that we are underfinancing the program as the Senator has pointed out.

Mr. PROUTY. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. PROUTY. Mr. President, I appreciate the help that the Senator seems to be giving me at this time. I hope tomorrow it will be the same.

Mr. LONG of Louisiana. Before the Senator departs from the Chamber I wish to tell him that I am not supporting his amendment, and I do not intend to support it. I point out that any allegation that the program was underfinanced does not stand up.

It is the position of the actuaries, and this is attested to by our experts as well as those in the department, that the program is overfinanced; it is not underfinanced.

Mr. PROUTY. I could not agree more with the Senator.

Mr. LONG of Louisiana. I thank the Senator.

Mr. President, it was these considerations of overfinance which prompted the Committee on Ways and Means to approve a benefit and tax structure to put the system back into a more responsible balance.

Many Senators during the committee discussion on this bill pointed out that it should not be used for fiscal policy purposes. I submit to the Senate that if we were to enact a tax structure designed to fully pay for the benefits provided under this bill on a current basis, we would be using the social security system for fiscal purposes. I submit that even if we attempted to preserve the status quo we would be using the social security system for fiscal purposes.

Only by adopting the same sort of responsible approach to the financing of these social security benefits as was agreed to by the House Committee on Ways and Means can we prevent the social security trust funds from having fiscal policy implications. The House financed its 12½-percent increase with a modest increase in the progression of the tax rates up to 5.9 percent in 1987 and by increasing the taxable wage base. The Committee on Finance would pay for its 15-percent benefits by adopting virtually the identical rate structure approved by the House of Representatives and by further increasing the taxable wage base. For 1968 the Finance Committee bill produces a larger surplus of income over outgo than does the House bill. For 1969, 1970, and 1971 the House bill has a little larger surplus than our bill, but beginning in 1972, the Finance Committee bill again produces a larger balance and will continue to do so for many years into the future because of the high wage base in our bill.

Neither our bill nor the House bill is inflationary. Both bills represent good, sound financing for the social security benefits they recommend.

The Senator from Delaware has expressed a philosophy which has some fallacies from the point of view of some of us who voted to report the committee bill. For example, with regard to the Byrd amendment, this amendment would pay out benefits of a half billion dollars in 1969, but over the long run this amendment would not cost the system anything.

Under the Williams theory we would be forced to impose a tax rate increase effective in 1969 to raise funds to cover this benefit outgo and, of course, if we did do this we would be overfinancing the system over the long run. But the point is that we finance the system on a long-term basis trying, as best we can, to keep annual income and outflow on a roughly eqivalent basis and a trust fund equal to about a year's benefit payments.

The same fallacy in the Williams theory is illustrated by the current actuarial surplus in the fund. At one time it was the basic Republican position to merely pay out an 8 percent benefit increase without any increase in taxes, a perfectly reasonable position if you believed that this was a sufficient benefit increase. Such an action, however, would violate the Williams theory and, incidentally, feed inflation since over $2 billion a year would be paid out of the trust fund with nothing coming in. This illustrates once again that we must balance both the long-term and short-term effects in making our decisions.

There appears to be some confusion in the Republican camp as to just what is good legislation. Senator CURTIS praises the House bill to the hilt. Senator WILLIAMS of Delaware says, however, that a bill such as the committee bill which increases the wage base when some of the benefits go into effect, but retains the present tax rate, is bad medicine. But the Ways and Means bill—which Senator CURTIS believes is perfect—provides tax rates through 1986 which are just like the committee bill. Down which path would the Republicans have us go?

Yesterday the distinguished Senator from Nebraska compared the increase in the earnings base under the committee bill with the original $3,000 earnings base. He implied that the program has gone way beyond its original intent in this respect. I would like to give some figures which I believe will reassure the Senator from Nebraska on this point.

In 1938 the $3,000 earnings base allowed about 94 percent of all regularly employed men to get credit for their full earnings. About 93 percent of all earnings in covered employment were taxed under the $3,000 base. Under the ultimate base of $10,800 in 1972 in the committee bill the full earnings of about 78 percent of all regularly employed men would be covered—well below the figure under the original base. Moreover, 90 percent of all earnings in covered employment would be taxable, still not as high as in 1938. Thus, Mr. President, if we were to have an earnings base in 1972 that would be equivalent to the original $3,000 base, it would have to be between $13,000 and $15,000, and we do not propose to put it that high.

Mr. President, I hope these figures will illustrate to the Members that the earnings base in the committee bill is responsible and is in line with the traditions of this program established more than 30 years ago.

Another one of the points raised against the Finance Committee's bill is that it is unfair to young workers. It is said that the burden of the increased taxes would fall on this group. The committee tried to be equitable in distributing the tax burden, and as a result those who can best afford to pay the increased taxes will pay them. This will be true next year and 20 years from now.

We are aware of the tax burden on the young, and the tax schedule will help the young. The young are those most likely to earn less than $6,600, and they would not be affected by the wage base increase.

Of course, we expect the young man of today, as well as the young man in the future, to improve his situation and to increase his earnings. As he becomes better off, his social security taxes will go up until, if he is fortunate enough to earn fairly substantial amounts, he will be just about paying his own way under the program.

Mr. RIBICOFF. Mr. President, the Social Security Act Amendments of 1967 represent a landmark in the administration of aid and services for the needy. This bill will substantially change the direction and emphasis within the public welfare programs. It holds the prospect of a reversal in the trend toward increasing numbers of dependent persons and increasing costs for the taxpayer. Closely associated with the public welfare programs for many years, first as Governor of my State and later as Secretary of Health, Education, and Welfare, I am aware of the complicated nature of the program and the intricate and frustrating problems which individuals in need bring to the public welfare agencies. The question we face is

how best to administer these services and what can be done to reduce the number of persons who must rely on public assistance.

During my term as Secretary, the significant Public Welfare Amendments of 1962 were enacted. These amendments encouraged the States to establish programs of social services to help needy people to become self-supporting. In spite of these constructive measures, the number on welfare has continued to grow. We must look at the program again in the light of the situation we currently face in the Nation and see what additional changes are needed.

This essentially was the approach that was used in the House. The bill H.R. 12080 is the result of that consideration. That body gave considerable study to the problem and set forth recommendations for a modified public welfare program designed to reduce the number of persons receiving aid. As a member of the Senate Finance Committee, I had the opportunity to contribute toward major modifications and improvements in that bill. The Senate Finance Committee has retained the essence of that bill and has included changes designed only to clarify some of the provisions to make more explicit the intentions of the Congress, and to set up some safeguards to assure proper administration of its provisions. I recommend the bill to everyone as a reasonable, humane, and effective approach to some of the most difficult problems the Nation faces.

A WORK-TRAINING EMPHASIS

The major feature in the bill has to do with a program of work incentives for families receiving aid to families with dependent children. These provisions are innovative because they recognize for public welfare purposes what has long since become a fact in our society—that women are working in the economy, that they want to work, and that it is possible for satisfactory arrangements to be made for the care of their children. This legislation provides funds for daycare services for the children of AFDC mothers and low-income working mothers.

It is appropriate for all parents and older children to have their circumstances reviewed to identify those who are available for a work or training experience. The Senate bill wisely identifies certain groups of people who ought not to be considered in the pool of those automatically considered appropriate for training or work experience. These include any person with an illness, incapacity, or advanced age; a person whose remoteness from a project precludes effective participation in work or training; persons whose presence in the home is required because of illness or incapacity of a member of the household; a mother who is actually caring for one or more children of preschool age if her presence in the home is necessary and in the best interest of the children. All other persons are to be considered available for training or work.

It is not anticipated that in very many instances will this decision by the welfare agency be questioned by the recipient. If he has such question, he has available to him the fair hearing machinery of the public welfare agency. Since training will lead to work and work will lead to earnings, very likely above the current level of assistance, it is hoped that assistance recipients will welcome this opportunity to be a participant in the labor force.

A major feature of the work-training program will be its administration by the Department of Labor using all of the manpower training skills of that agency. Under the provisions of the bill, that agency will be responsible for evaluating the work potential of everybody referred to them by the welfare agency as suitable for employment. Testing and analysis of the work history should enable the Labor Department to develop a plan for each individual leading to some kind of work. The individual referred may be immediately suitable for employment. If so, he will be placed by the Labor Department. He may need the benefits of some of the existing manpower training programs operated by the Department of Labor. If so, these will be available to him. He may need a program of compensatory education, training in work skills, and training on the job before he can be given employment. The Labor Department has accepted responsibility for the provision of such services to available people.

If the individual's background indicates he is not likely to benefit by training, or if employment for him is not actually available, the Department of Labor is instructed to negotiate with private and public employers for noncompetitive jobs for the people involved and the welfare departments are directed to pay to the Secretary of Labor an amount equal, approximately, to the assistance payment, which amount, when added to the amount the employer agrees to pay for the work performed, is then used to pay the individual an hourly rate. Under this plan, individuals who would otherwise not have the opportunity to work will be able to do so, employers will have work performed which needs to be done, and the individual will earn money beyond his assistance payment which will serve as an incentive for him to keep on the job. Thus, under the committee bill, the public welfare programs will be pointed toward employment and every employable person receiving AFDC will have an opportunity to become a wage earner and to benefit from his employment.

WORK INCENTIVES

Closely tied to this provision is the arrangement for the disregarding of some earned income for employed adults and older children in the AFDC program. For the first time, adults will have the encouragement to take a job and to retain some of their earnings for themselves. The first $50 a month from a household can be retained and one-half of all additional income earned. This provision responds to the accepted fact of life that we live in an incentive economy and people are more likely to work if they receive material benefit for such employment.

ASSISTANCE TO CHILDREN OF UNEMPLOYED FATHERS

The unemployed fathers program is strengthened and improved over both the existing program and the program as proposed for modification by the House. Under the committee bill, there will be a Federal definition of unemployment which should end the variations around the country in the determination of who is eligible. The House bill is improved by making the program available to persons even though they may have only a slight previous attachment to the labor force. If ever there were a group of people who need the advantages of the work-training program, it is the young fathers who have had very little work experience. Also, under the committee bill, it will be possible for the States to supplement the benefits paid by the unemployment insurance program, something the States are prohibited to do under the House bill.

CHILD CARE SERVICES

One of the keys to increased employment of women receiving AFDC is the availability of child care services. Two provisions are contained in the bill to help deal with this acute shortage in the Nation. Under the AFDC program, States would be required to provide adequate child care services and this could be done either by purchase or by the actual operation of facilities. States would receive, initially, 85 percent Federal sharing in the cost, and later, 75 percent. This provision is aimed at mothers of dependent children who are found available for work, and would not be available to persons who are not receiving assistance. The provisions relating to child welfare services under the Social Security Act would also be amended, however, for the purpose of increasing the funds for daycare services for low-income persons who are not receiving assistance. This will help to meet a very substantial need for these services throughout the whole Nation.

RELATIONSHIP TO LAW ENFORCEMENT AGENCIES

There are several provisions in the bill on the relationships of public welfare programs to the law-enforcement agencies. These provisions are designed to secure the legal rights of children by establishing paternity, in all instances of children born out of wedlock, and making sure that the law-enforcement people are informed of all instances of expected exploitation or neglect of children, and to enlist the total support of law-enforcement officials in the location of absent parents and the collection of support orders. To assist in the effective implementation of these provisions, the State welfare departments are directed to meet part of the cost of the State law-enforcement function that relate to services to needy children. The committee bill contains a unique provision to aid in the location of deserting parents and in the collection of the amounts due their children. Welfare agencies are to have the use of information in the files of the Internal Revenue Service in the location of absent parents, in addition to the resources they now have of the social security files. There may be some persons who owe support to their children who have the ability to pay the required sums and who have refused to do so. In those instances, the Internal Revenue Service is directed to proceed against the individual as though he had a tax obligation which he has not paid and to collect the

sums due. We do not expect that very many cases will reach this point. We expect that the very existence of this provision and the knowledge of its possible use will help to bring about support from persons who are obligated to pay and that the actual collection machinery will be used only rarely.

MORE ADEQUATE ASSISTANCE

I am pleased that the Senate bill includes a provision for increasing the income of the recipients of old-age assistance, aid to the blind, and aid to the permanently and totally disabled.

Many of these people are now receiving social security benefits and these benefits will be increased under the bill. Without contrary provisions in the Federal law, the States will be making adjustments in the size of the assistance payment to take account of the increase in the social security benefit. Thus, the bill provides that States are to make such adjustments in their standards of assistance necessary to assure that all the needy adults will receive an increase in their assistance, or assistance and social security benefits, that totals $7.50 a month. States which have made very recent adjustments in these payments—during 1967—will be permitted to use the amount of the increase against the $7.50, if they wish. Thus, no State need feel compelled to increase assistance if it has done so recently.

FLEXIBILITY IN DEALING WITH EXCEPTIONAL CASES

Although nearly all recipients of public assistance are able to handle their money and spend it in the best interest of their family, there are a few persons who consistently fail to use the money for the purposes of their family needs. These cases often get in the newspaper and create public relations problems for the public welfare program. Already, it is possible for States to make a payment to a third party in behalf of the needy parent and child if the money is being misspent. These provisions will be broadened to take account of additional problems that States are encountering. Rather than the protective payment provision being optional with States, as under present law, the States will be required to have the machinery for these payments, including vendor payments, if needed. Some of the restrictions in the law which have made it difficult for States to use these provisions have been modified in the bill. In the event a parent refuses to take work or training without due cause, the payment to the family is to be made as a protective payment during the period the agency will be consulting with the individual about his refusal to take advantage of opportunities for employment.

Another change in the present law which the bill will make offers the States the opportunity to provide emergency assistance to families with children, either in the form of cash or as vendor payments. This is a very useful provision and takes into account the problems that poor families meet in the day-to-day life. Fires, desertions, and other emergencies constantly arise and welfare agencies need to have flexibility in dealing with these situations. Sometimes it is not possible, or perhaps desirable, for money to be given. States may use these provision to meet the needs of migrants.

DELETION OF LIMITATION ON AFDC

I am pleased that the committee bill has deleted the provision included by the House which would have limited, for Federal matching purposes, the number of AFDC children whose eligibility depends on the absence from the home of a parent. I can understand the reasons why the House Members included this provision. They wanted to control the overall Federal obligation and they wanted to provide an incentive for States to move ahead with efforts to restore persons to self-support. Other provisions included in the bill by the committee, in my opinion, make this provision unnecessary. Its inclusion, furthermore, raises the possibility of denying some children the assistance they need.

IMPROVEMENTS IN CHILD WELFARE AND HEALTH SERVICES

The bill contains some significant improvements in the child welfare program. Foster care for children will be opened up for Federal sharing of the cost in two respects. Under the AFDC program, the scope of federally matched foster care is broadened to include a substantial number of additional children. In addition, the child welfare services grant will also give further recognition to the needs of this aspect of the program. The bill also contains provisions to bring about a closer relationship between AFDC and child welfare services by moving toward the integration of these services in a single organizational unit. Daycare services, as mentioned earlier, will also be expanded for the care of children of working mothers.

The child health grants are consolidated and rewritten to make a more rational program. The authorization is increased with respect to a variety of services, including family planning services.

SOCIAL WORK EDUCATION

The bill contains a forward-looking provision to provide Federal support for social work education. This provision is one that I have strongly advocated both in the last Congress and in this one. There is a serious shortage of professional social workers as well as persons with social work training obtained in an undergraduate program. Programs continue to expand upon the assumption of social work manpower for their administration. Although the funds provided are small—$5 million—it should enable a beginning to be made on the expansion of social work education facilities.

CONCLUSION

This bill is forward looking and constructive. It will rank with the very significant legislation of this and other Congresses. If it results in a sound and substantial start being made, and more than this is likely, it will be a successful measure; for the problems it is dealing with are among those in our society that are most in need of correction and change.

SOCIAL SECURITY AMENDMENTS OF 1967

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of the unfinished business.

The PRESIDENT pro tempore. The bill will be stated by title.

The ASSISTANT LEGISLATIVE CLERK. A bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

Mr. MANSFIELD. Mr. President, what is the pending question?

The PRESIDING OFFICER. The unfinished business is H.R. 12080, and the pending question is on agreeing to the the amendment of the Senator from Vermont [Mr. PROUTY].

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

[No. 325 Leg.]

Anderson	Gore	Metcalf
Bartlett	Hansen	Montoya
Bible	Hart	Moss
Boggs	Hatfield	Pastore
Brewster	Hayden	Prouty
Burdick	Hickenlooper	Ribicoff
Byrd, Va.	Holland	Smith
Byrd, W. Va.	Hruska	Sparkman
Carlson	Javits	Spong
Clark	Jordan, Idaho	Symington
Cotton	Kuchel	Williams, Del.
Dirksen	Long, La.	Young, Ohio
Fulbright	Mansfield	

Mr. BYRD of West Virginia. I announce that the Senator from Nevada [Mr. CANNON], the Senator from Alaska [Mr. GRUENING], the Senator from North Carolina [Mr. JORDAN], the Senator from Missouri [Mr. LONG], the Senator from Oregon [Mr. MORSE], and the Senator from Maryland [Mr. TYDINGS] are absent on official business.

I also announce that the Senator from Idaho [Mr. CHURCH], the Senator from Connecticut [Mr. DODD], the Senator from Louisiana [Mr. ELLENDER], the Senator from North Carolina [Mr. ERVIN], the Senator from Oklahoma [Mr. HARRIS], the Senator from Washington [Mr. JACKSON], the Senator from Washington [Mr. MAGNUSON], the Senator from Minnesota [Mr. MCCARTHY], the Senator from Wyoming [Mr. MCGEE], the Senator from Oklahoma [Mr. MONRONEY], the Senator from Florida [Mr. SMATHERS], the Senator from Georgia [Mr. TALMADGE], the Senator from South Carolina [Mr. HOLLINGS], and the Senator from Wisconsin [Mr. NELSON] are necessarily absent.

Mr. KUCHEL. I announce that the Senator from Tennessee [Mr. BAKER], the Senator from Utah [Mr. BENNETT], the Senator from Colorado [Mr. DOMINICK], the Senator from California [Mr. MURPHY], the Senator from Illinois [Mr. PERCY], and the Senator from Pennsylvania [Mr. SCOTT] are necessarily absent.

The Senator from Kentucky [Mr. COOPER] and the Senator from Texas [Mr. TOWER] are absent on official business.

The Senator from North Dakota [Mr. YOUNG] is absent because of death in his family.

The PRESIDING OFFICER. A quorum is not present.

Mr. LONG of Louisiana. Mr. President, I move that the Sergeant at Arms be directed to request the attendance of absent Senators.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Louisiana.

The motion was agreed to.

The PRESIDING OFFICER. The Sergeant at Arms is instructed to execute the order of the Senate.

After a little delay, the following Senators entered the Chamber and answered to their names:

Aiken	Hill	Mundt
Allott	Inouye	Muskie
Bayh	Kennedy, Mass.	Pearson
Brooke	Kennedy, N.Y.	Pell
Case	Lausche	Proxmire
Curtis	McClellan	Randolph
Eastland	McGovern	Russell
Fannin	McIntyre	Stennis
Fong	Miller	Thurmond
Griffin	Mondale	Williams, N.J.
Hartke	Morton	Yarborough

The PRESIDING OFFICER. A quorum is present.

Mr. LONG of Louisiana. Mr. President, I ask for the yeas and nays on the pending amendment.

The yeas and nays were ordered.

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that a memorandum from Robert Myers, the Chief Actuary of the Social Security Administration, be printed at this point in the RECORD.

There being no objection, the memorandum was ordered to be printed in the RECORD, as follows:

MEMORANDUM

NOVEMBER 17, 1967.

From: Robert J. Myers, Chief Actuary, Social Security Administration.

Subject: Actuarial Analysis of Effect of Amendment Proposed by Senator Prouty in Regard to Financing Basis of Social Security System.

On November 16, Senator Prouty proposed an amendment to H.R. 12080 that would affect the financing of the Social Security program as it would be amended by the bill reported by the Committee in the following manner:

(1) The provisions in the bill as to the maximum taxable earnings base and the contribution rates for both the Old-Age, Survivors, and Disability Insurance system (OASDI) and the Hospital Insurance system (HI) would be stricken out. As a result, the contribution rates and the $6,600 earnings base of present law would remain unchanged.

(2) The benefit liberalizations in the bill would not be affected.

(3) The higher allocation of a portion of the OASDI contributions to the DI Trust Fund under the provisions of the bill would not be changed.

(4) A provision would be added such that for any year in which expenditures from either the OASI Trust Fund on the DI Trust Fund are less than the contribution income, this excess will be made up by appropriations from the General Fund of the Treasury. No such financing provision is contained for the HI Trust Fund, which could thus encounter financial problems because of the reduced financing provided.

The proposal as to financing from general revenues is on a fiscal-year basis, but the actuarial cost estimates that have been made for the bill are on a calendar-year basis. Thus, to make any analysis in the short time available, it must be considered that the proposal is on a calendar-year basis. The results of such analysis will, of course, be entirely meaningful.

As to the OASI Trust Fund, under the proposal there would be the following situation (in millions):

Calendar year	Contribution income	Outgo[1]	Excess of outgo
1968	$23,243	$24,411	$1,168
1969	27,134	27,278	144
1970	28,373	28,614	241
1971	29,145	29,635	490
1972	29,933	30,698	765

[1] Benefits, plus administrative expenses, plus railroad retirement financial interchange.

Thus, for 1968 the Government cost from general revenues would be $1.2 billion. In 1969, because of the rise in the contribution rate, the Government cost would fall to about $150 million, but it would rise each year thereafter until being $765 million in 1972. In 1973 and for a few years thereafter, there would be no Government cost—because of the increase in the contribution rate in 1973 but by 1980 the Govern-

ment cost would be $2.7 billion per year, and by 1990 it would be $7.3 billion.

As to the DI Trust Fund, under the proposal there would be the following situation (in millions):

Calendar year	Contribution income	Outgo [1]	Excess of income
1968	$3,201	$2,512	$689
1969	3,306	2,897	409
1970	3,409	3,040	369
1971	3,516	3,172	344
1972	3,616	3,304	312

[1] Benefits, plus administrative expenses, plus railroad retirement financial interchange

Thus, there would be no Government cost for the DI system for the early years of operation (since it is financed on a level-contribution basis, rather than an increasing scale as is OASI). The excess of income over outgo gradually decreases in the years shown. By 1980, the situation would be reversed, and a Government cost would occur—about $200 million a year.

As to the HI Trust Fund, under the proposal there would be the following situation (in millions):

Calendar year	Contribution income	Outgo [1]	Excess of outgo
1968	$3,150	$3,320	$170
1969	3,274	3,783	509
1970	3,394	4,143	749
1971	3,516	4,465	949
1972	3,637	4,788	1,151

[1] Benefits, plus administrative expenses, plus railroad retirement financial interchange.

Thus, for 1968, if the proposal had provided for a Government cost for the HI program, it would have been $170 million, and this would steadily have increased in the future, reaching $1.2 billion in 1972. However, no such provision was made, and the available financing would be such that the trust fund would be exhausted in 1970. In other words, under this proposal the HI program would be greatly underfinanced.

In summary, the proposed amendment, by increasing benefits significantly and by leaving the overall financing provisions unchanged, would place the OASDI system in a financial status such that sizeable Government costs would be involved, both in the short range and especially in the long range (the latter must be considered in a social insurance program, and not merely the situation in the next few years). At the same time, the HI program would be made actuarially unsound and, in fact, would be bankrupt by the end of 1970 (since the proposal makes no provision whatsoever for Government payments when outgo would exceed contribution income).

ROBERT J. MYERS.

NOVEMBER 17, 1967.

Mr. LONG of Louisiana. Mr. President, the pending amendment would cause the amount of money flowing into the social security fund to be reduced, and it would look to general revenue financing to finance much of the benefits proposed in the bill.

To this date the social security system has been financed on an actuarial basis, and the taxes have been scheduled not only to pay benefits but to build up the social security trust funds. There are a number of reasons why it should be that way. In the first place, where we have had systems that did not have an automatic contribution to cover the cost, those systems have fallen behind in the amount that would be needed to fund the retirement program for the future.

A classic example of this is the civil service retirement system. Here requests for and appropriations of funds have fallen badly behind as to the general governmental contribution—which constitutes over one-third of needed funds—and now the civil service retirement system is faced with actuarial insufficiency that totals about $43.4 billion. If these appropriations are not made the fund wil be broke about 1985.

Also, one section of the 1965 social security amendments deserves special mention because it illustrates a problem that occurs when appropriations from general revenues are used.

Congress had provided that the cost of certain gratuitous military service wage credits were to have been paid out of general revenues. Up to the time of the 1965 amendments, however, the social security trust funds had been reimbursed only for the cost of these credits through August 1950. The law in effect prior to the 1965 amendments provided that the costs incurred after August 1950 and through June 30, 1956, were to have been paid over the 10 fiscal years ending June 30, 1969, and the costs incurred after June 1956 were to have been paid annually. However, no payments were ever made under this provision primarily because both Republican and Democratic administrations did not request the appropriation. The 1965 amendments authorized a level annual appropriation from general revenues, starting in fiscal 1966, to amortize both the accumulated costs and the additional costs that would accrue through fiscal year 2015 with annual appropriations for costs incurred after fiscal 2015. Following enactment of the 1965 amendments, annual appropriations from general revenues have been made for this purpose but the administration has never requested the full amount as calculated by the Social Security Administration actuary.

These indicate some of the problems you might have with general revenue which we do not have with the employee-employer social security tax system.

Mr. President, in view of this experience, when Congress is expected to appropriate money for a retirement program and does not do so, in view of the fact that there is increasing complaint among young people about paying the present social security taxes, in view of the experience we have in Congress at present, when the Senate is willing to appropriate a certain amount of money but the House is not, in view of the situations that occur when someone says the Government cannot afford these big budgets and moves for a 10-percent or a 5-percent, across-the-board cut in all appropriations, I honestly do not believe that the old people in this country want to depend upon Congress for annual year to year appropriations. If they have a retirement system to which they have contributed their money—to which they have contributed half of the cost—and which is to be funded not only for the present but also for the future, I believe they would like it to stay on the same contributory basis rather than be in the position of depending on Congress for year-to-year appropriations.

Such a charge could conceivably mean that at some future date, when ther are many more old folks than now, and when disabled people are under the program and younger people begin to complain about the cost of this program, there might be a big cutback.

For example, in this bill, we are looking at the medicaid program, which is costing much more than was estimated when that program went into effect. We had a very liberal matching formula under that program. We were to start with 50 percent matching, to go up to as much as 83 percent in a State with lower incomes. It is costing so much more money than we anticipated that we now propose to square those two figures so as to arrive at the State's share and arrive at the cost. You multiply 50 percent by 50 percent, and the Federal share thereby becomes 25 percent, as a matter of economy.

In my judgment, we have a right to do that when we finance these benefits out of general revenues. This is a Federal appropriation. The cost of what we have now is too great, and we are going to change it in the Federal interest and in the interest of the public in general. The present plan might be desirable, but it is more expensive than we intended.

That is the difference between a program in which you seek to project your tax and your financing into the future so that when a person contributes something, he may be assured of benefits in the future, and a situation in which you are counting on the Federal Government to put up general revenues to finance the program. I believe the old people would prefer a program that relies upon insurance principles and guaranteed financing, rather than dipping into general revenues to pay the benefit.

Mr. PROUTY. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. PROUTY. Mr. President, first may I point out that last night, on the Senate floor, the distinguished Senator from Louisiana made a very eloquent argument in support of the position taken by Senator COTTON and me. The Senator from Louisiana said that the social security program is overfinanced not underfinanced under present law.

I hope Senators will look at the chart, which I have had placed on their desks. It shows that under present rates, with the tax base remaining as it is, from now to 1972 the social security trust funds will show a surplus of $6.8 billion.

In addition, I understand that the money presently in the fund totals approximately $28 billion, which would make a total surplus of $34.8 billion.

It seems to me, Mr. President, that the young people and the middle income group would be hit the hardest by the proposed change in the social security payroll tax as contained in the committee reported bill. I am sure that these wage earners would much rather pay less than to have the unnecessary tax increase which is proposed in the bill. That is what they are concerned about. I will go into that in more detail on my own time.

I believe the Senator from Louisiana should point out that this fund is overfinanced, and he so admitted last night.

Mr. LONG of Louisiana. That is quite true. I do not deny that.

However, Mr. President, this Government is faced with an enormous deficit this year, and it is faced with an enormous deficit even if you look at it on a national income accounts basis. In other words, the Government is just spending and thereby pumping into circulation many billions of dollars, tens of billions of dollars, more than the Government is taxing out of circulation. That is a real problem.

The House bill—and the Senate bill generally follows this pattern—would reduce the surplus flowing into that fund by approximately $2 billion as it is. To the extent that we do that, we worsen this Government's national income accounts position, anyway; and to go beyond that point, as suggested by the Senator, and fail to raise any revenues to help pay for the additional costs of the program, makes the situation still worse.

Of course, Mr. President, I have had some differences with the Senator from Delaware [Mr. WILLIAMS], the ranking Republican member of the committee, because he contends that we should provide for a tax now to pay for all the increased benefits when we vote to provide them for the future. I have contended that we are being responsible if we provide enough tax merely to pay for the increase the Senate committee has voted.

If we ever reach the day when we are providing these increased social security benefits from general revenues alone, there will be tremendous political pressure upon Congress to be totally irresponsible and to provide big increases in payments, which cannot be sustained down through the years as the higher percentage of our population consists of persons aged 65 and over.

I am in sympathy with what the Senator seeks to do but I believe that fiscal responsibility and actuarial soundness demand that we not agree to the Senator's amendment.

Mr. PROUTY. Mr. President, as I have previously stated, I wholeheartedly approve of the liberalized cash benefits provided in the 1967 social security bill just reported by the Finance Committee. I have recommended similar increases for a number of years; and I am happy, indeed, that these proposals are now incorporated in the bill and supported by the adminstration. I have been unable to understand how anyone could oppose a minimum social security benefit of $70 a month as long as there are 5½ million Americans over 65 living in or near abject poverty.

I have been unable to understand how any person could object to an across-the-board increase in benefit, inasmuch as most of those individuals receiving social security benefits rely on it as their main source of income.

We in Congress, Mr. President, by controlling the benefit amounts which Americans over age 65 actually receive, in effect control their economic well-being. We determine whether or not millions of older Americans can afford the basic necessities. How well have these people fared at our hands?

I am not at all certain that we can pat ourselves on the back for past performance. When we consider the present plight of individuals forced to subsist on social security, we have failed in two respects. On the one hand, we have not been overly generous in granting benefit increases. On the other hand, we share some of the responsibility for a cost of living which has escalated unchecked since World War II.

The older American and the low-income worker have been the greatest losers from inflation and inadequate social security. In order to alleviate the distress of both groups, it is imperative at this time to give serious consideration to the effects of this bill on these individuals. Otherwise, Mr. President, we may find ourselves in the position of fighting the war on poverty with one hand and fanning the flames of poverty with the other.

Mr. President, I am particularly disturbed with the long-range effects which the financing provisions of the bill reported by the Finance Committee may have.

I am disturbed because the bill will have the effect of encouraging the hoarding of large sums of money in trust funds, thus removing them from circulation for no particular reason.

I am disturbed also because the bill increases the rate and base of the social security payroll tax. This will have the effect of seriously jeopardizing the economic well-being of those individuals in low- and middle-income groups.

In short, the financing method in the proposed bill is defective because it will interfere with the overall war on poverty and because it represents unnecessary interference when a reasonable alternative method of financing exists.

First, Mr. President, the method of financing contained in this bill seriously interferes with the overall war on poverty. As I pointed out to the Senate on September 25, 1967:

> If there is anything I have learned from my investigation, it is that poverty in the United States is a complex phenomenon to which there are no simple solutions.

However, Mr. President, since poverty is a complex phenomenon, it can be seriously affected by a number of forces. One of those forces which has a serious effect on economic poverty is the method of taxation for earned income.

During the poverty hearings conducted by our Subcommittee on Employment, Manpower, and Poverty, of which I am ranking minority member, a number of witnesses verified the fact that the low-income worker has little prospect for escaping the poverty cycle since his cash income is never sufficient to meet minimum needs.

For example, let us consider the employee who is being paid the minimum wage of $1.40 per hour and who works a 40-hour week. His gross income would be only $2,912.00 a year even if he faithfully showed up for work each and every day. For all practical purposes, such an individual pays no income tax. However, he must, and should pay a social security payroll tax which is matched by his employer.

The Senate Finance Committee has proposed that the social security payroll tax for OASDI and HI be increased to 5.8 percent for both the employee and employer. What effect would this have on the low-income employee? First of all, the faithful employee working at the minimum wage would have nearly $129 deducted from his annual income of $2,912. This alone would seriously affect his ability to break the poverty cycle. More important, his employer is also faced with a 5.8-percent tax on his payroll. If this employee, earning a minimum wage, is a marginal employee, many employers faced with the additional expense of the increased payroll tax will lower their liability by decreasing their workforce.

I believe, Mr. President, that this example amply drives home the point that the social security payroll tax interferes with the war on poverty. The question we must ask ourselves is how much of an interference is tolerable. I personally believe that we are approaching, if we have not already reached, the breaking point, and that we should not further increase the social security payroll tax at this time.

Moreover, Mr. President, it is not necessary to further increase the payroll tax because a reasonable viable alternative exists. That reasonable alternative, Mr. President, would be to provide a financing method which is based on a progressive rather than a regressive tax.

Each time, in my memory, that a social security increase has been enacted there has been a concomitant increase in the regressive social security payroll tax. This, to my way of thinking, represents a shortsighted piecemeal approach for financing a social insurance program. I am happy to note, however, that recently more and more individuals are beginning to agree with me that a strong, progressive social insurance system is necessary but only possible if a portion of the costs are paid from general revenue.

Mr. President, I wish to point out that this may be the ultimate approach, but in the foreseeable future there is no need to partially finance out of general revenues, even though that method was anticipated when the concept when social security was originated. Nevertheless, many individuals now recognize that sooner or later we will need to utilize general revenues for part of the financing of social security benefits if we really want an adequate social security structure. Last spring, when Walter Reuther was testifying before the Ways and Means Committee, he stated:

> I believe that one of the things that we need to recognize is that we will never build an adequate social security structure so long as we rely exclusively for the financing of that structure upon the payroll tax. We are one of the few free and democratic countries in the world where we have tried to place the total burden of the cost of social insurance upon a payroll tax. It seems to me that the only rational, and responsible, and equitable way to do this job is to have a three-way sharing of the cost of this program so that the wage earner, and the employer, and general revenue of the Federal Government all carry an equal share.

What then, Mr. President, is the justification for the use of the social security payroll tax?

I believe that, to a certain extent, its use can be justified on the psychological basis of having a social insurance system which relies on contributions equally shared by all members of the system. This psychological benefit, Mr. President, can best be seen by the reputation that social security has gained over the years, that it is a benefit to which people are entitled as a matter of right rather than regarding it more realistically as a gratuity.

I object to the social security payroll tax, Mr. President, because it is regressive. It takes a larger bite out of the necessary income of the poor than it does the rich. If I felt that an increase in the social security payroll tax was the only possible way to safeguard our system of social insurance, I would wholeheartedly support it. However, Mr. President, this increase is not necessary.

When we examine the condition of the social security trust funds, it becomes apparent that the primary effect of a social security payroll tax increase would be to generate larger surpluses.

Since the social security system is a social insurance system which makes membership compulsory, its method of financing is not and should not be analogous to that utililized by a private insurance company. The insurance company can never be certain about the number of policyholders it will have at a given point in time. Its salesmen may have a bad year. Its policyholders at any date may surrender their policies for cash value. Moreover, its directors may make bad investments. All of these reasons, and many more make it mandatory that private voluntary insurance companies maintain large reserves for the purposes of meeting future liabilities.

Critics of the social security system often make the mistake of confusing it with a private insurance company. It is no such thing primarily because its membership is locked in by a compulsory insurance program.

Robert J. Myers, chief actuary of the social security system, in his excellent book, "Social Insurance and Allied Government Programs," describes the traditional method for determining actuarial soundness for private insurance systems, he points out:

> Other actuaries have a somewhat less stringent definition of actuarially sound systems: "one which sets forth a plan of benefits and the contributions to provide these benefits, so related that the amount of the present and contingent liabilities of the plan as actuarially computed as of any date will at least be balanced by the amount of the present and contingent assets of the plan actuarially computed as of the same date."

Under this definition of actuarial soundness, a long-range social insurance system with pay-as-you-go financing can be considered sound.

Mr. President, I fail to see that we have fully accepted the principle of pay-as-you-go financing for social security. I suspect that many of us continue to confuse our compulsory governmental social insurance system with the type of voluntary insurance system run by private life insurance companies. For example, even the present payroll tax rate and base which result in overfinancing social security benefits payable annually, as both Secretary Gardner and Commissioner Ball acknowledged before the House Ways and Means Committee and the Senate Finance Committee.

The facts, Mr. President, speak for themselves. Under the present law, the income for calendar year 1967 will be only $28.5 billion. The outgo for calendar year 1967 will be only $24.2 billion, leaving a surplus of $4.3 billion.

How many elderly citizens have nearly starved to death this year because of inadequate social security benefits while that $3.8 billion surplus sits in the U.S. Treasury?

Again, looking ahead to calendar 1968, Mr. President, we find that under present law, income would be $29.6 billion, while outgo would be $25.5 billion, leaving a surplus of $4.1 billion. Even more interesting, Mr. President, is the fact that if we measured the $29.6-billion income for 1968 derived from tax rates in the present law against the benefits outgo proposed in the Finance Committee's report, we would still have a surplus. Thus, assuming that the benefit increases provided in the reported bill were payable from January 1 next year, instead of from March 1 as proposed by the committee, the benefit outgo would only be $28.7 billion for full calendar year 1968, leaving a surplus in excess of $900 million.

What does this mean as we consider long-term financing for social security? To me, Mr. President, it means that if we keep the present social security tax and base as provided in the 1965 Social Security Amendments we will have adequate income to meet all the benefits envisioned by the Finance Committee's report.

Viewing the situation in the most pessimistic way, it could be argued that certain unforeseen events would affect the income and outgo estimates relating to the social security trust funds. I have no doubt, Mr. President, that some Members of Congress will parade before us imaginary horribles along this line. Perhaps some will argue that a steep recession will mean that the trust funds will collect less tax because many individuals will be unemployed. It could be argued, Mr. President, that a future Congress would radically liberalize benefits without providing a tax to pay for the benefit. It even could be argued, Mr. President, that some catastrophic event would take place which would lure millions of individuals into early retirement.

Now, I personally do not see any of these events occurring within the reasonable future. But, even if they did occur, I believe the best method for keeping the income and outgo of the social security trust funds in balance would be by the use of general revenues, if and when that ever became necessary.

General revenue is derived from all taxes levied on businesses and individuals as compared to the payroll tax which is paid by both employees and employers.

General revenue does not overtax those who are living in poverty, as does the payroll tax.

General revenue is both broadly based and progressive as contrasted to the social security payroll tax which is levied on wage earners and is regressive.

Quite frankly, Mr. President, there is nothing novel about the approach of using general revenue partially to finance social security benefits. Dr. Edwin E. Witte, who was the executive director of the Committee on Economic Security, which drafted the Social Security Act recognized this fact as early as 1935. Professor Witte in his book "Development of the Social Security Act" states:

> Any deficit, the old age security staff proposed, should be met through contributions from the United States Treasury, although there was no way in which it could be guaranteed that when the deficits developed contributions would be actually made from general tax revenues, rather than be met through reduction of benefits or increase in the contribution rates.

Robert Myers, the Chief Actuary of the Social Security Administration, points out in his book that—

> The advisory council of 1947–48, somewhat paralleling the action of the previous advisory council, recommended a financing basis under which a relatively small contingency fund would develop, with eventual federal contributions equal to half the combined employer-employee contributions.

I believe it is crystal clear, Mr. President, that financing from general revenues has always been anticipated as a preferable supplement for the social security payroll tax to increased tax rates for this regressive tax. In my opinion, now is the time to provide legislation which would permit supplemental financing for social security from general revenues, if and when the time should ever come when that might be necessary, I certainly cannot envision that possibility as I stand here today.

(At this point, Mr. BREWSTER took the chair as Presiding Officer).

Mr. PROUTY. Mr. President, the amendment I now propose has the effect of freezing the payroll tax at the levels envisioned by the Social Security Amendments of 1965. It also insures the future stability of the social security trust fund by requiring the Secretary of Health, Education, and Welfare to submit an estimate of its final condition on January 1 of each calendar year. Based on the estimated financial condition of the social security trust fund, Congress could then appropriate any necessary funds from the general revenue of the United States.

I believe that this amendment has several distinct advantages.

First, it avoids the necessity of increasing the already high social security payroll tax. This will benefit individuals with low incomes, and will supplement the intents and purposes of the war on poverty.

Second, this amendment will better insure the financial stability of the social security trust fund. As I pointed out, the proceeds from the social security payroll tax can fluctuate depending on the total number of employed persons in the country.

Third, this amendment would insure that large surpluses in the social security trust fund do not accumulate. I believe that this is particularly beneficial when we realize that surpluses in this fund do little to alleviate the pressing problems facing us today.

Fourth, this amendment would insure every American of greater takehome pay because the social security payroll tax would not be increased as envisioned in the committee report.

Finally, this amendment would enact into law the concept that has run throughout the history of the social security system—that is, that general revenues should be used to finance a portion of the social security benefits, when and if that ever should become necessary.

As I have already pointed out, it is unlikely that actual appropriations will be necessary for the next 6 or 7 years. However, should they be necessary, the adoption of this amendment will provide the mechanism to ascertain the need and amount of appropriation necessary.

Mr. President, I want to emphasize that the proposal recommended by the Finance Committee for increasing the rate and base of the social security payroll tax is not an unimportant item.

It is not unimportant, Mr. President, because it will affect thousands of Americans in our Nation's work force.

It is not unimportant, Mr. President, because it will seriously affect thousands of small businessmen.

The Finance Committee bill raises the maximum taxable earnings base to $8,000 in 1968. Not only that, Mr. President, the committee bill increases the earnings base to $8,800 for the period 1969 to 1971. Not only that, Mr. President, but 1972 and after, the committee raises the earnings base to $10,800.

Now, Mr. President, does this have a serious effect on the American worker? I believe that it does. First of all, more and more workers find that they are in a financial squeeze even though their wages are considerably higher than, say, 10 years ago. The committee bill would mean that more of their earnings would be taxable under the regressive formula of the social security tax rate. I personally do not believe that most Americans can afford that additional burden.

For example, Mr. President, did you realize that the recent report by the Bureau of Labor Statistics points out that the minimum but adequate budget for the typical American family of four is $9,700. The enactment of this new tax scheme suggested by the Finance Committee would force the head of that typical American family to do one of two things. First, he must attempt to get his employer to pay him more money. Second, if he fails in his first alternative, he must cut back on his family living standards by several hundred dollars a year.

Now, Mr. President, as I pointed out, if this increase was essential to maintain the balance of the social security trust funds, I have no doubt but that the typical American worker would gladly bear this additional burden. Unfortunately, Mr. President, the increase proposed by the Finance Committee is not necessary to maintain the balance of the social security trust fund.

Just yesterday, Mr. President, the distinguished chairman of the Finance Committee stated the financial condition of the social security trust fund more authoritatively and eloquently than I could. Let me quote him:

> It is the position of the actuaries, and this is attested to by our experts as well as those in the department, that the program is overfinanced; it is not underfinanced.

At another point in the RECORD, Mr. President, the distinguished chairman of the Finance Committee stated:

> Our bill does not underfinance it. If we are subject to any criticism, it would be the criticism of the Senator from Vermont that we are putting too much in; not too little.

Mr. President, put quite frankly and simply, the social security system does not need the additional tax provisions provided in the bill as reported by the Senate Finance Committee.

Finally, Mr. President, this matter of the social security tax is not unimportant because it will seriously affect thousands of small businessmen.

When we talk about social security payroll tax we sometimes fail to realize that it places a burden on the employer as well as the employee. As the employer is forced to reach into more of his gross revenues for the social security payroll tax, he finds his profit margin becomes less and less. Faced with this problem, large businessmen obviously increase the cost of their product and pass the expense on to the American consumer. In this situation, the American worker loses twice. First as an employee he finds his take-home pay is less. Second, as a consumer he finds that even the reduced take-home pay that he has buys less.

Unfortunately, the effect of the increased social security payroll tax on the small businessman can be even more destructive. The small businessman generally operates on a small profit margin. His greatest expense is generally labor. As the social security payroll tax becomes greater, it has the effect of hitting the small businessman in the area where he is most dependent on being competitive with big businessmen; namely, Mr. President, his expenses connected with paying his employees. The small businessman must either reduce his work force or raise his prices in order to stay in business. He cannot reduce his work force since, unlike the highly automated big businessman, he is most dependent on the services of employees. All too often, Mr. President, neither can he raise his prices because competition is too keen among small businessmen.

If this social security payroll tax is increased as recommended by the Finance Committee, I can see business failures among small businessmen increasing by leaps and bounds. I do not want to see that. I believe most Members of this Chamber do not want to see it. Moreover, I believe the welfare of the country demands that it not happen.

Mr. President, now I realize that some members of the Finance Committee toyed with the idea that the increase provided in their report would act as a substitute for the tax increase which the President apparently feels is necessary, although, as the distinguished Senator from Delaware [Mr. WILLIAMS] pointed out yesterday, or the day before, the President has yet to submit a tax bill to Congress.

I think that one basic flaw exists in this sort of conclusion. Unlike a surtax the social security payroll tax affects only one segment of our economy—businessmen and employees.

Mr. President, I urge the adoption of my amendment because I do not believe that the social security payroll tax needs to be increased, and if it were, I believe that its effect would be disastrous.

Mr. President, I ask unanimous consent that the following exhibits be printed in the RECORD immediately following my remarks:

First. A study by Francis J. Crowley, of the Legislative Reference Service, entitled "The Historical Review of General Revenue Financing in Social Security."

Second. A letter to me from Lawrence N. Woodworth, of the Joint Committee on Internal Revenue Taxation, which includes a table demonstrating how the present payroll tax rate and general revenue financing could both produce approximately $4 billion of revenue.

The purpose of the first exhibit is to demonstrate how often since the enactment of the social security bill in 1935 the question of general revenue financing has been discussed, and how many experts have advocated more extended application and use of such financing.

The purpose of the second exhibit is to demonstrate how much more equitably and fairly a general revenue schedule for raising $4 billion would be than a payroll tax. This is true because the present payroll tax is regressive and falls severely and most heavily upon the people in the lower income brackets. I might point out that $4 billion is approximately the amount of the benefit in this package now being considered by the Senate.

Finally, Mr. President, I have prepared a brief explanation of my amendment and a chart illustrating the financial condition of the social security trust fund. This chart is based on the assumption of adopting all the benefit increases in the Finance Committee's report while not changing the existing tax rates for base contained in the present law.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

[From the Library of Congress, Legislative Reference Service, Washington, D.C., Nov. 2, 1967]

HISTORICAL REVIEW OF GENERAL REVENUE FINANCING IN SOCIAL SECURITY

(By Francis J. Crowley, Education and Public Welfare Division)

1. Summary—Pros and cons

Proposals to use general revenues to finance the Social Security program are not new. The original proposals for a Social Security program contemplated the use of general revenues starting about 1965. During the 1940's, the law authorized an appropriation from general revenues if it was needed to keep the program solvent. In the Social Security Amendments of 1950, Congress appeared to settle the question by repealing the authorization for appropriations from general revenues. Further indication of this was the frequent reference to the self-supporting nature of the program that after

1950 was to be found in every Committee report dealing with social security financing. Recently, however, there has been a revived interest in the use of general revenues in the financing of the social security program. This interest is the result of a growing awareness of the growing magnitude of the social security tax and its effect on individual and corporate income. Almost all the legislative proposals which would provide a more liberal benefit increase than in the current administration bill use some type of general revenue financing. (Under present law, a worker's maximum social security tax is scheduled to rise from $290.40 in 1967 to $372.90, under the administration's proposals to $626.40, and under the House-passed social security bill to $448.40 in 1987.)

In discussing the financing of the Social Security program there is a tendency to discuss it both from its "insurance" or "equity" aspects and from its "social" or "welfare" aspects. Some who support the general revenue approach say that the payroll tax is the appropriate way to finance the insurance aspects (retirement benefits, for example) but that it is not the proper way to finance the broader social aspects of the program such as dependents benefits. In this context, the question of using general revenues to finance social security benefits becomes a question of defining the role of the social security program. Those who argue for general revenues in financing further benefit liberalizations point out that the equities of the program require such financing to assure that contributors get their money's worth from the taxes they pay. On the other hand, those who do not want general revenues to be used in financing the social security program argue that there should not be further changes in the program which emphasize the "social" aspects.

For others, there is a middle ground argument that no basic change is needed, that a balance should be maintained between the social and the insurance aspects and the total cost paid out of the earmarked payroll tax. It is this group who present the arguments that general revenues in the social security program will have an undesirable effect on people's attitudes about the system. Pretty much from start of the program, and right up to the present time, the Social Security Administration, and proponents of the social security program in general, have talked about the contributory nature of the program, indicating that because people pay social security taxes, the benefits, unlike welfare payments, are paid as a matter of earned right. Moreover, they point out that because employers and employees know that improvements in the program will result in increased taxes that they themselves must pay, the payroll tax serves as a limitation against fiscal irresponsibility and too rapid expansion of the program.

Today, many who argue for and many who argue against using general revenues to finance social security start from much the same place; that the social security program is not a pure insurance program, that much of what it attempts to do is "social" or "welfare" in nature and that these social or welfare costs ought not to be financed by a payroll tax. The payroll tax, as opposed to the Federal income tax, is generally considered a regressive tax. Thus, the relative burden of paying the cost of the social security program falls more heavily on lower-paid workers.

Some who fear general financing fear that future budgetary considerations would be such that the Executive and the Congress would, as with the Civil Service retirement program, neglect to provide currently the amounts that are not needed to meet current expenditures, but which are needed to keep the program on a sound actuarial basis.

Those who argue for using general revenues believe that the cost of the program includes the cost of paying full benefits to people who had little opportunity to work in covered employment, including those who were approaching retirement age when their work was covered under the program. The cost of paying these benefits—about one-third of the cost of the program—in this argument is considered a social cost that could properly be paid out of general revenues. If general revenues were used for this purpose, and if there were no change in the financing of the present program, these people point out that the additional income from general revenues would make it possible to increase benefits about 50% above present levels.

On the other hand, a witness before the Committee on Ways and Means testified in March 1967 on a proposal to provide reduced social security taxes. Under this proposal social security taxes would be reduced to a point where the benefits that could be paid under present law to a young worker entering the labor force would be equal to the full value of the employer and employee taxes paid on his wages; the cost of benefits to older workers in excess of the taxes paid on their wages would be met from general revenues.

2. Introduction

Since the inception of the Social Security program, a major question has been the extent to which the program should be financed out of general revenues. Recently the question has gained new significance with a number of witnesses appearing before the Committee on Ways and Means and the Committee on Finance to testify on the proposals recommended by the President and contained in H.R. 5710 recommending that general revenues be used to finance changes in the social security program. Because of the questions about general revenue financing that are being raised, it is appropriate at this time to review the history of earlier discussions and to put the present discussions in their correct historical perspective.

Central to today's discussion of the desirability of using general revenues to finance part of the social security program is the amount of payroll tax that is needed to pay for the present program and the additional amounts that will be needed to finance any liberalization in the system.

3. The Social Security Act of 1935

The earliest discussions of using general revenues took place in the Committee on Economic Security, whose recommendations formed the basis of the original Social Security Act. The Committee, which had been appointed by President Franklin D. Roosevelt in 1934, was composed of five members.[1] The social security program proposed by the Committee had originally called for a Government contribution starting about 1965. However, when the President learned that the program was not "self-sustaining" he insisted that it be changed. Edwin Witte, Executive Director of the Committee, described the President's reaction on learning that the program was not self-sustaining. Mr. Witte wrote:

"On the afternoon of January 16, after the President had already notified Congress that he would, on the next day, submit a special message dealing with social security, and after press stories on the message and the committee's report had already been given out at the White House, the President discovered a feature in the old age insurance part of the program which he did not like. This was the aspect that a large deficit (to be met from general governmental revenues) would develop in the old age insurance system after 1965, as was stated clearly in the press releases which were prepared by Mr. Fitzgerald of the Department of Labor. The President thereupon sent for Secretary Perkins, who, in turn, asked me to come over after the President had indicated that he could not support such a program. When I arrived, the President was still under the impression that there must be a mistake somewhere in the tables which appeared in our report. When advised that the tables were correct the President insisted that the program must be changed. He suggested that this table be left out of the report and that the committee, instead of definitely recommending the particular tax rates and benefit schedules incorporated in the original bill, merely present these as one plan for meeting the problem which Congress might or might not adopt.

"Following this conference with the President, all members of the Committee were communicated with and all agreed that the President's wishes in that matter must be carried out. The report was again withdrawn from the President and changes made which he had suggested. It was not filed in final form until the morning of January 17, although it bears the date of January 15, 1935. [Witte, Edwin E. 'The Development of the Social Security Act.' Madison, 1962, p. 748.]"

The President, however, was not the only one who had some misunderstanding about the extent to which general revenues were to be used to finance the old-age insurance program that the Committee was recommending. Mr. Witte believed the members of the Committee on Economic Security did not realize that benefits in excess of the amount of social security taxes would be paid to substantially all people who entered employment prior to 1957. Mr. White explained this and the rationale for the Committee's recommendation in the following way:

"The benefits provided in this bill were such as the actuaries figured could be paid for by 5 percent contributions on payroll over a lifetime of employment in industry. This meant that the combined rates on employers and employees would be adequate to pay the costs of the benefits only for employees entering the old age insurance system in 1957 and thereafter. In the first twenty years of the system far less would be collected than necessary to meet the costs computed on an actuarial basis. Due to the fact, however, that in any old age insurance system there are relatively few retirements during the early years, the amount collected in these first twenty years would nevertheless have been considerably greater than the disbursements during these years, so that the inadequacy of the rates would not create a serious financial problem until some years later. If the ultimate rate equaled only the actual current cost, however, the actuaries estimated that by 1965 a deficit would develop in the old age insurance fund, which would continue to increase until 1980. By that time this deficit would amount to approximately $1,400,000,000 per year. This deficit, the old age security staff proposed, should be met through contributions from the United States Treasury, although there was no way in which it could be guaranteed that when the deficits developed contributions would be actually made from general tax revenues, rather than be met through reduction of benefits or increase in the contribution rates.

"The Committee on Economic Security was told by its staff that the taxes currently collected would not meet the costs of benefits after 1965 and it accepted the idea that the deficits resulting thereafter should be met from general tax sources. In all discussions preceding the committee's final decision on the recommendations it should make on old age security, the plan recommended by the

[1] The members were: Frances E. Perkins, Secretary of Labor (Chairman); Henry Morgenthau, Jr., Secretary of the Treasury; Homer Cummings, Attorney General; Henry A. Wallace, Secretary of Agriculture; Harry Hopkins, Federal Emergency Relief Administrator.

staff was discussed in terms of larger benefits to workers approaching old age than could be paid for through their contributions and those of their employers, with the United States Government ultimately making up the resulting deficits from general tax sources. It is my belief that no member of the committee understood that payments in excess of contributions would be made not only to workers already approaching old age, but to substantially all workers who entered employment prior to 1957.

"When Secretary Perkins and Mr. Hopkins, acting for the committee, presented its recommendations orally to the President on December 24, [1934] they described the recommendations on old age insurance in the terms used by the staff, and the President got the impression that the plan proposed contemplated payments in excess of contributions only to people approaching old age who did not have time to build up their own old age protection on a really adequate basis. He also accepted the argument made by the staff and the committee that the compulsory old age insurance system would reduce the costs of the noncontributory old age assistance grants and apparently formed the idea that the two programs combined would result in decreasing governmental costs as the years went on."

On this point Mr. Witte continued his account.

"To satisfy the President, the committee's report was altered at the last minute, avoiding a definite commitment to the tax and benefit rates recommended by the staff. The working out of new rates to make the plan self-supporting, however, required time. So the rates recommended by the staff had to be included in the original bill. The Committee on Economic Security, however, had definitely told the President that it would revise these rates to accord with his views and would suggest an amendment to the Ways and Means Committee which would make the old age insurance system self-support (assuming the correctness of the actuarial calculations and continuance of the plan without material amendments in future years.)

"Because Secretary Morgenthau presented this amendment, this proposal was termed the "Morgenthau amendment," and in all newspaper accounts was represented as if it was a proposal of the Secretary of the Treasury acting alone, whereas in fact it was an amendment recommended by the Committee on Economic Security and agreed to by all of its members. This amendment revised the bill to make the initial tax rate (for the years 1937, 1938 and 1939) 1 percent on employers and 1 percent on employees, and provided for increases of 0.5 percent every three years, until a maximum of 3 percent on employers and 3 percent on employees would be reached in the year 1949, after which this rate was to be continued indefinitely. The actuaries estimated that the increased tax revenues yielded under this plan would enable the old age insurance system to remain entirely self-supporting, at least until 1980. At the same time, it would result in an ultimate reserve of nearly $50,000,000,000 as against a reserve of $14,000,000,000 estimated by the actuaries under the original plan. This large reserve was regarded by the President as creating a far less serious problem than the deficits after 1965 contemplated under the original plan.

"The Morgenthau amendment was criticized before the Ways and Means Committee on the score of the large reserve which it would create by Messers. Latimer and J. Douglas Brown, connected with the Committee on Economic Security, and before the Senate committee also by Mr. Folsom of the advisory council. Apparently, however, their arguments made little impression upon any members of either committee. The large reserve was used as argument against the bill by Senator Hastings on the floor of the Senate, but neither he nor any other member of either congressional committee ever offered an amendment to reduce the tax rates. The rates of the Morganthau amendment were agreed to by the Ways and Means Committee without a dissenting vote and remained in the bill ever after. [*Ibid.*, pp. 147–151]"

4. Financing the 1939 amendments

An Advisory Council on Social Security had been appointed by a Subcommittee of the Committee on Finance and the Social Security Board in 1937. It reported in December of 1938, recommending basic changes in the system which departed from the 1935 Act's emphasis on the private insurance concept of a benefit tied directly to the amount of taxes paid. Instead, it recognized dependents and survivors and accentuated the policy of paying higher retirement benefits than the equivalent taxes to people who retired early in the program. As to financing, the Council stated:

"Since the Nation as a whole, independent of the beneficiaries of the system, will derive a benefit from the old-age security program, it is appropriate that there be Federal financial participation in the old-age insurance system by means of revenues derived from sources other than pay-roll taxes. [Hearings on Social Security, Committee on Ways and Means, February–April 1939, 76th Cong., p. 39.]"

Emphasizing that dependency in old age was a national problem, the Council declared:

"With the broadening of the scope of the protection afforded, governmental participation in meeting the costs of the program is all the more justified since the existing costs of relief and old-age assistance will be materially affected.

"Governmental participation in financing of a social insurance program has long been accepted as sound public policy in other countries. Definite limits exist in the proper use of payroll taxes. An analysis of the incidence of such taxes leads to the conviction that they should be supplemented by the general tax program. [*Ibid.*, p. 39]"

The Council then went on to recommend a tri-partite approach "of distributing the eventual cost" of the system by equal contributions by employers, employees, and the Government. The Council indicated that this would permit the redetermination of tax rates and the "problems of financial policy can be far more readily resolved" because of the Federal contribution. As to the question of the amount of reserves necessary, the Council stated:

"With the changes in the benefit structure here recommended and with the introduction of a definite program of governmental contributions to the system, the council believes that the size of the old-age insurance fund will be kept within much lower limits than are involved in the present act. Under social insurance programs it is not necessary to maintain a full invested reserve such as is required in private insurance, *provided* definite provision is made for governmental support of the system. The only invested fund then necessary would be a reasonable contingency fund [*Ibid.*, p. 40]".

On January 17, 1939, President Roosevelt submitted the recommendations of the Social Security Board to the Congress. The Board report stated:

"As already stated, if the recommendations of the Board relating to benefits are adopted, early payments under the system will increase substantially. The tax provisions embodied in the present law would probably cover the increased annual cost for the first 15 years. They would also probably provide a small reserve, which would be invested and earn more interest. But when future annual benefit disturbances exceeded annual tax collections, plus interest earnings, some other provision would have to be made for the funds which, under the existing plan, would be secured from interest on accumulated reserves. It would then be necessary to do one of two things: increase the pay-roll tax, or provide for the deficiency out of other general taxes.

"The Board is of the opinion that it would be sound public policy to pay part of the eventual cost of the benefits proposed out of taxes other than pay-roll taxes, preferably taxes such as income and inheritance taxes levied according to ability to pay.

"The portion of the total costs to be met by taxes other than pay-roll taxes should depend upon the proportion of the general population covered by the insurance system. The wider the coverage, the more extensive this contribution from other tax sources might properly be.

"Although the Board believes that contributions to the old-age-insurance program should eventually be made out of Federal taxes other than those on pay-rolls, it does not believe that such taxes should be substituted for any part of the pay-roll taxes, provided in the present act, or that such other taxes should be used until annual benefit disbursements begin to exceed annual pay-roll-tax collections, plus the interest earned on the small reserve which would be accumulated. [*Ibid.*, pp. 8–9]"

During the public hearings on the Social Security Act held by the Ways and Means Committee, Secretary of the Treasury Morgenthau in late March presented four plans for modifying the contribution rate schedule provided in the Social Security Act. The variations in the plans related only to the years prior to 1943. [*Ibid.*, p. 2114] All four plans called for the rate schedule as contained in the Social Security Act of 1935, for 1943 and subsequent years; that is, 2 percent each on employer and employee in 1943, 2½ percent in 1946, and 3 percent in 1949. Plan number four, which was finally adopted with the enactment of the 1939 amendments, omitted the increase in tax rate from 1 to 1½ percent for the years 1940–42 as provided in the 1935 Act.

As to the revised thinking of the Roosevelt Administration on the government contribution, Secretary Morgenthau stated:

"My latest annual report presented the estimate that, without extension under the present law, 80 percent of the population of the United States ultimately will have qualified during their working life for at least the minimum annuity under title II of the act.

"This experience throws new light on our original belief that the act ought to be self-supporting. Four years of experience have shown that the benefits of the act will be so widely diffused that supplemental funds from general tax revenues may be substituted—without substantial inequity—for a considerable proportion of the expected interest earnings from the large reserve contemplated by present law. Therefore, it becomes apparent that the argument for a large reserve does not have the validity which 4 years ago it seemed to possess.

"There is no need at the present time and, I believe, there will be no need in the near future, for supplementing pay-roll taxes from general revenue. For all classes of beneficiaries, the values of the benefits which the act provides, are, and for a long time will be, substantially in excess of the contributions under the schedule provided in the law. [*Ibid.*, p. 2112]"

Mr. Morgenthau indicated that he was also influenced in his thinking about the reserve and the rate schedule by the prevailing economic conditions. In this respect he said:

"There is another reason for questioning the schedule of tax rates and the resultant reserve set-up in 1935. We adopted a gradual step-up in the tax rate in 1935 in order to

give industry an opportunity to accustom itself to the new taxes and so avoid any undue restrictive effects. The trend of business conditions in specific future years could not, of course, be accurately foreseen. In periods of incomplete business recovery like the present, the contributory old-age-assistance system should be so financed as to have the least possible deterring effect on business. It is, therefore, a pertinent question whether a substantial increase in the tax rate should be allowed to occur at the present stage of business recovery.

"The depressing effect of the present disturbed state of world affairs upon the American economy makes it especially urgent that at this time we do not place any avoidable burdens on American productive enterprise. [*Ibid.*, p. 2112]"

The Secretary recommended the adoption of an "eventual reserve amounting to not more than three times the highest prospective annual benefits in the ensuing 5 years." [*Ibid.*, p. 2113] This was cited by the Ways and Means Committee and the Senate Finance Committee in their reports accompanying the bill and a provision was inserted in the law requiring the trustees to report immediately whenever the trust fund reached this magnitude.

The Congress did not authorize a Government contribution in the 1939 Amendments when it froze the 1 percent tax until 1943. The Committee estimated that benefits would not exceed tax collections until about 1955 and that the revised system was sounder financially. After explaining the difficulty of estimating costs, both reports contained the following:

"Unforeseen contingencies may, however, change the entire operation of the plan. It is important, therefore, that Congress be kept fully informed of the probable future obligations being incurred under the insurance plan as well as the public-assistance plans. Each generation may then meet the situation before it in such manner as it deems best.

"If future annual pay-roll tax collection plus available interest are insufficient to meet future annual benefits it will be necessary, in order to pay the promised benefits, to increase the pay-roll tax or provide for the deficiency out of other general taxes, or do both. [S. Rept. 734, 76th Cong., p. 18; H. Rept. 728, p. 17.]"

The 1939 estimates of the Committees concerning the probable size of the reserve fund in future years proved to be very conservative. Under the proposal to "freeze" the tax rate at 1 percent until 1943, and thereafter to follow the original schedule as provided in the Social Security Act, the Finance Committee estimated that the reserve fund would be $6,871,000,000 by the end of 1955. [S. Rept. 734, p. 17.] The Ways and Means Committee estimated the fund would be $7,752,000,000 by the end of the same year. [H. Rept. 728, p. 15.] The change in world conditions due to World War II and the resulting expansion of industry increased the reserve fund far beyond what expert opinion could foresee in 1939. Although the tax rate did not rise above 1 percent, at the end of June 1950 the reserve fund was almost $12.9 billion.

5. Financing issues in the 1940's

In the years between 1942 and 1950 Congress enacted seven more postponements of the original tax rate. The principal architect of the "freeze" was Senator Arthur Vandenberg. Those who favored the "freeze" argued that there were sufficient assets and income flowing into the trust funds to take care of the requirements of the program for many years, that the Morgenthau "three times rule" was being more than met, and that the Social Security system was not the proper vehicle for curbing war-time inflation. The Roosevelt Administration in opposing the "freeze" argued that the Morgenthau rule was not supposed to be operative in the early years of the system; that the long-term actuarial soundness of the system required the tax increases scheduled in the Act, that if the rates were not allowed to go into effect as scheduled in the law, higher ultimate rates or a Government subsidy would be needed. Sometimes the argument was used that to allow the original rates to go into effect would help finance the war and curb wartime inflation.

The debate on the postponement of the tax rate in 1944 was of particular interest in that Congress froze (over Presidential veto) the tax and authorized an appropriation from general revenue to the trust fund of "such additional sums as may be required to finance the benefits and payments under this title." The general revenue authorization was a Senate floor amendment introduced by Senator Murray who was opposed to the tax "freeze." He quoted the Senate committee report, which had reported the "freeze" provision:

"It is obviously true that the change to the basis of contingent reserves, as contemplated by the amended statutes, that Congress obligates itself in the future to make whatever direct appropriations (in lieu of appropriations for interest on bonds in reserve) are necessary to maintain the full and complete solvency of the old-age and survivors benefits funds, because there could be no more solemn public trust. This is inherent in the decision made by Congress in 1939. The statutory rule, requiring contingent reserves which are at least three times as large as the total cost of the system in any one of 5 subsequent years, is a complete meausre of contingent protection and always gives Congress at least 5 years' notice of any possibility of delinquency. [S. Rept. 627, 78th Cong., p. 19]"

Senator Murray stated that his amendment only carried out the intent of the Committee statement. Senator Vandenberg agreed, saying, however, that there should be "no implication that any additional sums are necessary now or in the foreseeable future." [90th Cong., Rec. 374]

During this period two reports of advisory groups are of interest as to the issue of a Government contribution. The Ways and Means Committee's Social Security Technical Staff established pursant to H. Res. 204, 79th Congress, first session, began its study of various phases of the Social Security Act in the summer of 1945. Its report, *Issues in Social Secuurity*, noted the problem of estimating benefits because World War II "played havoc" not only with estimates already made but also with the basis for future estimates. The report stated as to the growth of costs of the program:

"While at present the benefits are considerably less than half of 1 percent of taxable wages, we can foresee a possible growth to as much as 9 or 10 percent of wages. Perhaps for present purposes it is not really important whether the cost 20 years hence is four or seven times as much as now or whether by 1980 the benefits will be 6 or 8 percent of wages. Perhaps the really important expectation—one regarding which there is no differenct of opinion—is that the total of benefits is going to increase gradually over a long period of years and will become many times as large as at present. [P. 110]"

The report made the following suggestion for a tax schedule and a Government contribution:

"That, for old-age and survivors insurance as now provided, social-security tax rates be 1½ percent of the first $3,000 of wages from employer and employee alike during the 10-year period 1947–56, inclusive; that this rate be increased one-half percent in 1957, 1967, and 1977; that a Federal subsidy be anticipated in future years, any excess of benefit and expense payments over social-security taxes and interest on the trust fund for a particular year to be met by Federal subsidy until such time as this subsidy becomes a third of the year's total of benefit and expense payments. Whenever this stage is recognized as imminent, revision of the tax rate should be considered. Revision of the tax rate should also be considered if the trust fund reaches some chosen total like 20 billion or 30 billion dollars. [P. 121]"

The Committee on Ways and Means had the report of the Social Security Technical Staff before it when it began its considerations of the Social Security Amendments of 1946. On July 1, the Committee reported out a bill (H.R. 6911) which would have raised the tax rate to 1½ percent and also would have repealed the provision authorizing necessary appropriations out of general revenue. A strong minority report was filed objecting, in the main, to the bill's increased Federal matching for public assistance but also pointing out that the Social Security tax rate "could just as well have been frozen at 1 percent for 5 years according to the authorities appearing before the committee." (H. Rept. No. 2447, 79th Cong.) H.R. 6911 was never brought to the floor but another bill (H.R. 7037) was reported (H. Rept. No. 2526, 79th Cong.) and acted upon which would have frozen the tax at 1 percent and have repealed the provision authorizing general revenue financing. The Senate approved the freeze but struck out the deletion of the general revenue authorization. The Finance Committee report stated: "to repeal this provision, as proposed by the House of Representatives, while continuing to freeze the tax, might be taken to imply an unwillingness of Congress to underwrite the solvency of the system. [S. Rept. 1862, 79th Cong., p. 3]"

The legislation also authorized survivors benefits for uninsured veterans who died within three years after discharge. These benefits were to be financed out of general revenue.

The Committee on Finance appointed an Advisory Council on Social Security in 1947 which at the end of 1948 issued a report with a broad range of recommendations as to coverage, eligibility, and benefits. The Council suggested that if benefits were liberalized as it suggested (by about 50%) the tax rate should be raised immediately to 1½ percent but that a step-up to 2 percent "should not take place until actually needed to cover current disbursement." When the 2 percent rate was insufficient to meet current benefit costs, the Council believed that a Government contribution should be introduced. The Council wrote:

"There are compelling reasons for an eventual Government contribution to the system, but the Council feels that it is unrealistic to decide now on the exact timing or proportion of that contribution. When the rate of 2 percent on employers and 2 percent on employees, plus interest on the investments of the trust fund, is insufficient to meet current outlays, the advisability of an immediate Government contribution should be considered.

"The step-up to 2 percent should be postponed until actually needed. The Council believes that the excess of income over outgo, inevitable in the early years of the program, should be kept as low as is consistent with the contributory character of the program. Even with the increase to 1½ percent, assets of the trust fund may rise for a few years at an annual rate of about $2,000,000,000.

"For the reasons given above, the Council believes that the first step-up is needed when the liberalized program becomes effective, but we wish to emphasize that building up the trust fund is not the purpose of our proposed increase in the contribution rate, and we therefore urge that additional increases in the rate be postponed. The increase

in the trust fund is an incidental result of the contribution rates, the benefit rates, and the eligibility requirements that seem to us desirable on other grounds. Unlike private insurance, a social-insurance scheme backed by the taxing power of the Government does not need full resources sufficient to cover all liabilities.

"Some people fear that additions to the trust fund will have adverse effects on the economy. Whether the economic effects of additions to the trust fund are good or bad will depend on the general economic situation and on the fiscal policies of the Government. In any circumstances, an annual surplus for a few years of as much as $2,000,000 would not, in our opinion, be unduly large or unmanageable; in fact, such a surplus would be small in comparison with the amounts involved in many recent financial operations of the Government. On the other hand, the Council sees no reason to increase this surplus even further by moving to the 2-percent rate before the demands of the system actually call for such an increase.

"The Council believes that the Federal Government should participate in financing the old-age and survivors insurance system. A Government contribution would be a recognition of the interest of the Nation as a whole in the welfare of the aged and of widows and children. Such a contribution is particularly appropriate, in view of the relief to the general taxpayer which results from the substitution of social insurance for part of public assistance.

"The old-age and survivors insurance program starts with an accrued liability resulting from the fact that, on retirement, the present members of the labor force will not have contributed toward their benefits over a full working lifetime. Furthermore, with the postponement of the full rate of contributions recommended above, even young people who enter the labor force during the next decade will not pay the full rate over a working lifetime. If the cost of this accrued liability is met from the contributions of workers and their employers alone, those who enter the system after the full rate is imposed will obviously have to pay with their employers more than is necessary to finance their own protection.[2] In our opinion, the cost of financing the accrued liability should not be met solely from the payroll contributions of employers and employees. We believe that this burden would more properly be borne, at least in part, by the general revenues of the Government.

"Old-age and survivors insurance benefits should be planned on the assumption that general taxation will eventually share more or less equally with employer and employee contributions in financing future benefit outlays and administrative costs. The timing and exact proportion of this contribution, however, cannot be decided finally now. They will depend in part on the other obligations of the Government and the relationship between such obligations and current income. We believe that a Government contribution should be considered when the 2 percent rate for employer and employee plus interest on the investments of the trust fund is insufficient to meet current costs. To increase the pay-roll contributions above the 2 percent rate before the introduction of a Government contribution might mean that the Government contribution would never reach one-third of eventual benefit outlays, since under our low-cost estimates the annual cost of the benefits never exceeds 6 percent of pay roll even though it reaches 9.7 percent under the high estimate.

6. Financing issues in the 1950's

Although the Congress did enact into law many of the recommendations of the Advisory Council, it did not accept the idea of a Government contribution. In fact, both Committee reports stated that the system "should be on a completely self-supporting basis" and the Congress repealed the 1944 authorization for an appropriation from general revenue. The Committee on Ways and Means stated:

"Your committee has very carefully considered the problems of cost in determining the benefit provisions recommended. Also your committee is firmly of the belief that the old-age, survivors, and disability insurance program should be on a completely self-supporting basis. Accordingly, the bill eliminates the provision added in 1943—actually added in 1944—authorizing appropriations to the program from general revenues. At the same time, your committee has recommended a tax schedule which it believes will make the system self-supporting (or in other words, actuarially sound) as nearly as can be foreseen under present circumstances. Future experience may differ from the estimates so that this tax schedule, at least in the distant future, may have to be modified slightly—either upward or downward. This may readily be determined by future Congresses after the revised program has been in operation for a decade or two. [H. Rept. 1300, 81st Cong., p. 31]"

Also of interest is the provision of the 1950 Social Security Amendments which granted special wage credits to veterans of World War II and continued the benefits to survivors of veterans who died within three years of discharge. The bill that was reported by Ways and Means had authorized that the cost of these benefits be borne by general revenues while the Finance Committee provided that the cost be borne by the trust fund. The bill reported by the Conference Committee accepted the Senate version. The Senate report stated that the money should come from the trust fund "since there is a substantial amount now in the trust fund and, as will be indicated subsequently, the trust fund will continue for a considerable time to have an excess of income from contributions over outgo for benefit payments." [S. Rept. 1669, p. 19.]

The Committee reports on all the major Social Security legislation enacted during this period emphasized that the system should be "self-supporting." The report of the Committee on Ways and Means on the Social Security Amendments of 1956 which introduced cash disability benefits into the system is typical:

"Your committee continues to believe that the tax schedule in the law should make the system self-supporting as nearly as can be foreseen, or in other words, actuarially sound." [H. Rept. 1159, 84th Cong., p. 11.]

Another enactment in 1956 (Public Law 881, 84th Congress) changed the financing of the gratuitous wage credits previously granted for military service from the trust fund to general revenue and provided for the future contributory coverage of servicemen. The 1950 amendments which provided noncontributory $160 monthly wage credits to persons who served in the Armed Forces during World War II (the 1952, 1953, 1955, and 1956 legislation, also provided similar credits on account of service from July 25, 1947, through December 31, 1956) had charged to the trust funds the additional cost of the credits. The Select Committee on Survivor Benefits which reported the 1956 legislation stated:

"The Committee deems it highly appropriate for the Federal Government to acknowledge this debt to the OASDI trust fund, for the program under which this debt was contracted is being terminated.

"The Committee is of the opinion that legally no statutes have bound the Federal Government to reimburse the OASI trust fund, but there is no doubt that there was an implied responsibility, and it would be unconscionable for the Federal Government not to acknowledge its obligation in this regard. [H. Rept. no. 993, Part 1, p. 27]"

The 1956 enactment, however, switched the cost of the 1946 special veteran survivor benefit from the trust fund to general revenue, but no payments were made under this provision.

During the period, there was one important report of an advisory council in this area. The Social Security Amendments of 1956 established an Advisory Council on Social Security Financing which reported on January 1, 1959, on what it considered its main responsibility—"the method of financing old-age and survivors insurance and disability insurance." [Appendix IV to 19th Annual Trustees Report, House Doc. 181, 86th Cong., p. 59]

The Council did not consider it part of its task "to evaluate in detail the effect of this system of social insurance on the stability and productivity of the economy." They believed, however, that a sound program could be of great value to the economy as well as to the individual citizen. In their major finding the Council stated that "the method of financing the old-age, survivors, and disability insurance program is sound, and based on the best estimates available, the contribution schedule now in the law makes adequate provision for meeting both short-range and long-range costs" and that the Council had "no suggestions for basic changes in the present plan of financing." [*Ibid.*, p. 60–61] They also stated that it was important that the income exceed outgo during the early years of the system and that the system be in close actuarial balance over the long range. The Council endorsed both the employer and employee contribution. As to the worker's contribution it stated:

"The fact that the worker pays a substantial share of the cost of the benefit provided, in a way visible to all, is his assurance that he and his dependents will receive the scheduled benefits and that they will be paid as a matter of right without the necessity of establishing need. The contribution sets the tone of the program and its administration by making clear that this is not a program of government aid given to the individual, but rather a cooperative program in which the people use the instrument of government to provide protection for themselves and their families against loss of earnings resulting from old age, death, and disability. The Council also believes that the direct earmarked tax on prospective beneficiaries promotes a sense of financial responsibility. It is very important that people see clearly that increases in protection necessarily involve increases in costs and contributions. [*Ibid.*, p. 62]"

As to the use of general tax funds it declared:

"We believe that the experience of the last 22 years has shown the advantages of contributory social insurance over grants from general tax funds. It is true that, up to the present time, workers as a group have not contributed a large share of the cost of their own protection. Most workers covered in the early years of the program will contribute during only a part of their working lifetime, and, under the graduated schedule in the law, contribution rates have been low relative to the value of the protection provided. But this situation is changing. Young workers starting out under the system in recent years will contribute a substantial part

[2] It is estimated that the cost of the protection for a generation of workers under the program for a full-working lifetime would be from 3 to 5 percent of payroll, while the level premium cost of the whole system including the accrued liability, is from 4.9 to 7.3 percent of pay roll.

[Recommendations for Social Security Legislation, S. Doc. No. 208, 80th Cong., pp. 45–47]

of the cost of their protection. [*Ibid.*, pp. 62-63]"

As to the contribution of the employer and self-employed, a similar conclusion was reached:

"Protecting the members of the labor force and their dependents against loss of income from the hazards of old-age retirement, permanent and total disability, and death is, at least in part, a proper charge on the cost of production. Moreover, business enterprises have a significant stake in assuring that orderly provision is made to meet the needs of their employees and their families for income when their working lives are over. The earmarked contribution for social security is a recognition of this stake. The direct contribution gives empolyers status in the program and a clear right to participate in the development of the program and in the formation of policy.

"The rate for the self-employed—1½ times the rate paid by the employee—is a recognition of the fact that the self-employed person, in respect to his own employment, has some of the characteristics both of employee and employer. The Council has found no reason for a change in this rate. [*Ibid.*, p. 63]"

The Council also recommended retaining a maximum limit on the amount of earnings taxed and credited toward benefits and that "the contribution should be levied on the same amount of earnings as the amount which is credited for benefits." It also recommended that the maximum should be increased from time to time as wages rise. As the role of trust funds—

"The Council approves of the accumulation of funds that are more than sufficient to meet all foreseeable short-range contingencies, and that will therefore earn interest in somewhat larger amounts than would be earned if the fund served only a contingency purpose. The Council concludes, however, that a "full" reserve is unnecessary and does not believe that interest earnings should be expected to meet a major part of the long-range benefit costs. [*Ibid.*, p. 67]"

As to the Morgenthau "three times rule" the Council called for its repeal:

"We see no merit in the provision of present law which requires the trustees to report to the Congress whenever, in the course of the next 5 years, it is expected that either of the trust funds will exceed three times expenditures in any one year. The implication of the provision is that the trust funds should not be allowed to exceed the result of this formula. We do not believe that the trust funds should be held to any arbitrary relationship to expected annual expenditures, and we recommend that the provision be repealed. [*Ibid.*, p. 68]"

Such a repeal was effectuated in the 1960 Social Security Amendments § 701, P.L. 86-778.

7. Financing Issues in the Early 1960's

The sixties started with the Congress and the Administration maintaining much the same position that had been held since 1950, that the social security program ought to be fully self-supporting through the payroll tax. However, in 1965 and 1966 legislation was enacted that provided for significant appropriations from general revenues to pay for social security benefits. The Social Security Amendments of 1965 extended hospital insurance to everyone who attains age 65 before 1968 without regard to whether they could qualify for monthly social security benefits. The cost of these benefits is paid out of general revenues appropriated by the Congress. Also, the Prouty amendment to the Tax Adjustment Act of 1966 provides benefits paid for out of general revenues to people who are currently over 72 and who would not otherwise be eligible for monthly social security benefits.

In the 1960's the OASDI part of the program underwent three major amendments, those of 1960, 1961 and 1965. The financing of these amendments continued the policies of the 1950's. Two brief statements from the Committees that considered these amendments reflect the position of the Congress in this respect. The first report issued by a Congressional Committee in the 1960's was that of the Committee on Ways and Means on the 1960 Amendments. In its report the Committee stated:

"The Congress has always carefully considered the cost aspects of the old-age, survivors, and disability insurance system when amendments to the program have been made. In connection with the 1950 amendments, the Congress was of the belief that the program should be completely self-supporting from the contributions of covered individuals and employers. Accordingly, in that legislation, the provision permitting appropriations to the system from general revenues of the Treasury was repealed. This policy has been continued in subsequent amendments. Thus, the Congress has always very strongly believed that the tax schedule in the new law should make the system self-supporting as nearly as can be foreseen and, therefore actuarially sound. [H. Rept. 1799, 86th Cong., p. 34]"

Identical statements appear in subsequent Committee reports. In the period after 1960 there was a growing awareness of the amounts of money involved in the social security program and a growing concern as to whether the payroll tax could be expected to continue to carry the whole burden of the growing program.

In 1963 and 1964, the Advisory Council on Social Security made a major study of the Social Security program. A large part of its effort was devoted to the financing of the program. Its report issued in January 1965 stated:

"The Council strongly endorses the social insurance approach as the best way to provide, in a way that applies to all, that family income will continue when earnings stop or are gretly reduced because of retirement, total disability or death. It is a method of preventing destitution and poverty rather than relieving those conditions after they occur. And it is a method that operates through the individual efforts of the worker and his employer, and thus is in total harmony with general economic incentives to work and save. It can be made practically universal in application, and it is designed so as to work in ongoing partnership with voluntary insurance, individual savings, and private pension plans.

"Under the social security program the right to benefits grows out of work; the individual earns protection as he earns his living, and up to the maximum amount of earnings covered under the program, the more he earns the greater is his protection. Since, unlike relief or assistance, social security benefits are paid without regard to the beneficiary's savings and resources, people can and do build upon their basic social security protection and they are rewarded for their planning and thrift by a higher standard of living than the benefits alone can provide.

"The fact that the program is contributory—that employees and self-employed workers make contributions in the form of earmarked social security taxes to help finance the benefits—protects the rights and dignity of the recipient and at the same time helps to guard the program against unwarranted liberalization. The covered worker can expect because he has made social security contributions out of his earnings during his working lifetime, that social security benefits will be paid in the spirit of an earned right, without undue restrictions and in a manner which safeguards his freedom of action and his privacy. Moreover, the tie between benefits and contributions fosters responsibility in financial planning; the worker knows that improved benefits mean higher contributions. In social insurance the decision on how to finance improvements is always an integral part of the decision on whether they are to be made. [The Status of the Social Security Program and Recommendations for its Improvement, Report of the Advisory Council on Social Security, p. 2.]"

8. Appropriations for military service credits

One section of the 1965 amendments deserves special mention because it illustrates a problem that occurs when appropriations from general revenues are used. Military service, which before 1957 had not been covered on a contributory basis, qualified veterans and their survivors for benefits under special provisions. As indicated earlier, the cost of benefits based on this military service was to have been paid out of general revenues. Up to the time of the 1965 amendments, however the Social Security Trust Funds had been reimbursed only for the cost of the benefits through August 1950. The law in effect prior to the 1965 amendments provided that the costs incurred after August 1950 and through June 30, 1956 were to have been paid over the ten fiscal years ending June 30, 1969, and the costs incurred after June 1956 were to have been paid annually. However, no payments were ever made under this provision. The 1965 amendments authorized a level annual appropriation from general revenues, starting in fiscal 1966, to amortize both the accumulated costs and the additional costs but would accrue through fiscal 2015 with annual appropriations for costs incurred after fiscal 2015. Following enactment of the 1965 amendments, annual appropriations form general revenues have been made for this purpose but the administration has not always requested the full amount as calculated by the Social Security Administration Actuary.

9. Blanketing-in the uninsured for cash benefits

One of the most persistent issues in social security has been that of blanketing-in the uninsured. For the OASDI part of the program the number of quarters of coverage required before a person can be paid benefits has been gradually reduced but until 1965 the minimum number had always been six. The 1965 amendments provided special benefits at age 72 for certain people who had as few as three quarters of coverage. Subsequently, the Prouty Amendment to the Tax Adjustment Act of 1966 provided benefits for people with no quarters of coverage provided that they reach 72 prior to 1968. As noted the hospital insurance program covers all people who attain age 65 prior to 1968. The major portion of the costs of the benefits paid under these provisions will be paid out of general revenues. The only exception is that the benefits paid to people with three or more quarters of coverage will be paid out of the social security trust funds.

10. Financing health care benefits

A major issue in the 1960's, hospital care for the aged, highlighted the question of how high the social security tax could go if the self-financing principle were retained, as well as whether this principle applied equally to service benefits and to cash benefits. The original Forand bill, around which the early controversy developed, used the self-financing method, and furnished the hospital benefits only to people over 65 entitled to social security benefits in their own right.

The financing of the health and medical care programs for the aged established by the 1965 amendments goes in two directions. The financing of the hospital insurance program (Part A) follows the payroll tax pattern established for the OASDI program in the 1950's. The medical care program (Part B)

on the other hand, gets one-half of its financing from general revenues and one-half from fees paid by those enrolled in the program. The self-supporting nature and the actuarial soundness of the hospital insurance program (Part A) is described in identical words in the reports of both the Committee on Ways and Means and the Committee on Finance:

"Just as has always been the case in connection with the old-age, survivors, and disability insurance system, the committee has very carefully considered the cost aspects of the proposed hospital insurance system. In the same manner, the committee believes that this program should be completely self-supporting from the contributions of covered individuals and employers (the transitional uninsured group that would be covered by this program would have their benefits, and the resulting administrative expenses, completely financed from general revenues, according to the provisions of the bill). Accordingly, the committee very strongly believes that the tax schedule in the law should make the hospital insurance system self-supporting over the long range as nearly as can be foreseen, as well as actuarially sound.

"The concept of actuarial soundness as it applies to the hospital insurance system is somewhat similar to that concept as it applies to the old-age, survivors, and disability insurance system . . . but there are important differences.

"One major difference in this concept as it applies between the two different systems is that cost estimates for the hospital insurance program should desirably be made over a period of only 25 years in the future, rather than 75 years as in connection with the old-age, survivors, and disability insurance program. A shorter period for the hospital insurance program is necessary because of the greater diffculty in making forecast assumptions for a service benefit than for a cash benefit. Although there is reasonable likelihood that the number of beneficiaries aged 65 and over will tend to increase over the next 75 years when measured relative to covered population (so that a period of this length is both necessary and desirable for studying the cost of the cash benefits under the old-age, survivors, and disability insurance program), it is far more difficult to make reasonable assumptions as to the trends of medical care costs and practices for more than 25 years in the future.

"In starting a new program such as hospital insurance, it seems desirable to the committee that the program should be completely in actuarial balance. In order to accommodate this result, the committee has developed a contribution schedule that will meet this requirement, according to the underlying cost estimates. [H. Rept. 213, p. 49; S. Rept. 404, p. 57]"

The financing of the voluntary, supplementary medical insurance program (Part B), as noted above, represented a departure from the payroll tax financing which had been used up to that time. Not only is one-half of the cost of the program paid out of general revenues but none of the cost is paid from payroll taxes. Moreover, the financing adopted is current financing. Thus those eligible for benefits pay (in 1967 and 1968) $3 a month for the insurance and the Government pays an equal amount. In 1969 the amount may rise to about $4 a month. The reports of the Committees that studied this legislation said:

"The supplementary medical insurance system that would be established by the committee-approved bill has an estimated cost for benefit payments insured and for administrative expenses that would adequately be met during the first 2 years of operation (1967–68) by the individual premium rates prescribed plus the equal matching contributions from the general fund of the Treasury. Both contributions and benefit payments would begin in January 1967. In subsequent years, the committee-approved bill provides for appropriate adjustment of the premium rates so as to assure that the program will be adequately financed, along with the establishment of sufficient contingency reserves. Although provision is made for an advance appropriation from general revenues to provide a contingency reserve during the period January 1967 through December 1968, it is believed that this will not actually have to be drawn upon, but nonetheless it serves as a desirable safeguard to the financing basis of the program.

"The committee has recommended the establishment of a supplementary medical insurance program that can be voluntarily elected, on an individual basis, by virtually all persons aged 65 and over in the United States (excluding only those aliens who have not been lawfully admitted for permanent residence or who have not had 10 continuous years of residence). This program is intended to be completely self-supporting from the contributions of covered individuals and from the equal-matching contributions from the general fund of the Treasury. . . Under the committee-approved bill, the monthly premium rate can be adjusted for future years after 1968, so as to reflect the expected experience including an allowance for a margin for contingencies. All financial operations for this program would be handled through a separate fund, the supplementary medical insurance trust fund. . . .

"The concept of actuarial soundness for the old-age, survivors, and disability insurance system and for the hospital insurance system is somewhat different than that for the supplementary medical insurance program. In essence, the last system is on a "current cost" financing basis. The situations are essentially different because the financial support of the supplementary medical insurance system comes from a premium rate that is subject to change from time to time, in accordance with the experience actually developing and with the experience anticipated in the near future. The actuarial soundness of the supplementary medical insurance program, therefore, depends only upon the "short-term" premium rates being adequate to meet, on an accrual basis, the benefit payments and administrative expenses over the period for which they are established (including the accumulation and maintenance of a contingency fund).

In the course of the Senate Finance Committee's consideration of the Social Security Amendments of 1965, Senator Russell B. Long proposed an amendment which would substitute a single and much broader system of health care aimed at covering catastrophic costs for the two complementary health care plans (Parts A and B) contained in the House-passed bill, and in the legislation as it was finally enacted. Two-thirds of the cost of this program would have been paid from payroll taxes and one-third from general revenues. In a press release describing the amendment the Senator said:

"My plan would also utilize, to a greater extent, general revenue financing. This is in recognition of the fact that workers who will enter the labor force in the future (and their employers) would have to pay at least 40% more in payroll taxes than would be necessary to finance their own costs if the benefits of the presently retired and current workers were paid for wholly under the payroll system. This "social" cost of establishing the system, I believe, is more appropriately borne by federal revenue."

11. The issue now

Prior to the enactment of the Social Security Amendments of 1965 there had been discussion of what should be the limit of Social Security payroll taxation. Secretary of Health, Education and Welfare Ribicoff had stated in 1961 that he thought the combined employer-employee limit should be about 10% of payroll but left open possible increases in the tax base. The combined hospital insurance and OASDI tax under the 1965 Amendments amounted to 11.4% of payroll and there appeared to be a growing feeling among those who wished to further liberalize the social security program that future changes involving significant costs would be difficult to justify if they were to be financed solely through additional payroll taxes. In this context Robert M. Ball, the Commissioner of Social Security, wrote in the fall of 1965:

"Improvements in the social security program of the kind suggested call for a reconsideration of the financial basis of the system. Workers in general have shown themselves willing to pay for improved social insurance protection, and there is no question that the major part of the cost of social insurance should continue to be met by a tax on covered payrolls. There is, though, justification for a contribution from the general revenues of the Treasury.

"The justification for such a Government contribution arises from the fact that in order to make the program quickly effective in its early years full-rate benefits are being paid to people who were already old at the time their work was first covered under the program, even though only a small percentage of the actual cost of the benefits being paid to these people was met by the contributions they and their employers paid. Under the present financial arrangement the excess of the value of benefits over the value of the contributions in the early years of operation will be financed from future contributions. As a result, future generations of covered workers will get protection that is worth less than the combined employer-employee contributions with respect to their earnings, since some part of those combined contributions will go to pay part of the cost of paying full benefits in the early years. (Future generations of workers will, however, get protection that is worth at least as much as the value of their own contributions.) Since society as a whole benefits from a national social security system, it can be argued that the cost of the benefits for people already old when the social security program went into effect should be borne by the general revenues rather than by the social security tax. [Robert M. Ball, Commissioner of Social Security. "Social Security: A Changing Program for a Changing World: St. Louis University School of Law. Volume 10, Number 2, Winter, 1965: p. 237.]"

At about the same time the AFL–CIO adopted a resolution calling for extensive changes in the Social Security program, including a 50% rise in benefits and a substantial contribution from general revenues. The resolution states:

"In order to make the social security program quickly effective in its early years, it was the decision of the Congress to provide for the payment of full-rate benefits to people who were already old at the time their work was first covered under the program, even though only a small perecntage of the actual cost of the benefits being paid to these people was met by the contributions they and their employers paid. This has been sound public policy, necessary to help prevent widespread want and destitution and to contribute to the social and economic security of the Nation as a whole. The cost of the program resulting from these payments, though—about one-third of the total cost—should not be charged to future generations of workers and their employers. It is entirely appropriate that the cost of getting into operation a national social security system from which society as a whole benefits, should be borne by the population as a whole."

An elaboration of these ideas was presented by the Commissioner of Social Secu-

rity in the following spring. Speaking before the American Society for Public Administration, the Commissioner discussed general revenue financing and suggested that by using general revenues it would be possible to increase benefits by about 50%. He said:

"A general benefit increase any greater than the 7-percent increase of last year could not be financed by an increase in the contribution and benefit base alone.

"For this purpose it would be necessary, in addition, to raise the contribution rates scheduled in the law or to introduce a government contribution. Various possibilities will be considered.

"Since the employer contribution in part, at least, is shifted to workers in the form of lower wages, it might be more equitable to finance from general taxation part or all of the so-called 'accrued liability' resulting from payment of full benefits to the first generation of covered workers and so introduce another element of progressivity into the financing of the program.

"The idea that the accrued liability costs could be met from general revenues is not a new one. It is, for example, part of the reasoning behind the government contribution in the British system and was mentioned by the Committee on Economic Security—the Committee that in 1934 recommended the establishment of the original program for the United States. Just recently in the United States the Cabinet Committee Report on Federal Staff Retirement Systems, which the President endorsed and transmitted to the Congress on March 7, used similar reasoning concerning the civil-service retirement system. They recommended that the financing of the civil-service retirement system should be based on the theory that the contributions of employees and of the Federal agencies, as employers, should fully meet the system's normal cost—that is, the combined employee-agency contributions should be at a rate that would have to be paid over the working lifetime of new entrants to the system to pay for the benefits provided under current law, and the Government should finance the accrued liability by direct appropriations. The 'normal cost' of social security is about two-thirds of the total costs over the long run so that, if general revenues were to take care of the entire one-third attributed to accrued liability, about one-half again as much money as at present would be available for program improvements. Another way of looking at such a government contribution is that it is in lieu of the interest that would have been available from full reserve financing.

"Contribution rate increases are also, of course, a possibility. These could be additions to the present employee contribution schedule, which for cash benefits rises from 3.85 percent this year to 4.85 percent in 1973, with the employer paying a like amount. Contribution rates for hospital insurance will be an additional one-half of 1 percent next year and will rise to eight-tenths of 1 percent in 1987 and later [Robert M. Ball, Commissioner of Social Security. Address Annual Meeting of the American Society for Public Administration. Washington, D.C., April 14, 1966.]"

Still later in the year, Senator Robert F. Kennedy introduced a bill (on which no action was taken) that in broad outline paralleled the recommendations made the previous winter by the AFL–CIO. In addition to Senator Kennedy, the bill was sponsored by nine other Senators. Although the changes called for in the bill would have increased all benefits by about 50%, the Senator considered that the bill would make only "minimum improvements in Social Security benefits that are necessary now." The Senator's statement to the Senate when he introduced the bill contains an explanation of his reasons for using general revenues in the financing of the Social Security program.

"What will be the costs of this legislation? The 50-percent average increase in benefits provided by the bill would cause a considerable increase in the payments out of the trust fund during 1968, the year in which the bill would go into effect. It is important to understand, however, that the bill does no contempltae, nor does actuarial soundness require, that this increase in benefits would not contemplate, nor does actuarial soundness require, that this increase in benefits would be entirely paid for immediately. The trust fund would be replenished over a period of time. This creates no difficulty. The Social Security Administration has told me that 'The proposed program as a whole is in close actuarial balance.' The 'temporary declines in the trust funds,' the Social Security Administration adds, 'are not significant in terms of the financial soundness of the program over the long run.' Thus the costs of the program will be sperad over a period of years. This is both actuarially sound and fiscally wise.

"The important thing is that we do what we can now toward making social security benefits truly adequate. To do that, in my judgment, we must be prepared to rely partially on general revenues. The general revenue contribution is the major new aspect of this bill. But that does not mean that we could not add general revenues to social security financing on a more gradual basis than the 9-year schedule which the bill provides. And, if it becomes necessary, the proposed benefit increases could be adopted in steps rather than all at once, although I believe that would be less desirable.

* * * * *

"The turn to general revenue financing is well supported by considerations of history and policy.

"First, as a practical matter, it is difficult to see how the payroll tax can be raised too much further. The payroll tax is highly regressive, and for low-wage employees particularly, a required contribution beyond what is contemplated in this bill would be very burdensome.

"And the justification for total payroll tax financing over the years has been that the payroll tax is a contribution that each employee makes to finance his own benefits. In general, the original purpose was that the wage earner would be paid, during his years of retirement, what he had put in during his working years. But this original purpose has been modified somewhat in practice. Considerations of social justice have caused us to create some benefits which are not totally contributory, and these have been financed out of the contributions of others. We have provided benefits, for example, to poor and more irregularly employed workers; to widows and orphans; and to those disabled by injury or illness.

"Second, it is essential to recall that Congress provided in the original Social Security Act for full-rate benefits even for those persons who were too old to be in the work force long enough to contribute fully for their benefits. The cost of these benefits is still being financed by the contributions of those who have followed. . . .

"Third, the general revenue approach has been considered and discussed since the inception of social security. The first Presidentially appointed Council on Economic Security Act, said that Government contributions to the system would eventually be needed, adding prophetically that, 'It will not be necessary to have actual Government contribution until after the system has been in operation for 30 years.' [Congressional Record, July 28, 1966, p. 16606, 16607.]"

A. THE REVIEW OF SOCIAL SECURITY FINANCING PRIOR TO THE 1967 AMENDMENTS

Earlier in the year, President Lyndon B. Johnson had indicated his intention of recommending substantial, though unspecified, changes in the social security program when the 90th Congress convened in January 1967. At the time he made this statement, he instructed Secretary of Health, Education, and Welfare John W. Gardner to begin studies and conversations with interested parties on the nature of the changes that should be sent to the 90th Congress.

In this connection, John Carroll of the Social Security Administration prepared a paper, "Social Security Financing Revisited," as a background paper for a conference on Social Security financing held at the Brookings Institution on June 17, 1966. The introduction to the paper indicates that it was written in response to the President's statement that he would ask the 90th Congress for a substantial increase in Social Security benefits. The paper was designed to discuss the financing involved in a 35% to 55% rise in Social Security benefits. The paper goes on to say:

"The contemplated liberalization of benefits could not be financed by payroll taxation unless the rates were increased. Rate increases would be necessary even if the taxable wage base were increased to $15,000 from its present level of $6,600 or removed entirely. Past benefit increases have been accomplished each time by increased payroll taxation; rate levels have been increased; and, in some cases, taxable wage ceilings have been raised. Collections have swelled after each amendment partly because during the period coverage was greatly expanded. This source will not be available in the future because coverage is nearly complete.

"There is growing concern about the wisdom of continued reliance upon payroll taxation as the sole source of funds for social insurance. Doubts have been expressed by the Treasury, the President's Council of Economic Advisors, and the National Commission of Technology, Automation and Economic Progress that so regressive a tax should be increased. [Department of Health, Education, and Welfare, Social Security Administration, Office of Research and Statistics, 'Social Security Financing Revisited,' p. 2.]"

In Carroll's opinion, the most important arguments against using general revenues in the Social Security program are considered to be "institutional." In this connection the paper points out the important role played by the idea of a self-supporting system in securing public acceptance of the Social Security program. The paper states:

"There is a belief that sole reliance upon contributions from employers and employees is closely tied to the rights acquired by the insured workers. A government contribution would not be tied in this way and some believe that the claim of the worker—his assurance that his pension is his as a matter of right—may be damaged or weakened.

"Others fear that unless benefit levels are closely related to taxes upon the worker—taxes which can be clearly identified—there will not be sufficient constraint to prevent too liberal benefit promises. Few doubt that the statutory benefits would be paid. But the real protection of the system is the readiness of the society to keep benefits adequately up to date. Revisions of this sort are expensive and unless promises are restrained within workable limits future generations may allow benefit adequacy to fall behind.

"It can be scarcely be contested that earmarking of payroll taxes for OASDI reduced resistance to the imposition of taxes on low-income earners, made feasible tax increases at time when they might not otherwise have been made, and has given trust fund programs a privileged position semi-detached from the remainder of government. Institutionalists foresaw these advantages as means to graft the new programs into the social fabric.

"It is an open question whether or not the OASDHI program has matured sufficiently to be independent of the need for

institutional safeguards. Perhaps the experience of the last thirty years makes it no longer necessary to place so much emphasis on these fears. It seems probable that the introduction of a government contribution, if explained in terms of the past service credit, need not weaken the system. There may be some advantage to having the size and timing of the government contribution determined statutorily. Provision of this type will draw the same criticism as other arbitrary and fiscally inflexible features of the system, but may nonetheless be wise.

"There seems to be little question that the well-established precedent of contribution by the covered worker should be continued for a meaningfully large share of the costs. There may come a day when the society accepts fully the notion of social responsibility for persons who experience interruption of earnings. When that day comes there is no reason why financing of the system need be tied to the earnings of the insured. Benefits could continue to be related to the previous earnings experience of the insured—one of the basic features of our social insurance system—without recourse to payroll taxation. It is a matter of judgment, but more informed persons doubt that this day has yet dawned. [*Ibid.*, pp. 26–28]"

Later in the summer, another element was added when the Social Security Administration's Actuary, Robert J. Myers, revised his estimates of the cost of the Social Security program to take account of certain changes in assumption growing out of more recent experience in assessing the long-term operation of the system. The revised estimate showed an actuarial surplus of 0.89% of taxable payroll for OASI while the Disability Insurance part of the pogram was underfinanced by 0.15% of taxable payroll. Combined, the OASDI program had a surplus of 0.74% of taxable payroll or enough to finance an 8% increase in benefits. When the estimates were made public in October, President Lyndon B. Johnson indicated that he would send the 90th Congress a recommendation that Social Security benefits be increased by at least 10% and perhaps by as much as 15%. His recommendations for 15% benefit increase were sent to the Congress on January 23, 1967, and were to be financed by the surplus and by increases in the tax rates and the tax base.

In December of 1966 the Brookings Institution published a study by Joseph H. Pechman on tax policy which considers the question of continued reliance on payroll taxes to finance Social Security benefits.[3] While much of the author's concern in this area is with the regressive nature of the Social Security tax and its built-in inflexibility, he points out that there is considerable psychological advantage to the payroll tax.

"Financing of Social Security through contributory and often regressive taxes is well established in most countries. Receipts are earmarked to make workers feel that they are receiving benefits as a matter of right rather than as a government donation. The ear-marked taxes emphasize the statutory reductions when the budget is tight. Moreover, increases in benefits are believed easier to obtain if they are financed by the contributions of future beneficiaries rather than from taxes in general. [Pechman, *op. cit.*, p. 172.]"

As to the use of general revenues he mentions the precedents that exist in present law and that the combined employer-employee tax rate is scheduled to exceed 10%. Therefore, he feels that ". . . use of the general fund should be considered as an alternative to rate increases when additional funds are required to finance benefits." [*Ibid.*, p. 175]

When the Committee on Ways and Means took up the review of financing in connection with the 1967 amendments, the Administration's recommendation for changes in the Social Security program (H.R. 5710) in March 1967, considerable interest was shown during the public hearings in the financing of the costs of future changes in the program. There seemed to be a widespread feeling that future changes would probably require some changes in the way the Social Security program is financed. In this connection it should be noted that while a large number of witnesses showed concern about the financing of the program, there was no general agreement that future changes should be financed out of general revenues. Many argued that the Administration's proposals should not be enacted because the program was properly financed through payroll taxes and that because payroll taxes had risen to about the bearable limit, money was not available to pay the increased costs proposed by the administration.

In a broad way, the position of the AFL–CIO on the future need for general revenues is representative of the position of those who argue that future increases in cost will have to be financed out of general revenues. Testifying for the AFL–CIO, its President, George Meany said:

"AFL–CIO members are properly known for their willingness to pay for what they get, in war and peace. I am completely confident that they will gladly pay their fair share toward a better Social Security system. Yet, it must be recognized that as we approach the goal of a 50-percent increase in benefits, as we continue to enlarge the scope of the system, a heavier proportion of the tax load will fall upon wage earners.

"Frankly, Mr. Chairman, we all realize that because the Social Security tax is not progressive as to amount of income, it is regressive in the classic sense. We in the AFL–CIO have ridden along with this, over the years, for the sake of the greater objective which we know you share.

"But in all candor I think you should know that in time, we shall urge a modest and gradual contribution to the Social Security trust fund from the general revenues of the United States. We believe this would be an effective way—and a simple one—to introduce the principle of progressive taxation to the Social Security system. We are not asking for this now, so I will not argue the case for it. But we will be back. [President's Proposals for Revising the Social Security System. Hearings before the Committee on Ways and Means, House of Representatives, 90th Cong., 1st sess., p. 576. Hereinafter cited 'Hearings.']"

The arguments against the use of general revenues in the financing of the Social Security program presented to the committee generally avoid direct argument and rely rather on laudatory statements regarding the self-supporting nature of the program by means of the payroll tax. Typical of these arguments is the testimony of Henry R. Chase who represented the Chamber of Commerce of the United States of America at the public hearings. He praised the committee for keeping the Social Security program on a self-supporting basis and pointed out:

"In financing the many amendments to Social Security, Congress did so by levying additional taxes to cover current costs, and, at the same time, provided for escalating tax rates to meet growing future commitments. Success for this method of financing depends upon the willingness of today's and tomorrow's workers to pay the full cost of benefit commitments promised by Congress."

But he also warned:

"The ever present danger of this method of financing is that Congress, through repeated and rapid liberalizations, may so load up the burden of taxes as to undermine the willingness of workers to support the full cost of Social Security. [Hearings, p. 1342]"

In developing the Chamber's objections to much of the Administration's program, Mr. Chase presented the Chamber's position on increasing the cost of the Social Security program. He said:

"We seriously question the advisability and prudence of piling further heavy tax costs on top of the already high and rising tax requirements for Social Security. No one knows whether today's workers or the young workers of tomorrow are willing to support the full cost of the present Social Security cash benefits programs. We won't know this until 1974—six years from now—when the maximum Social Security tax for cash benefits become effective under the present program.

"In fact, we wonder in view of the testimony of Mr. Goerge Meany, President of the AFL–CIO, whether workers are willing to support the present program, let alone the added burden proposed by H.R. 5710. This is because the AFL–CIO favors '. . . a modest and gradual contribution to the Social Security Trust Fund from the general revenues of the United States.' [Hearings, p. 1344]"

In the course of the public hearings on H.R. 5710, Representative Herlong questioned the Under Secretary of Health, Education and Welfare, Wilbur J. Cohen, about the use of general revenues to finance the costs of some of the "welfare" aspects of the Social Security program. In his reply Mr. Cohen stated his belief that the contributory aspect of the program was necessary to the maintenance of public confidence, but that a situation could develop in which it would be appropriate to use general revenues to meet "social cost." The exchange between Mr. Herlong and Mr. Cohen follows:

"Mr. HERLOG. It seems to me that to the extent that we continue to add war on poverty items to the Social Security Act, to that extent we destroy the insurance concept of the whole program.

"Mr. COHEN. I don't think so for this reason, Mr. Herlong: a social insurance program is not like a private insurance program in a strict private-contract sense of returning to an individual, or a small group of individuals, only what they have paid in. As Mr. Ball said yesterday, and as we have said several times before the commite, one has to look at the employer contributions in this system as trying to carry out certain social objectives of seeing that the benefits meet certain minimum needs, and this may mean paying to an individual more than he or she has paid in. If I thought that any benefit in this bill undermined the contributory insurance system, I would not be for that particular type of benefit, because I think that the payment of this benefit as a matter of earned right and payment through a separate trust fund is essential to giving people a sense of security about the receipt of their benefits.

"Mr. HERLONG. The point I was trying to make here is that in my judgment the poverty program or the war on poverty items that are constantly being added to this program, it seems to me, ought more appropriately to be paid for by the general taxpayer rather than by the worker alone and his employer.

"That is the point I was trying to make.

"Mr. COHEN. Well, as the chairman brought out in his questioning, I do think that there is a point where, if one is going to raise the minimum benefits substantially beyond a level that is consistent with the total wage related system, then that increase ought to be paid out of general revenues in recognition of social cost.

[3] Pechman, Joseph A. "Federal Tax Policy," The Brookings Institution, Washington, D.C., 1966.

"I would certainly concede that as a matter of principle, this ought to be carefully looked into. [Hearings, pp. 371–372]"

Representative Ullman inquired of several witnesses whether they had developed a rationale for using general revenues in the Social Security program. The replies, in general, pointed out that over the years the Social Security program had developed a large number of social aspects that should not be paid for as social insurance but rather as welfare.

The use of general revenues was not a direct issue before the committee inasmuch as no such provision was included in the Administration's bill.

In the spring of 1967 the general revenue issue also came up in the consideration of a particular proposal. On April 18, 1967 when the Senate was debating the Investment Tax Credit bill (H.R. 6950) Senators Prouty and Cotton introduced an amendment (which was not adopted) to increase Social Security benefits. The amendment called for increased expenditures of about $4 billion in the first year and would have been financed largely out of general revenues. The largest increases would have gone to people at the lower earnings levels with those at the highest level getting only a token increase. Senator Prouty stated on the floor of the Senate:

"Mr. President, I believe that one of the most significant features of this amendment offered by the distinguished Senator from New Hampshire [Mr. Cotton] and me is the provision which provides for the financing of the increased benefits. This amendment provides that the costs entailed in it be paid from general revenues rather than from additional increases in an already too regressive social security payroll tax.

"The social security payroll tax places too great a burden on low-income families who can least afford to pay for increases motivated by need rather than insurance principles. General revenues, which are obtained in a large part from the progressive income tax, provide a source which is based on the ability to pay. Utilization of general revenues for all future benefit increases will at least hold the line on the social security payroll tax which cuts most cruelly into the pocketbooks of low-income groups. [Congressional Record, Vol. 113, no. 58, p. S5412]"

The debate on the amendment revolved largely around the question of using general revenues in the Social Security program. Opponents of the amendment stated that the use of general revenues was a radical departure from established practice. Senator Williams of Delaware set the tone of the debate saying:

"Once we start down the road of financing Social Security benefits from general revenue by direct appropriations we will have departed from the insurance concept of Social Security and changed it into a general welfare program. [*Ibid.*, p. S5415]"

Senator Gore believed that the Prouty-Cotton amendments would destroy the Social Security program and the following exchange took place:

"Mr. WILLIAMS of Delaware. All of these amendments have merit. I said yesterday that one can take any of the proposed Social Security amendments by itself and make a wonderful argument as to its merits. I do not question that. On the other hand, any meritorious proposal which would give benefits to any group will cost some money.

"While the Senate is voting for those benefits let us include in the bill provisions to pay for them. If we are willing to vote for the increases and if we consider them to be meritorious certainly we should be willing at the same time to include whatever payroll tax increase may be necessary to finance them; or if we are going to put a tax on the general revenue why not include a proposal to increase income taxes in order to bring in the necessary revenue to pay for the cost of the bill? If we do not want to increase income taxes to pay for these benefits or if we do not want to increase payroll taxes with an extra $4 billion then we must increase the ceiling on the national debt in order to pay for the cost; otherwise the Senate is merely going through the formality of saying it is in favor of something for which it does not have the money, and that is a farce.

"Mr. GORE. Mr. President, will the Senator yield?

"Mr. WILLIAMS of Delaware. I yield.

"Mr. GORE. Does the able senior Senator from Delaware agree that the pending amendment would destroy the contributory nature of the Social Security program, that it would invalidate the integrity of the fund, violate the ratio between benefits received and wages earned, or payments made into the fund, and instead, by going into general revenue, make of this another mass general welfare program?

"Mr. WILLIAMS of Delaware. There is no question about it. I have pointed out those facts before. The adoption of this amendment would be a great disservice to those who are depending on social security. The entire principle of social security has been that it was an insurance type of operation. We all recognized that those persons who came in at a later date would not pay as much money, but everybody was paying under the program. Social security was established on the principle that we wanted these elderly persons upon retirement to be able to walk into the post office, accept their check, and walk out with dignity saying, 'This is something I paid for.' This is important.

"I recognize that we did depart from the principle in one instance last year or the year before when we blanketed in those persons over 72 years of age. We did that knowingly because there was no possible way in which these people could qualify in the labor force. They were out of the labor force, and recognizing that and that in a few years, based on the normal lifespan, the program would revert to a general insurance program we brought in that small group. However, those affected by the present amendment were contributors. They build up their equity. Any increased benefits given to them should be on the basis of increasing the contributing rate so that the program will remain as an insurance fund. [*Ibid.*]"

B. THE REVIEW OF FINANCING BY THE COMMITTEE ON WAYS AND MEANS IN CONNECTION WITH THE 1967 AMENDMENTS

The hearings before the Committee on Ways and Means, which opened on March 1, 1967, brought forth a further discussion of the appropriate method of financing the social insurance programs.

Dr. Carl H. Fischer of the University of Michigan is an actuary and was a member of the 1958 Advisory Council on Social Security Financing. He believes that it would be best to maintain the Social Security program on the present self-supporting basis. However, he feels compelled to examine the use of general revenues as a way of maintaining individual equity, i.e.: a correspondence between the value of the contingent benefit for the individual and the taxes which he and his employer pay into the system. Excerpts from his testimony on H.R. 5710 are an appendix to this report.

The question of individual equity was considered by Walter Reuther, the UAW President. In Mr. Reuther's view the choice is plainly one of continuing to neglect the needs of the elderly or of placing an undue tax burden on younger workers. Rejecting both possibilities, he sees the use of general revenues as a "rational, and reasonable and equitable" way of building and paying for an adequate Social Security program. The UAW, therefore, recommends that the cost of the Social Security program be paid by equal contributions from employees, their employers and the Federal Government. This, they say, would be a way to ". . . face up to the basic problem that you can't provide an adequate system of social insurance and meet the complex problems of a highly industrialized society in the 20th century and expect to do that by a constant pyramiding of the payroll tax burden."

Following his prepared testimony Mr. Reuther was questioned on this point by Congressman Ullman. The following exchange took place:

"We have had a number of proposals, Mr. Reuther, to use general revenues for financing. Dr. Campbell presented one such point of view yesterday. But if we are going to do it, it seems to me we need a rationale to limit such participation. Are we going to raise it from a third to 40 percent Federal revenues just because we need it? Are the composition of the committee and the political climate in the country to decide which way we are going to go in financing?

"This would really be a hodgepodge system. What we need if we are going to use general revenues is a real rationale upon which we can build a permanent system, a guideline for the committee so that when we do need increased financing we know exactly what the limitations of the system are. Do you have such a rationale in your proposal here today?

"Mr. REUTHER. We are not proposing the use of general revenue as a matter of political expediency. I think that that would be unsound. I think that the social content of the overall social security system is a broad character which, as a matter of public policy, makes it not proper to place the exclusive burden of that cost upon the payroll tax.

"It seems to me that this does give you a rationale upon which you can defend the use of general revenues. The ratio of the general revenue, its contribution as compared to that of the employer and the employee, this is a changing thing.

"Obviously a wage earner who has access to the kind of affluence that is going to be possible 10 years from now will be in a different position. I think in terms of an UAW member 15 years from now getting $30,000 a year income. Well syphoning off a portion of his wage is quite a different economical thing from syphoning off the same proportion of wage of a worker making $1,000 a year. What you are dealing with here is a dynamic economic equation that is going to change. I think you have to start out with a sound rationale so that you are not acting out of expediency and then the relationship of the relative elements in the total equation will respond to rational judgment in any given situation. [Hearings on H.R. 5710, Committee on Ways and Means, 90th Cong., 1st sess., pp. 1462–1463]"

Subsequently, Mr. Reuther furnished the Committee with additional arguments on the case for using general revenues. While the statement produced no new arguments, it does contain an interesting summary of the principle arguments that have been advanced in favor of general revenue financing:

"(a) Increasing the already regressive payroll taxes would create an unjustifiable burden on low paid workers, young workers and middle-income families with two wage earners, and small businessmen.

"(b) It would be grossly inequitable to expect Social Security taxpayers alone to finance the needed benefit increases for current beneficiaries who would not be paying for the added benefits.

"(c) As a practical matter the difficulties of raising payroll taxes sufficiently to finance truly adequate benefits are probably unsurmountable.

"(d) More adequate Social Security benefits with partial general revenue financing

would reduce the cost of welfare programs also financed from general revenues.

"(e) The concept of general revenue financing for Social Security is not novel and has been recommended by many competent and responsible groups. The Congress has already adopted the principle with respect to certain payments for Social Security beneficiaries over 72 and for Part B of Medicare.

"(f) When we do not count social insurance payments, because they are financed by employee-employer contributions, we are actually spending a smaller percentage of Gross National Product for social welfare programs than we were in 1940.

"Those who claim that general revenue contributions would add a welfare component to the social security system simply do not recognize that this is a social insurance system designed to achieve social objectives. Properly restructed, as we are proposing, it will reduce public welfare programs. [Hearings, pp. 1473–1474]"

Dr. Colin D. Campbell, a Professor of Economics at Dartmouth College, expressed his concern before the Committee on Ways and Means as to the effect of the Social Security payroll tax on the incomes of younger people. In his view, the young worker will be grossly overcharged for his Social Security benefit; to prevent this, the payroll tax should be reduced so that no one will pay more than the cost of the benefits he might expect and the social cost of the welfare aspects should be paid out of general revenues. When Dr. Campbell testified before the Committee on Ways and Means, he was questioned rather closely by the Chairman of the Committee, Wilbur D. Mills. The chairman's questions bring out the rather substantial cost to general revenues that could result from the adoption of some of the proposals that have been brought up for discussion. The exchange between the Chairman and Dr. Campbell follows:

"The CHAIRMAN. Very frankly, when any witness before this committee begins to suggest that we start paying benefits out of the general funds of the Treasury he raises my curiosity beyond the point of containment.

"How much would it cost to do what you suggest; namely, to finance out of the general funds of the Treasury all the benefits paid to presently retired beneficiaries in excess of what they themselves paid for those benefits?

* * * * *

"Dr. CAMPBELL. I am suggesting that you reduce the payroll tax . . .

"The CHAIRMAN. I am not suggesting that either. I am talking about leaving the payroll tax exactly as it is and looking back to those who have retired and paid for their benefits, determining what we pay them in the way of benefits.

"The difference between what they have actually paid and what we have given them in benefits is around $20 billion a year.

"Dr. CAMPBELL. That is right.

"The CHAIRMAN. In the future that would probably, as time goes on, be about half the program cost throughout the future of the program. That will have to be paid for some way.

"I don't know what your deficit is for 1968. It is argumentative right now. Some people say it could be as much as $18 billion. But if we began this in fiscal year 1968 the deficit would then be $38 million. We would have to raise some income taxes from somebody.

"These very people you are concerned about, and I am concerned about, are going to pay income taxes, too. That would be a rather sizable bite out of the pocket of the young workers. I am just wondering.

"I am not arguing with you.

"Dr. CAMPBELL. To a certain extent it would mean just replacing payroll taxes with income taxes but these are not exactly the same two groups.

"The CHAIRMAN. I understand the difference between them.

"Dr. Campbell. I think the gap between what people have paid for and what they have not paid for, unless the welfare aspect of the program is increased considerably in the future, is going to diminish.

"The CHAIRMAN. I will check my figures. I think I am right on it.

"I made quite a point, myself, out of the fact that those who have retired have qualified for benefits under very liberal eligibility requirements. Some people could retire with 18 months of tax payment, paying a very small amount, and receive for the remainder of their lifetime a benefit which is now at least $44 a month.

"When you think in terms of the small amount they have paid and the large amounts that are paid to them in benefits, I don't think the $20 billion figure that has been given me is very far off.

"Dr. Campbell. No; it is not. [Hearings on H.R. 5710, Committee on Ways and Means, 90th Cong., 1st sess., pp. 1392–1393]"

As has been shown in the preceding pages, the question of the role general revenue financing should play in the development of social security is not the closed question it may have appeared to be in the 1950's. There is, of course, no agreement that it would be either good or bad to make more extensive use of general revenues to support the program, however, an open debate is in process among people knowledgeable about the financing of the social security. If the present trends continue, it would not be unreasonable to expect the debate to be settled, one way or another, in the Congress.

TABLE 1.—TAX RATES IN EFFECT THROUGH 1967, AND SCHEDULED IN PRESENT LAW FOR THE FUTURE

Period	Contribution and benefit base	Employer and employee, each			Self-employed		
		OASDI	Hospital insurance	Total	OASDI	Hospital insurance	Total
		Percent	Percent	Percent	Percent	Percent	Percent
1937–49	$3,000	1	----------	1	(1)	----------	(1)
1950	3,000	1.5	----------	1.5	(1)	----------	(1)
1951–53	3,600	1.5	----------	1.5	2.25	----------	2.25
1954	3,600	2.0	----------	2.0	3.0	----------	3.0
1955–56	4,200	2.0	----------	2.0	3.0	----------	3.0
1957–58	4,200	2.25	----------	2.25	3.375	----------	3.37
1959	4,800	2.5	----------	2.5	3.75	----------	3.75
1960–61	4,800	3.0	----------	3.0	4.5	----------	4.5
1962	4,800	3.125	----------	3.125	4.7	----------	4.7
1963–65	4,800	3.625	----------	3.625	5.4	----------	5.4
1966	6,600	3.85	0.35	4.2	5.8	0.35	6.15
1967–68	6,600	3.9	.5	4.4	5.9	.5	6.4
1969–72	6,600	4.4	.5	4.9	6.6	.5	7.1
1973–75	6,600	4.85	.55	5.4	7.0	.55	7.55
1976–79	6,600	4.85	.6	5.45	7.0	.6	7.6
1980–86	6,600	4.85	.7	5.55	7.0	.7	7.7
1987 and after	6,600	4.85	.8	5.65	7.0	.8	7.8

[1] Self-employed not covered in this period.

TABLE 2.—TAX RATES UNDER PRESENT LAW AND H.R. 12080 AS PASSED BY THE HOUSE OF REPRESENTATIVES

[In percent]

Period	OASDI		Hospital insurance		Total	
	Present law	H.R. 12080	Present law	H.R. 12080	Present law	H.R. 12080
	Employer-employee, each					
1967	3.9	3.9	0.5	0.5	4.4	4.4
1968	3.9	3.9	.5	.5	4.4	4.4
1969–70	4.4	4.2	.5	.6	4.9	4.8
1971–72	4.4	4.6	.5	.6	4.9	5.2
1973–75	4.85	5.0	.55	.65	5.4	5.65
1976–79	4.85	5.0	.6	.7	5.45	5.7
1980–86	4.85	5.0	.7	.8	5.55	5.8
1987 and after	4.85	5.0	.8	.9	5.65	5.9
	Self-employed					
1967	5.9	5.9	0.5	0.5	6.4	6.4
1968	5.9	5.9	.5	.5	6.4	6.4
1969–70	6.6	6.3	.5	.6	7.1	6.9
1971–72	6.6	6.9	.5	.6	7.1	7.5
1973–75	7.0	7.0	.55	.65	7.55	7.65
1976–79	7.0	7.0	.6	.7	7.6	7.7
1980–86	7.0	7.0	.7	.8	7.7	7.8
1987 and after	7.0	7.0	.8	.9	7.8	7.9

EXCERPTS FROM TESTIMONY OF DR. CARL H. FISCHER BEFORE THE COMMITTEE ON WAYS AND MEANS, MARCH 21, 1967

ALLEVIATION OF INEQUITIES BY SUPPLEMENTARY FINANCING

By individual equity is meant that there should exist a correspondence between the value of the contingent benefits for the individual and the taxes which he and his employer pay into the system. The lack of individual equity is due in large measure to the practice of charging all individuals the same tax rate regardless of age at entry or other factors. It is fairly obvious that the annual cost per individual required to provide a given level of old age benefits would have to be greater for those who enter the system at a higher age. Thus, it is clear that the old age benefits received by persons older at the time of entry into OASDI are worth considerably more than the value of the pension taxes paid by them and by their employers. This implies that at present persons entering the system at a younger age must pay more than the value of their own retirement benefits because part of their own pension taxes flow to other participants. This unfavorable and inequitable position of the younger members has been pointed out by numerous critics.

It has been suggested that the portion of an employee's benefits not financed completely by his and his employer's pension taxes should be paid out of general taxation revenues. In support, it is contended that a portion of the benefits are gifts—really welfare payments—and it is unfair for the Government to saddle the younger generation of workers with taxes, unrelated to their own

benefits, to finance welfare payments for others. If the general public believes that these welfare benefits are socially desirable, then it appears logical for the general public to pay for them out of general tax revenues.

This deceptively simple proposal has at least two possible drawbacks:

(1) There is danger in upsetting the present provisions requiring the social security system to be self-supporting.

(2) The proposal does not take into account the further inequities created each time the social security law is amended.

DANGERS INHERENT IN GENERAL TAXATION SUPPLEMENT

There is, of course, a danger in permitting partial financng of social security by means of general taxation. Excessively large benefits could be legislated with the tacit approval of the members of the system who might be under the illusion that they are receiving something for nothing. As long as the OASDI system is a financially self-supporting unit, as at present, any increase in benefits must be accompanied by an increase in FICA taxes. This brings home to the participants that there is no magic in Federal benefits—that the benefits must be paid for. In the opinion of the advisory council on social security financing, 1957–58, on which I had the privilege of serving, this concept of long range actuarial balance was so important that it overrode the individual equity concept. In the words of the unanimously adopted report:

"The council endorses the long-standing practice adopted by Congress of including in the law a contribution schedule which according to the cost estimates places the system substantially in actuarial balance into the indefinite future. We believe this procedure to be the best way of making people conscious of the long-range cost of proposals to modify the present program."

It might be contended, in supporting the above recommendation, that the unfavorable treatment of the younger members inherent in a level tax rate for all is lessened in an inflationary economy.

INDIVIDUAL INEQUITIES ARISING FROM FUTURE AMENDMENTS

The proposal to compensate for a late start by means of supplementation from general taxation seems to ignore the effects of possible future changes in social security provisions. As experience has shown, the continuing inflation and loss of purchasing power of the dollar tends to encourage frequent changes in all of the major factors upon which taxes and benefits are based. The tax rates, the wage base, the benefit formulas, and even the age of retirement.

Thus, this simple proposal to require the pension-tax rate for those entering the system at age 21 to be just adequate for their own benefits and to make up the deficit for those entering at an older age by means of general taxation overlooks the new inequities created by adoption of each amendment thereafter. Each time that Congress changed the provisions a new calculation would show that, if individual equity were to be retained, an extra pension tax would be required to pay for the additional benefits. The amount of this extra tax would depend upon the age of the individual at the time of the amendment, of course, so that tax rates which varied by age would be required or else the individual equity concept would be lost.

To overcome this difficulty, an extension of the supplementary financing principle might be devised. Each time that the old age pension costs are increased by amendments to the social security law, raise the pension-tax rate to a level which would provide the average new entrant at age 21 with the total pension benefit promises as newly established. The pension-tax rate would be uniform for all members. This would mean that for all persons older than 21 at the date of the new amendment, the new total tax rate would be insufficient to provide all the newly increased old age pension benefit promises. The unfinanced benefit increases would then be provided out of general taxation revenues. This proposal appears to provide equitable guidelines for future amendments to the social security system.

TRANSITION PERIOD

An immediate question which arises relates to the current situation. Suppose that, in setting the tax rate of at the level required to provide the anticipated benefits to a person now aged 21 we find that this rate is less than that currently payable. (It appears likely that this would, in fact, be the case.) Should FICA taxes be promptly reduced, leaving an immediate drain on an already unbalanced budget? I think that the sensible answer to that is clearly not. I would propose a pragmatic compromise, leaving the tax rate at its present level until at some point in the future the rate determined by the provision requiring equitable tax rates for the 21-year-old entrant had risen to the present tax rate level. From that point onward, the new policy would be brought into effect.

EXPLANATION OF THE PROUTY-COTTON AMENDMENT TO H.R. 12080

This amendment would:

1. Retain the present $6,600 salary base.
2. Maintain the payroll tax rates as amended in 1965.
3. Keep the increased benefits provided in the bill as reported by the Finance Committee.

The attached chart illustrates the projected surpluses which could be created under existing tax rates and a $6,600 base.

In our judgment, these surpluses are clearly ample to provide increased benefits without saddling employees and employers with unconscionable tax increases.

As a matter of fact, without a benefit increase existing social security taxes would create a surplus of over $344 billion by the year 2000.

No need to increase social security tax rate or salary base to finance H.R. 12080 as reported by the Finance Committee.

COMPARISON OF CONTRIBUTION INCOME AND BENEFIT OUTGO UNDER PRESENT LAW AND OTHER PROPOSALS AS COMPILED BY SENATOR PROUTY

	Contributions under present law	Benefits provided under bill reported by Finance Committee	Surplus or deficit
1967	$28,500,000,000		$4,300,000,000
1968	29,600,000,000	$29,000,000,000	600,000,000
1969	33,700,000,000	32,700,000,000	1,000,000,000
1970	35,200,000,000	34,400,000,000	800,000,000
1971	36,200,000,000	35,900,000,000	300,000,000
1972	37,200,000,000	37,400,000,000	[1] 200,000,000
Surplus			6,800,000,000

	Contributions under Finance Committee bill	Benefits under Finance Committee bill	Surplus or deficit
1967			$4,300,000,000
1968	$31,200,000,000	$29,000,000,000	2,200,000,000
1969	36,300,000,000	32,700,000,000	3,600,000,000
1970	38,300,000,000	34,400,000,000	3,900,000,000
1971	42,500,000,000	35,900,000,000	6,600,000,000
1972	46,000,000,000	37,400,000,000	8,600,000,000
Surplus			29,200,000,000

[1] Deficit.

COMPARISON OF CONTRIBUTION INCOME AND BENEFIT OUTGO UNDER PRESENT LAW AND OTHER PROPOSALS AS COMPILED BY SENATOR PROUTY—Continued

	Contributions under House bill	Benefits under House bill	Surplus or deficit
1967			$4,300,000,000
1968	$30,800,000,000	$28,700,000,000	2,100,000,000
1969	34,900,000,000	30,300,000,000	4,600,000,000
1970	36,500,000,000	31,700,000,000	4,800,000,000
1971	40,300,000,000	33,100,000,000	7,200,000,000
1972	42,000,000,000	34,600,000,000	7,400,000,000
Surplus			30,400,000,000

	Contributions under present law	Benefits under present law	Surplus or deficit
1967	$28,500,000,000	$24,200,000,000	$4,300,000,000
1968	29,600,000,000	25,500,000,000	4,100,000,000
1969	33,700,000,000	26,900,000,000	6,800,000,000
1970	35,200,000,000	28,200,000,000	7,000,000,000
1971	36,200,000,000	29,400,000,000	6,800,000,000
1972	37,200,000,000	30,800,000,000	6,400,000,000
Surplus			35,400,000,000

CONGRESS OF THE UNITED STATES,
JOINT COMMITTEE ON INTERNAL REVENUE TAXATION,
Washington, May 10, 1967.

Hon. WINSTON L. PROUTY,
U.S. Senate,
Washington, D.C.

DEAR SENATOR PROUTY: This is in reference to your telephone request of May 5, 1967 (through Mr. Paul Malloy) for a Federal individual income tax rate schedule which (1) would increase each bracket rate by a number of percentage points with the number increasing as the schedule proceeds from the lowest taxable income bracket to the highest, and (2) would produce approximately $4 billion of additional revenue at estimated 1967 income levels.

Enclosed is a Table which gives the present law tax rate schedule, and three other schedules (Schedules A, B, and C) each of which would produce approximately $4 billion of additional revenue. Schedule A represents a proportional increase in each present law tax rates apart from variations induced by rounding to the nearest whole percentage; Schedule B represents less-than-proportional and proportional increases in the rates applicable to the lower income brackets and more-than-proportional increases in the rates applicable to the higher income brackets; Schedule C represents a mixed schedule with proportional, more-than-proportional, and less-than-proportional increases in the rates without any clearly defined pattern except that the increases in the nine top brackets are less than proportional. Schedule A is estimated to produce an additional $3.8 billion of revenue at estimated 1967 income levels; Schedule B, $4.1 billion; and Schedule C, $3.9 billion.

Also requested is the difference in additional tax yield which would result from applying the increase in rates to 1964 taxable income and to estimated 1967 taxable income. We estimate this figure at $1.2 billion for rate Schedule A, $1.5 billion for rate Schedule B, and $1.4 billion for rate Schedule C.

Sincerely yours,

LAURENCE N. WOODWORTH.

FEDERAL INDIVIDUAL INCOME TAX RATES UNDER THE PRESENT LAW RATE SCHEDULE AND UNDER 3 ALTERNATIVE SCHEDULES[1]

Taxable income brackets		Tax rates (percent)			
Single person	Married (joint)	Present law	Schedule A	Schedule B	Schedule C
0 to $500	0 to $1,000	14	15	14.5	14.5
$500 to $1,000	$1,000 to $2,000	15	16	15.5	15.5
$1,000 to $1,500	$2,000 to $3,000	16	17	17.0	17.0
$1,500 to $2,000	$3,000 to $4,000	17	18	18.0	18.0
$2,000 to $4,000	$4,000 to $8,000	19	20	20.0	20.5
$4,000 to $6,000	$8,000 to $12,000	22	23	23.5	23.5
$6,000 to $8,000	$12,000 to $16,000	25	27	27.0	27.0
$8,000 to $10,000	$16,000 to $20,000	28	30	30.5	30.0
$10,000 to $12,000	$20,000 to $24,000	32	34	35.0	34.5
$12,000 to $14,000	$24,000 to $28,000	36	38	39.5	38.5
$14,000 to $16,000	$28,000 to $32,000	39	41	43.0	41.5
$16,000 to $18,000	$32,000 to $36,000	42	45	46.5	44.5
$18,000 to $20,000	$36,000 to $40,000	45	48	50.0	47.5
$20,000 to $22,000	$40,000 to $44,000	48	51	53.5	51.0
$22,000 to $26,000	$44,000 to $52,000	50	53	56.0	53.0
$26,000 to $32,000	$52,000 to $64,000	53	56	59.5	56.0
$32,000 to $38,000	$64,000 to $76,000	55	58	62.0	58.0
$38,000 to $44,000	$76,000 to $88,000	58	62	65.5	61.0
$44,000 to $50,000	$88,000 to $100,000	60	64	68.0	63.0
$50,000 to $60,000	$100,000 to $120,000	62	66	70.5	65.5
$60,000 to $70,000	$120,000 to $140,000	64	68	73.0	67.5
$70,000 to $80,000	$140,000 to $160,000	66	70	75.5	69.5
$80,000 to $90,000	$160,000 to $180,000	68	72	78.0	71.5
$90,000 to $100,000	$180,000 to $200,000	69	73	79.5	72.5
Over $100,000	Over $200,000	70	74	81.0	73.5

[1]Estimated to yield an additional $4,000,000,000 over present law rates.

Mr. PROUTY. Mr. President, I hope Senators who are on the floor will thoroughly study the chart which is on their desk. That chart proves conclusively that the social security trust fund is more than adequate to take care of the needs at present tax rates and at the present salary base for the foreseeable future.

UNANIMOUS-CONSENT AGREEMENT

Mr. LONG of Louisiana. Mr. President, while the Senator from Vermont was discussing this matter, I discussed this request with the Senator from New Hampshire [Mr. COTTON]. We thought it might be desirable to request unanimous consent to limit the time on this particular amendment.

I ask unanimous consent that a quorum call be held, and that at the conclusion of the quorum call, the time on the amendment be divided equally, one-half hour to each side, one-half hour under the control of the distinguished Senator from Vermont [Mr. PROUTY] and the other half hour to be controlled by the manager of the bill.

Mr. PROUTY. Mr. President, reserving the right to object—and I shall not object—I would like to suggest, however, that we have a live quorum. There has been only a handful of Members of the Senate on the floor. I hope that staff members will explain to them the importance of this amendment as they come into the Chamber.

Mr. LONG of Louisiana. That is not necessary, because once a quorum call has started, any Senator can object to its being called off.

Mr. HOLLAND. Mr. President, reserving the right to object—and I shall not object—I would be perfectly willing to agree to this unanimous-consent request. I would like to have the time even shorter, and I would not insist on a live quorum before it; but I am very greatly disappointed that the leadership has announced this morning that we will have a Saturday session, when my plans—well known to all concerned—will not permit my being here, and when we were advised yesterday that there would be no such meeting.

I am going to ask that when I leave here, which will be tonight when we conclude business, the majority whip or the secretary of the majority caucus, who frequently acts as majority leader, object, in my name, to any unanimous-consent request tomorrow and following, until I get back, either to limit time or to fix a set time for a vote on any amendment or on the bill itself. I make that request in the RECORD and I know the officials whom I have named will, in my name, carry out that objection for me if any such request is made.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Louisiana?

Mr. WILLIAMS of Delaware. Mr. President, reserving the right to object—and I shall not object—will the Senator allow me to have 5 minutes?

Mr. LONG of Louisiana. Yes; I shall be glad to yield some of my time to the Senator from Delaware.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Louisiana? Without objection, it is agreed to.

Mr. LONG of Louisiana. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk called the roll, and the following Senators answered to their names:

[No. 326 Leg.]

Aiken	Fannin	Lausche
Anderson	Fong	Long, La.
Bartlett	Gore	McClellan
Boggs	Griffin	McIntyre
Brewster	Hansen	Metcalf
Burdick	Hart	Moss
Byrd, W. Va.	Hatfield	Pearson
Carlson	Holland	Prouty
Clark	Hruska	Ribicoff
Cotton	Inouye	Sparkman
Curtis	Javits	Williams, Del.
Dirksen	Kennedy, Mass.	Yarborough
Eastland	Kennedy, N.Y.	Young, Ohio

The PRESIDING OFFICER. A quorum is not present.

Mr. LONG of Louisiana. Mr. President, I move that the Sergeant at Arms be directed to request the attendance of absent Senators.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Louisiana.

The motion was agreed to.

The PRESIDING OFFICER. The Sergeant at Arms will execute the order of the Senate.

After a little delay, the following Senators entered the chamber and answered to their names:

Allott	Kuchel	Proxmire
Bayh	Mansfield	Randolph
Bible	McGovern	Russell
Brooke	Miller	Smith
Case	Mondale	Spong
Fulbright	Montoya	Stennis
Hartke	Morton	Symington
Hayden	Mundt	Thurmond
Hickenlooper	Muskie	Williams, N.J.
Hill	Pastore	
Jordan, Idaho	Pell	

The ACTING PRESIDENT pro tempore. A quorum is present.

Mr. PROUTY. Mr. President, I yield myself such time as I may use.

The ACTING PRESIDENT pro tempore. The Senator from Vermont is recognized.

Mr. PROUTY. Mr. President, I am sorry more Senators are not in the Chamber, because the Senate will soon be acting on a major amendment.

I invite attention to a table which I have prepared, a copy of which is on each Senator's desk. It is a comparison of contribution income and benefit outgo under present law, and other proposals as compiled by me.

There is only one item which Senators need be concerned with at this moment. It is at the top of the page under the heading "Contributions Under Present Law," which shows the years 1967 through 1972; "Benefits Provided Under Bill Reported by Finance Committee," and then "Surplus or Deficit."

I show a surplus on my chart over this period of time of $6.8 billion. But, Mr. President, there is one figure which I did not include; namely, the roughly $28 billion which is already a surplus in the trust fund. Therefore, instead of its being $6.8 billion, that figure should be $34.8 billion.

Before I proceed further, I am happy to yield to the distinguished coauthor of the amendment, the Senator from New Hampshire [Mr. COTTON], for such time as he may see fit to use.

The ACTING PRESIDENT pro tempore. The Senator from New Hampshire is recognized.

Mr. COTTON. Mr. President, I shall use but a few minutes. I hope that the Senate will be ready to vote even before the time limit is up.

Mr. President, to me, this is the critical amendment to be considered in connection with the bill. I have no criticism of the Committee on Finance. I have high respect for every member on both sides of the committee.

However, every Senator in this body will be placed between the horns of an almost impossible dilemma if we are compelled to vote on the bill as it came from the committee.

I am convinced that that dilemma is not necessary. If we vote for the bill in its present form, we will give recipients

of social security in the lower brackets a decent amount more than the minimum of $44, and a needed increase to others but, at the same time, we will be voting to load the young and middle aged working people of this country, as well as the small businessman, with an almost insupportable burden of taxes.

If we vote against the bill because of what those taxes will do to people in middle life, with all their obligations, then we will be saying "No" to the elderly people who are writing to every one of us—to pitiful cases of old people trying to subsist, with the rising cost of living, on a meager $44 a month or little more.

I will not vote against those people. I shall vote for an increase in social security even if I do not like the Senate bill. I am going to vote for it because of this desperate need of many of our elderly.

Mr. President, it was my intention to offer an amendment increasing the benefits, and to have that increase paid out of the general fund. We already use the general fund in many forms of social security—medicare, total disability, and the Prouty-Cotton amendment which provided special benefits for uninsured individuals over age 72.

But the Senator from Vermont's [Mr. PROUTY] amendment which I have cosponsored, has tables to support it—compiled, I understand, by the very same authorities who advised the Committee on Finance—which indicate that it is not only possible but even probable that in the years ahead we would not need this jump in the tax. We would need no more than the automatic increase already provided for in existing law.

Mr. President, I believe that the Senator from Vermont is right. In order to qualify for social security in the years ahead, to be sure, the beneficiaries will increase. But so will the contributions to the fund for millions and millions of workers, over a period of years, increase.

I think that the Senator from Vermont is correct and that we would be safe in giving this necessary and needed increase without increasing the tax beyond the present law.

But, Mr. President, suppose he is not right? Suppose he is not right—and I do not claim to be an authority—members of the Finance Committee may differ with him—but suppose he is not right. Well, it is obvious that the fund with its surplus of around $35 billion will be sufficient to pay the way until some time probably in 1972.

Then if it becomes evident in the future that the fund is not going to be sound, Congress can, on the basis of an annual report from HEW, put on the necessary added tax to sustain it.

But, if we raise this tax now when we are not sure that it is necessary, look what will happen:

Suppose the analysis of the Senator from Vermont is correct? Suppose we find, as the Senator from Louisiana has indicated, that the fund is overpaid rather than underpaid, and it should become necessary to reduce the tax? What are we doing to those workers in the interim between today and 1972 who have paid the added tax? We cannot return the money to them. Actually, we will have robbed them and taken money out of their pockets.

The only time, without prejudice and without injustice, we can meet such an emergency is when there clearly is such an emergency.

So, Mr. President, I earnestly urge support of our amendment.

All this talk about pumping money into circulation and increasing inflation leaves me utterly cold. It is apparently a horrible thing in the minds of some that oldsters, who are trying to get by on $44 a month, might spend a little more money—but it is not bad if the most spendthrift Government we have had in our history keeps it to pump into the economy.

I think, if this amendment is adopted, we will have a completely safe bill. We will have a report to the Congress on January 1 of every year as to the condition of the trust fund, and the opportunity for Congress to act and add such taxes as may be necessary. At the same time we can care for those who need it so much, without placing an intolerable burden on our workers and young people.

That is the main reason why, to me, this is a most important amendment. It carries no danger, and it enables every Senator to vote his conviction without being compelled to rob Peter to pay Paul.

Mr. PROUTY. Mr. President, I am very grateful for the support given to this amendment by the senior Senator from New Hampshire. This amendment might be referred to as the Cotton-Prouty amendment, because the distinguished Senator from New Hampshire has rendered much service in developing the concept contained in the amendment.

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

Mr. LONG of Louisiana. Mr. President, I yield myself 5 minutes.

Here is a memo from Mr. Robert Myers, Chief Actuary of the Social Security Administration, with regard to this particular amendment. The most impressive paragraph in this memorandum is the last one, which reads:

> In summary, the proposed amendment, by increasing benefits significantly and by leaving the overall financing provisions unchanged, would place the OASDI system in a financial status such that sizeable Government costs would be involved, both in the short range and especially in the long range (the latter must be considered in a social insurance program, and not merely the situation in the next few years). At the same time, the HI program would be made actuarially unsound and, in fact, would be bankrupt by the end of 1970 (since the proposal makes no provision whatsoever for Government payments when outgo would exceed contribution income).

So this amendment bankrupts the hospital insurance plan in 2 years. In 2 years the medicare-hospital benefit fund will be bankrupt. That is the Chief Actuary of the Social Security Administration speaking.

With regard to the social security fund, the big trust fund, we have been trying to maintain a level of funds in this trust fund so that the elderly citizens could know that there would be enough money available to guarantee them that next month's check and the checks after that would be forthcoming.

Initially, the theory was to have enough money in the fund to pay benefits over a number of years, but as the years have gone by, there has been a retreat from that theory to the position that, as long as we raise enough money in taxes to more than pay for the benefits that we vote, the trust fund will never be "broke" and that people may be sure, that there will always be enough money in the fund.

I do not subscribe to the minority-views on the Republican side, but they have placed a chart in their views which I think is correct. It appears on page 336 of the minority views. I urge Senators to look at that chart. It helps illustrate the point. It shows that the amount of money in the social security trust fund reserve at the present time would pay the present benefits to those now on the benefit rolls for only 1 year.

It will be noted that with these changes in 1967, we will be right on that figure. Twelve months of benefits could be paid under the existing level as authorized by law.

If we take the chart that the Senator has placed on our desks and look at the chart and the figures, which I think are important, it will help prove another point. It will be noticed that for the calendar year 1968, under this bill, looking at the right-hand column, we would bring in, $2.2 billion more in revenues than we would pay out in benefits.

Now look at the middle column. The benefits for 1968 would be $29 billion.

Mr. PROUTY. Mr. President, will the Senator tell me what page he is on?

Mr. LONG of Louisiana. I am looking at the legal size sheet of the memorandum the Senator has put on our desks.

Look at the middle column. The level of benefits in 1968 would be $29 billion.

In 1969, because of the additional benefits voted, the level of benefits would be $32.7 billion.

So if we wanted to have enough money in the trust fund to protect these demands from benefits that the people would get, we would need to have $32.7 billion in the fund, which would be $3.7 billion more than would be in the fund at the end of 1968. We will not have that much more in the fund, because the surplus for 1968 will be $2.2 billion to begin with. So we will be $1.5 billion short.

Look at the next row of figures. In the year 1969 we would have a surplus in the fund, under the higher tax rate and higher base, of $3.6 billion. That would move us toward having enough—not quite up to it, but it would almost get us to the point, within $200 million of raising enough money—to restore whatever may be the balance in the fund.

Projected into the future years—we are speaking of 1971 and 1972; we are talking about 4 and 5 years into the future—we would raise more money in taxes than would be needed. We would be overfunding even for that one year's benefits in the fund at the time we started the year. So, 4 or 5 years from now, we would actually be raising more money in taxes than would be required.

I urge Members of Congress to be a little practical about this matter. Be-

tween now and 1971, one of two things will happen. Either we will vote for some additional benefits or else we will not vote to raise the tax level as much as has been complained about in the debate here. So, one way or the other, somebody will get a break. Either the taxpayers will get a break because of not having to pay quite as much in 1971 as was expected, or the social security recipient will get the break by having additional benefits.

That is much more likely to occur than the surplus in the fund as projected. If we are talking about 1968 and 1969. We do not raise quite enough money under the committee bill to pay for the increased benefits we are voting here.

We are about $200 million shy of doing that during these next 2 years.

The ACTING PRESIDENT pro tempore. The Senator's time has expired.

Mr. LONG of Louisiana. I yield myself 1 additional minute.

But, we raise enough to pay for the additional benefits, and to maintain 1 year's level of benefits in the fund, during the next 2 years.

I yield myself 2 additional minutes.

Mr. President, there is an additional problem here. If we were selecting a time to reduce the level of money flowing into a fund below that which would pay 12 months benefits, we could not conceivably pick a worse time than now, because we have serious inflationary pressures at the moment, and in addition to that, the projected deficit in national income accounts is more than $18 billion for this fiscal year.

Insofar as we raise more money in social security taxes than we pay out in benefits, we tend to help improve the national income accounts, and thus fight inflation.

The House bill, and even the committee bill, would reduce that surplus flowing into the fund by $2 billion, and to that extent would tend to move in the other direction, to worsen the national income accounts.

But to go beyond that point, and to retreat from the principle that there ought to be at least enough money in the fund to pay one year's benefits, would be completely irresponsible, particularly at this time when it would be contributing to inflation. It would be worsening the national income accounts, worsening the overall Government deficit in terms of a cash budget, and worsening our credit situation; and we would be voting for an amendment which, by 1970, would empty the hospital insurance fund.

Mr. LAUSCHE. Mr. President, will the Senator yield?

The ACTING PRESIDENT pro tempore. The Senator's time has again expired.

Mr. LONG of Louisiana. I yield myself 2 additional minutes, and I yield to the Senator from Ohio.

Mr. LAUSCHE. Does the inflow of money depend upon the percentage of the people of our country who are employed?

Mr. LONG of Louisiana. Yes.

Mr. LAUSCHE. If there should be a decrease in employment, would the amount coming in be reduced proportionately to the degree of unemployment?

Mr. LONG of Louisiana. It would be.

Mr. LAUSCHE. Does the fact that there is unemployment, which reduces the income, have any effect upon the fixed obligations that have accrued to pay to the beneficiaries the amount of money that is coming to them?

Mr. LONG of Louisiana. More money would be paid out rather than less. This comes about because some people who could be drawing pensions if they are out of work are still working. If unemployed, such persons will assert claims for benefits simply because they are not able to find jobs.

Mr. LAUSCHE. What formula has been used in estimating the income? Is it full employment, full employment less 5 percent, or what?

Mr. LONG of Louisiana. Such factors are taken into account in estimating, but of course the actuaries have to do the best they can to estimate what future employment trends will be over a period of time.

The ACTING PRESIDENT pro tempore. The Senator's time has expired.

Mr. LONG of Louisiana. I yield myself 1 additional minute.

Mr. LAUSCHE. In a period of unemployment and distress, if it were desired to feed money into the economy, and the Treasury had a surplus, could that be done either by raising the benefits of the beneficiaries or reducing the taxes?

Mr. LONG of Louisiana. Yes, that could be done.

Mr. LAUSCHE. That is what we would want to do, would we not?

Mr. LONG of Louisiana. Well, we might be forced to. We might not have much choice about it. That is one reason for keeping a trust fund.

Mr. LAUSCHE. I thank the Senator.

The ACTING PRESIDENT pro tempore. Who yields time?

Mr. PROUTY. Mr. President, how much time do I have remaining?

The ACTING PRESIDENT pro tempore. The Senator from Vermont has 18 minutes remaining.

Mr. PROUTY. Mr. President, I yield myself 3 minutes.

First I should like to ask the distinguished chairman of the committee whether the Mr. Myers upon whose figures he seems to be relying today is the same Mr. Myers whose computations he questioned yesterday in connection with another amendment.

Mr. LONG of Louisiana. Yes.

Mr. PROUTY. He is the same individual?

Mr. LONG of Louisiana. Yes.

Mr. PROUTY. We have had that experience before. I remember that 2 or 3 years ago, we both got different information and figures from Mr. Myers. After the vote was taken, I think we found out we were both partially right, if not completely right.

Mr. LONG of Louisiana. Yes.

Mr. PROUTY. And we know that actuaries can be a little bit confusing, if requested to furnish information supporting one side of a question.

Mr. LONG of Louisiana. May I say to the Senator that Mr. Myers may not always be right. I think he is an honest man, and does the best he can, with the data furnished to him.

In this particular case, we have concluded that the estimate is correct. As a matter of fact, I believe, in this instance, so far as I know, the Senator is relying on Mr. Myers' figures in his own way.

Mr. PROUTY. Mr. President, the Senator from Louisiana is engaging in a lengthy discussion on my time.

Mr. COTTON. Mr. President, will the Senator yield?

Mr. PROUTY. I yield to the Senator from New Hampshire.

Mr. COTTON. The proof of the pudding is in the tasting. There is only one way to know who is right, and that is to find out whether this added cost would be a drain on the fund. Then we would know. I am opposed to taking a cent from the pockets of the American workers until we know we need it. There is only one way to know we need it.

Mr. PROUTY. Mr. President, I think the distinguished Senator from Louisiana has maintained that a surplus is needed the beginning of each year which is sufficient to pay out benefits for 1 year. This principle completely ignores the payments or contributions that will be coming in each and every year.

I have never heard a single actuary or anyone familiar with this program suggest that such a surplus is necessary or desirable. I think the fact that it is neither necessary or desirable is well substantiated by the record of the hearings.

But, Mr. President, I have no wish to prolong this debate. Unfortunately, not many Senators have found it possible or worthwhile to be on the floor. I think some of them will eventually have reason to be concerned, if they vote against this amendment. They will have reason to be concerned, Mr. President, because I do not think they know how greatly our social security system is overfinanced.

Briefly, Mr. President, our amendment retains the $6,600 salary base which is now in effect. It would retain the payroll taxes contained in 1965 amendments to the Social Security Act. Moreover, it would retain the increased benefits provided in the bill as reported by the Committee on Finance. In the unlikely event that at some distant time in the future an unforseen contingency should arise, general revenue funds could be used for that particular year.

More importantly, Mr. President, we now have a surplus. As a matter of fact, at the end of 1972 that surplus will be about $34.8 billion. I have yet to find a single actuary who says that amount of money is not more than ample.

If we increase social security payroll taxes, we are going to saddle an unconscionable burden on the working people and the small businessman of this country. Since the increase is unnecessary, I think we are making a very grave mistake. Moreover, if this is intended to take the place of a surtax, as some Senators have suggested, I believe it is an abuse of the social security system.

If we are going to levy a tax to take care of inflation, or for any other pur-

pose, let us put it on all the people of this country, not just the working people.

Mr. President, if the Senator from Louisiana is willing to yield back the remainder of his time, I am willing to yield back the remainder of mine. I do not believe either of us can add much to what has already been said.

Mr. LONG of Louisiana. Mr. President, I have agreed to yield 5 minutes to the Senator from Delaware.

Mr. WILLIAMS of Delaware. Mr. President, I have always said that one of the great achievements of the New Deal was the establishment of the social security system. I think it was one of the greatest programs ever started, and I always have been and am today a strong supporter of a sound pension system.

Social security was established on the principle that it would be financed by the employer and the employee. It was established on the principle that, as a beneficiary by virtue of his payments into the social security fund, a man could accept that check with dignity as a retirement check from a fund into which he had contributed. It was to be a retirement pension to which he was fully entitled, the same as he would be under any other retirement system, whether it be civil service retirement or one of the many other private pension plans that operate in this country.

I think it is very important that we let the people retain that dignity in connection with the receipt of the pension check and let the workers and those who participate know that it is something they have paid for.

However, I agree fully with some of the remarks of my friends, the Senator from New Hampshire and the Senator from Vermont, that this tax is getting out of hand. I said that in the committee. That is the reason that the minority members of the committee raised the question as to how far we could go in increasing benefits over and beyond those contained in the House bill.

With these increased benefits go higher taxes, and the fact that the majority members have delayed these increases until after the 1968 election does not minimize the pain. The tax increase is there under the Hartke-Long formula.

I call attention to the fact that the pending bill—and the pending amendment would not change it—would provide additional benefits in the amount of more than $6 billion annually once the provision of the law becomes fully effective. And that money has to be financed.

The Government of the United States does not have access to any mysterious source of income. The only revenue we have with which to pay for these benefits is either wage taxes which are paid into the trust fund or income taxes from the pockets of the same American taxpayers. Otherwise, we borrow the money and pyramid the national debt.

When we speak of general revenue we are not just looking to some mysterious source which will relieve all pain as far as the workingman and the American taxpayers are concerned with relation to taxes.

The workingmen of America have deductions made from the amount of money they receive as salary by virtue of both social security and income tax. Whether the Government collects this money through a social security tax on the wages or through income tax, it is equally painful and retrogressive to the people. One can use all the adjectives he cares to use; it is still a tax.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. CURTIS. Mr. President, the Senator from Vermont suggested that these benefits be paid out of the general fund That would require a change in the law. No such payment is authorized. Appropriations for those payments would probably be subject to a point of order.

If these people are to be entitled to health benefits to be paid out of the general fund, we would have to recommend a change in the law to authorize it.

Mr. PROUTY. Mr. President, will the Senator yield on my time?

Mr. WILLIAMS of Delaware. I yield.

Mr. PROUTY. Mr. President, I point out that in my judgment, and in the judgment of the experts with whom I have consulted, financing from general revenues will not be necessary for many years to come.

Too much emphasis is being placed on the raising of the money through the use of general funds.

Mr. CURTIS. I was referring to what the Senator said.

Mr. PROUTY. I did not say we would have to do it. I said repeatedly that we would not have to do it for many years to come. However, we must have some provision to allow for such a contingency.

I cannot envision what will happen 10, 15, or 20 years from now, and neither do I think that any other Senator can. I think that we should have some provision in the law so that if an unforeseen need arises, we could appropriate money from the general funds for any particular year.

Mr. CURTIS. We are without authority to do that under the present law.

Mr. WILLIAMS of Delaware. The argument that we could use the current revenue in the trust fund to finance the payment of an additional $6 billion in benefits means that we would be spending for today's benefits the contributions now being made into the fund by millions of wage earners in the 25- to 45-year-old age bracket. The contributions of these younger workers are being made on the premise that these wage earners are building up their security for the future.

To accept the principle that we can use all of their contributions today to pay benefits to those who are retired or will retire tomorrow means that we will be destroying completely the future security of our present wage earners when they reach the age of 65.

I cannot go along with that principle. To go to public financing would be a major change and a complete reversal of all the principles on which the social security system has been founded. I certainly do not think we should take such a radical step on the floor of the Senate.

Conceivably we could repeal all existing wage taxes for 1968, deplete the trust fund in its entirety, and still pay benefits for 10 to 12 months if we wanted to be shortsighted enough to do so.

I personally do not think we can proceed on that basis. I think we must recognize that the $100 to $200 per year which the average wage earner of 35 years of age is putting into the trust fund today is for his own security and is being placed there for his benefit. Congress has a responsibility to protect his interest. This is, or at least it is supposed to be, a trust fund.

Mr. President, I hope the amendment is rejected.

The ACTING PRESIDENT pro tempore. The time of the Senator has expired.

Mr. LONG of Louisiana. Mr. President, I yield 2 minutes to the Senator from Florida.

The ACTING PRESIDENT pro tempore. The Senator from Florida is recognized for 2 minutes.

Mr. HOLLAND. Mr. President, I agree completely with the position taken by the Senator in charge of the bill, the distinguished Senator from Louisiana, chairman of the Finance Committee, and the Senator from Delaware [Mr. WILLIAMS].

I point out an additional fact that has not been mentioned. There are several Senators who are above the age of 72 years and who have regularly paid social security taxes on outside income. We are all drawing social security whether we want it or not. That is the law—we have paid for that insurance and are still paying.

Under the pending bill, if the amendment of the Senator from Vermont were agreed to, the amount of our social security payments would be increased, but we would be making it very sure that we would not have to pay any more to the Government by leaving the level of income and the rate upon which we pay the same.

I do not know how any Senator in that position could possibly think about voting for the pending amendment. It is so obviously unfair to the general public and the general taxpayer for a Senator to raise his own social security payments and at the same time make sure that the base on which he pays annually and his annual tax is no greater.

I think we certainly could not be in position to vote for such a self-serving proposal. I could not vote for it.

The ACTING PRESIDENT pro tempore. The time of the Senator has expired.

Mr. PROUTY. Mr. President, in answer to the distinguished Senator from Florida, we are all under a rather liberal retirement plan in Congress which is not a part of the social security system. As far as the social security system is concerned, I am convinced it is grossly overfinanced already.

Mr. HOLLAND. The Senator from Florida has said that there are several Senators who are over the age of 72

and have paid on the maximum amount for years.

When the Senator offers an amendment which would raise considerably the amount which we draw but would make it very sure that we do not have to pay any more into the pool from which we are being paid, to my mind that is, as to us, completely unfair and completely self-serving.

I do not see how any Senator in that position could even think about voting for the pending amendment.

I thank the Senator for yielding.

Mr. PROUTY. The Senator from Vermont is trying to protect the interests of the contributing wage earners of the country—people earning $5,000, $6,000, $7,000, $8,000, $9,000, or $10,000 a year. The Senators who may happen to be on social security should not feel guilty about protecting the interests of wage earners.

Mr. LONG of Louisiana. Mr. President, I yield 5 minutes to the distinguished minority leader.

The ACTING PRESIDENT pro tempore. The Senator from Illinois is recognized for 5 minutes.

Mr. DIRKSEN. Mr. President, all I know is what I see in the papers, unless I get something out of a Government agency.

I have a note here from the Chief Actuary, Mr. Robert J. Myers, and this is just as fresh as the morning paper, because it is dated on November 17, 1967.

This is what Mr. Myers says about the pending amendment:

> With respect to the old-age and survivors' insurance fund, the excess of outgo over income in 1968 will be $1,168 million.

That goes down a little up to 1972. It is $765 million. Then it starts up again, and by 1980 you dip into the Treasury for $2.7 billion, and by 1990 you dip into the Treasury for $7.3 billion. Well, what you are going to do is make a welfare program out of this.

Now, that is equally true of the so-called trust fund for disability, because there you start with an excess of income. It gradually dribbles down, and then when you get to 1980, the excess of outgo over income is $200 million, and you pick that up out of the general fund.

That is equally true of the hospital fund, because the excess of outgo in the first year is $170 million. By 1972, it is $1,151,000,000.

I did not concoct these figures. These are from Mr. Myers, the Chief Actuary. And I am not about to support that kind of program, where you freeze the wage base and the tax and you let the benefits go up.

Mr. President, I just want to say on this Senate floor now that if Great Britain had stuck with the Beveridge plan when it began, they would be in pretty sound shape today. But they let the House of Commons maul it, put everything in it, and finally converted it to a welfare program. So that between defense and welfare, here she is trying to borrow $1 billion from 10 countries; and Mr. de Gaulle is not about to look on that very kindly, according to the press. And who shall say whether or not the pound is going to be devalued? Our market is shaky this morning.

Now, that is what we are doing with this program, and yet we call it the old-age and survivors insurance program.

Look at the lawbooks on insurance, on fraternal organizations. The history of our country is strewn with the whitened bones of bankrupted outfits that did exactly this, and the contributions did not come on—and the result was what? They failed. And if you ever saw anything so wretched as somebody clutching a policy, knowing there was no dough in the trust fund—and I saw my mother do it—you never can forget it. You only have to see that once. All you have to see is the bitter, streaming tears.

And here are 18 million recipients now. I am not going to put them on the block and fool with their program. I am for social security, but it has to be sound, or it is going to founder. And I am not about to see it made a welfare program, either.

I hope, in the interest of the country and the people who are the beneficiaries, that this amendment will fail.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. DIRKSEN. I yield.

Mr. MANSFIELD. Mr. President, I wish to aline myself with the distinguished minority leader.

As I understand this amendment, the benefits would be increased but the taxes would not.

In the printed explanation of the pending amendment, it is said:

> As a matter of fact, without a benefit increase, existing social security taxes would create a surplus of over $344 billion by the year 2000.

But further in the explanation of the amendment, it is said:

> However, in the event that the social security surplus is not sufficient for this purpose, my amendment further provides that additional funds required to pay these benefits will be appropriated from general revenues.

It seems to me that these two propositions cannot be reconciled.

I think that the sound premise upon which this program should be based is one of pay as you go. I think the tax should be adjusted to pay for any increased benefits. I believe the old people of this country deserve an increase in benefits; and increase supported by a trust fund maintained on as sound an actuarial basis as possible. The fund increases assured under the bill will indeed support the benefit increases provided.

I think we will be going a long way down the road to fiscal irresponsibility if we choose now to adopt an amendment that, in effect, would weaken the trust fund created to finance the social security system. The trust fund concept of financing this system has already been established and proven. I hope, most sincerely, that this amendment will be defeated.

The ACTING PRESIDENT pro tempore. Who yields time?

Mr. PROUTY. Mr. President, how much time do I have remaining?

The ACTING PRESIDENT pro tempore. The Senator has 10 minutes remaining.

Mr. PROUTY. Mr. President, I yield myself 2 or 3 minutes.

I might say, first, that Mr. Robert Myers seems to be able to take more positions within a period of 24 hours than any other man I have ever known. This is not the first time. The Senator from Illinois has just read something from him. The Senator from Louisiana earlier read something else. I have had other information from him which differs with the facts given to the two distinguished Senator to whom I have referred.

I believe the Senator from Illinois referred to something that might happen in 1990. I believe his figures disregard a growth in the gross national product for the next 20 years.

Yesterday the Senator from Louisiana said the fund is overfinanced, not underfinanced.

Under the bill reported by the Finance Committee we are placing a great burden on the workingmen and the small businessmen of this country, and I hope Senators realize that very clearly before they cast a vote.

Mr. COTTON. Mr. President, will the Senator yield?

Mr. PROUTY. I yield.

Mr. COTTON. Mr. President, I regret very much that both of our esteemed leaders have characterized the proposed amendments as they have in the past 4 minutes. I doubt whether they studied the amendment earlier than a few minutes ago, because the amendment is not framed or intended to contemplate, nor would I be a sponsor of it or vote for it if it contemplated changing the social security system to a welfare fund.

The amendment provides for a report to Congress on January 1 of every year to ascertain the condition of the fund. And it contemplates—at least, its intent is—that Congress shall then take such action to increase the tax for the fund as may be needed. It also provides, however, for the contingency that we might have to appropriate moneys for a part of a year until a new tax took effect. But the fact remains, Mr. President, that at the end of 1972, we will have a surplus in the social security fund of $34.8 billion. Every actuary and every staff member with whom I have talked has said that this is unnecessary, that there is no need whatsoever to have a full year's benefits in the fund.

Nobody seems to know whether, with the vast number of payers into the fund, we will be collecting too much money and taking money unnecessarily, or whether the fund will be depleted. But I say again, that if you do not accept this amendment, if you increase the tax now, willy-nilly, you have crossed the Rubicon. If you find you are building up a surplus fund, you cannot reduce it without being unfair and dishonest to those who have paid into it in the intervening years between today and 1972 or 1975, or such time as the necessity arises.

I do not believe in taking 1 red cent from the profits of any American worker until I know something more than the dreaming and the tables of the statisticians, as to whether or not it will be necessary. I regret that the powers that be in the Senate have passed so quickly and so definitely on our amendment with

complete misinterpretation of its purpose and its intent.

Mr. PROUTY. Mr. President, if the Senator from Louisiana is willing to yield back the remainder of his time, I am willing to do so.

Mr. LONG of Louisiana. Mr. President, I yield 2 minutes to the Senator from Ohio.

Mr. LAUSCHE. Mr. President, early in 1950, while I was Governor of Ohio, there was $700 million in the unemployment compensation fund. Employers and labor leaders got together and agreed upon an increase in unemployment compensation, a reduction of the rate of contribution into the fund, and the return of $70 million to employers on the ground that they had paid into the fund more than was justified.

I disagreed with the employers and the labor leaders. I said:

> Keep this fund strong. If we are to make a mistake, make it in the direction of soundness, rather than weakness, in the maintenance of the fund.

The legislature passed what was requested. I opposed it, and I was ridden down. Then, 1958 came, unemployment set in, the fund dropped to $150 million, and there was danger. This Congress, in 1958, appropriated funds to many States which had followed a bad policy reducing rates of contribution and increasing rates of payment to the unemployed.

My position is that if we are to make a mistake, make it in the direction of sound maintenance of the fund. Do not make it in that direction in which at some subsequent date it will be found that the fund is incapable of maintaining its responsibilities.

A moment ago I put the question to the staff man: Does this social security cover my retirement benefits as a Senator? I concur with what the Senator from Illinois said. I am holding a policy of insurance and I want that fund out of which I am to be paid to be kept strong and sound. The senatorial benefits are not in this fund, but what I would want for myself, as a Senator, I want accorded to every citizen of the country: a guarantee that the fund will be adequate to meet their rights when the time comes.

I thank the Senator from Louisiana.

The PRESIDING OFFICER. Who yields time?

Mr. LONG of Louisiana. Mr. President, I yield back any time I have remaining.

Mr. PROUTY. I yield back the remainder of my time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment of the Senator from Vermont (No. 445).

On this question the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. BYRD of West Virginia. I announce that the Senator from Nevada [Mr. CANNON], the Senator from Alaska [Mr. GRUENING], the Senator from North Carolina [Mr. JORDAN], the Senator from Missouri [Mr. LONG], the Senator from Oregon [Mr. MORSE], and the Senator from Maryland [Mr. TYDINGS] are absent on official business.

I also announce that the Senator from Virginia [Mr. BYRD], the Senator from Idaho [Mr. CHURCH], the Senator from Connecticut [Mr. DODD], the Senator from Louisiana [Mr. ELLENDER], the Senator from North Carolina [Mr. ERVIN], the Senator from Oklahoma [Mr. HARRIS], the Senator from South Carolina [Mr. HOLLINGS], the Senators from Washington [Mr. JACKSON and Mr. MAGNUSON], the Senator from Minnesota [Mr. MCCARTHY], the Senator from Wyoming [Mr. MCGEE], the Senator from Oklahoma [Mr. MONRONEY], the Senator from Wisconsin [Mr. NELSON], the Senator from Florida [Mr. SMATHERS], the Senator from Mississippi [Mr. STENNIS], and the Senator from Georgia [Mr. TALMADGE] are necessarily absent.

I further announce that, if present and voting, the Senator from Oklahoma [Mr. HARRIS], the Senators from Washington [Mr. JACKSON and Mr. MAGNUSON], the Senator from Wyoming [Mr. MCGEE], the Senator from Florida [Mr. SMATHERS], the Senator from South Carolina [Mr. HOLLINGS], the Senator from Maryland [Mr. TYDINGS], and the Senator from Nevada [Mr. CANNON] would each vote "nay."

On this vote, the Senator from Louisiana [Mr. ELLENDER] is paired with the Senator from Oregon [Mr. MORSE].

If present and voting, the Senator from Louisiana would vote "nay," and the Senator from Oregon would vote "yea."

Mr. KUCHEL. I announce that the Senator from Tennessee [Mr. BAKER], the Senator from Utah [Mr. BENNETT], the Senator from Colorado [Mr. DOMINICK], the Senator from California [Mr. MURPHY], the Senator from Illinois [Mr. PERCY], and the Senator from Pennsylvania [Mr. SCOTT] are necessarily absent.

The Senator from Kentucky [Mr. COOPER] and the Senator from Texas [Mr. TOWER] are absent on official business.

The Senator from North Dakota [Mr. YOUNG] is absent because of death in his family.

The Senator from Kansas [Mr. PEARSON] is detained on official business.

If present and voting, the Senator from Utah [Mr. BENNETT], the Senator from California [Mr. MURPHY], the Senator from Colorado [Mr. DOMINICK], the Senator from Kansas [Mr. PEARSON], the Senator from Pennsylvania [Mr. SCOTT], and the Senator from Texas [Mr. TOWER] would each vote "nay."

The result was announced—yeas 6, nays 62, as follows:

[No. 327 Leg.]

YEAS—6

Aiken	Kennedy, Mass.	McIntyre
Cotton	Kennedy, N.Y.	Prouty

NAYS—62

Allott	Carlson	Griffin
Anderson	Case	Hansen
Bartlett	Clark	Hart
Bayh	Curtis	Hartke
Bible	Dirksen	Hatfield
Boggs	Eastland	Hayden
Brewster	Fannin	Hickenlooper
Brooke	Fong	Hill
Burdick	Fulbright	Holland
Byrd, W. Va.	Gore	Hruska
Inouye	Mondale	Russell
Javits	Montoya	Smith
Jordan, Idaho	Morton	Sparkman
Kuchel	Moss	Spong
Lausche	Mundt	Symington
Long, La.	Muskie	Thurmond
Mansfield	Pastore	Williams, N.J.
McClellan	Pell	Williams, Del.
McGovern	Proxmire	Yarborough
Metcalf	Randolph	Young, Ohio
Miller	Ribicoff	

NOT VOTING—32

Baker	Harris	Nelson
Bennett	Hollings	Pearson
Byrd, Va.	Jackson	Percy
Cannon	Jordan, N.C.	Scott
Church	Long, Mo.	Smathers
Cooper	Magnuson	Stennis
Dodd	McCarthy	Talmadge
Dominick	McGee	Tower
Ellender	Monroney	Tydings
Ervin	Morse	Young, N. Dak.
Gruening	Murphy	

So Mr. PROUTY's amendment (No. 445) was rejected.

Mr. CARLSON. Mr. President, section 142 of the bill deals with coordination of reimbursement with health facility planning. The explanation is found on page 17 of the committee print which was published on November 9, 1967. This has caused great concern among the hospitals of this Nation.

I ask unanimous consent to have printed in the RECORD a telegram from the Associate Director of the American Hospital Association on this subject.

There being no objection, the telegram was ordered to be printed in the RECORD, as follows:

AMERICAN HOSPITAL ASSOCIATION,
Washington, D.C., November 15, 1967.

Senator FRANK CARLSON,
Washington, D.C.:

The American Hospital Association, on behalf of some 7,000 of the Nation's hospitals, strongly opposes section 142 of the Senate Finance Commitee's reported bill, H.R. 12080, the Social Security Amendments of 1967. This section would deny payment to hospitals under medicare and medicaid for depreciation and interest costs on those capital expenditures not approved by the single State planning agency authorized under the Comprehensive Planning Act.

We strongly oppose this provision for these reasons:

(1) Depreciation and interest on capital expenditures are recognized as legitimate and necessary costs of operating any business. There is no justification for discriminating against hospitals in this respect.

(2) It interferes with the authority and legal responsibility of a hospital's governing board to provide for all the facilities and equipment required to serve its community

(3) The medicare and medicaid programs constitute contracts under which the Federal Government agreed to pay hospitals for care rendered to the aged and poor. Denial of reimbursement of these costs as proposed is obvious economic coercion on the hospitals to submit to Government planning.

(4) The proposal is in violation of the letter and intent of the medicare statute (P.L. 89-97, section 1801) which forbids "supervision or control over the administration or operation of any such institution." Denying reimbursement for a hospitals' costs of depreciation and interest on capital items clearly is interference with the administration and operation of the hospital.

For these reasons we urge that section 142 be deleted from the bill.

KENNETH WILLIAMSON,
Associate Director.

Mr. CARLSON. Mr. President, I want to state that I have heard from every one of the hospitals in my State. They are quite concerned with the proposal

made in section 142 of this bill under which payment to hospitals under the medicare and medicaid programs for depreciation and interests costs would be denied for any capital expenditures not submitted to and approved by the single State planning agency authorized under the Comprehensive Planning Act.

Certainly we all agree that planning is a good thing, particularly in this day of rising hospital costs. The hospitals in my State, as well as the vast majority of the hospitals in the Nation, currently are participating in voluntary regional planning. I understand that there are some 80 of these regional planning groups operating.

I know that Senators are all familiar with the Comprehensive Planning Act. Under this act the Government grants money to States to assist in statewide health planning. The hospitals of the Nation are grateful for this assistance and are supporting that program to the fullest extent. However, they feel very strongly that economic sanctions under the guise of fostering planning is an improper act on the part of the Government and indeed a breach of faith from the promises made to the hospital field in the original enactment of the medicare and medicaid programs that the Government would not exercise any "supervision or control over the administration or operation of any such institution."

Under the medicare law, the Government contracted with the hospitals of this Nation to pay the reasonable costs incurred by hospitals in the care of our aged and poor. The principles under that legislation recognized, in accordance with generally accepted accounting practices, that depreciation and interest on capital expenditures are legitimate and necessary costs of operation of any business—including hospitals. The proposal now being made in section 142 would be to deny the payment of these costs unless the hospital submits its proposed capital expenditures to the State planning agency for approval. This is rank discrimination against our hospitals and in my opinion violates the letter and intent of the Government's promises to hospitals in enacting medicare.

I know Senators are aware that the hospitals in their communities, as well as mine, are governed by boards of trustees selected from the most prominent and respected citizens of the community. For the most part, these are men who have made their mark in industry, the professions, or government. These people bring to the hospital field unlimited years of experience and background in planning and development and, as you know, serve the hospitals without pay. To say to this dedicated army of professionals that they can no longer make the decisions for their local hospital raises a serious question as to the future availability of people to serve in this capacity. Moreover, in my opinion, it is a gross interference with the authority and legal responsibility vested in these hospital governing boards.

Mr. President, I raise this issue in order that I may call it to the attention of the distinguished chairman of the Finance Committee, who helped write this bill and who, I am sure, is familiar with the situation and the problem that has been presented to me and other Members of Congress by the hospitals. If the chairman wishes to comment on this problem, I would appreciate it.

Mr. LONG of Louisiana. Mr. President, this problem arises as a result of a misunderstanding. The committee is well aware of the fact that $1 billion was added to the cost of the medicare program as a result of rising hospital costs. That is something I had predicted, at least to some extent, at the time we were considering medicare.

To prevent the construction of many facilities which are not really needed and considering that the Federal Government would be picking up the cost, it was initially suggested that we should not pay for the depreciation to help amortize these costs, unless the plan had been approved by the State planning agencies. Most States have State planning agencies.

But, in committee, on the recommendation of the Senator from Nebraska [Mr. CURTIS], we changed that so that we would pay this depreciation allowance to hospitals unless the capital expenditure were specifically disapproved by a State planning agency.

So, as a practical matter, there is no requirement that the hospital submit the proposal to a State planning agency. The hospital would be reimbursed under the depreciation allowance. But if it were submitted or the planning agency knew about it and informed those concerned that this plan was not approved, then, of course, the Federal Government would not pay the depreciation allowance on it.

I believe that the fear that arose in the minds of the hospital administrators probably had its genesis here in Washington when representatives of the association saw this little blue pamphlet which merely summarizes the provisions in the committee bill. This was prior to the time they had a chance to study the committee report itself and review the provisions of the committee bill.

So they looked at that little thumbnail summary of what was in the bill. I believe they erroneously arrived at the conclusion that they would be required to submit their proposed improvements to a State planning agency and have them approved.

Actually, the bill works just the other way around. The hospitals would receive the depreciation allowance in their reimbursement unless the improvement plans had been specifically disapproved by the State planning agencies.

That is desirable, so far as it goes, because in many cities—I do not know of any in my State, but in a number of States—there is an excess of hospital beds and facilities. In some instances two or three hospitals try to obtain some very expensive new equipment to do specialized jobs when only one is needed for the entire community.

Many States, realizing this problem, have set up State planning agencies. Generally speaking, those agencies are doing a very fine job.

The bill does not require that a hospital obtain approval of a State planning agency. It does not require that the hospitals submit those plans for approval of a State planning agency. All the bill provides is that, if the State planning agency specifically disapproves of some particular expenditure, the Federal Government will not reimburse for such capital expenditure that was specifically disapproved at the State level.

This is, I believe, States rights all the way—where we do not require the State to do something along these lines. But, if the State then sets up a State planning agency, and that agency disapproves of a certain hospital expenditure, we would not include depreciation in the reimbursement.

If the Senator from Kansas had a chance to discuss it with hospital administrators themselves, personally, and showed them what the committee report says, I am sure they would be convinced that they were led to an erroneous conclusion, probably because of a misunderstanding due to a brief summary, which did not explain every facet of the provision we put in the bill. This summary is contained in the little blue pamphlet to which I have referred the Senator.

Mr. CARLSON. I trust that the statement of our distinguished chairman, the Senator from Louisiana [Mr. LONG], has at least pointed up the intent of the committee report, as I have read it. I read the committee report and I thought we took care of the situation as the hospitals would really want to operate and that it was left to the State planning boards. I do not think anyone could object to that. I sincerely hope this explanation will clarify the matter for the hospital administrators.

It was my intention to offer an amendment to delete this section. In view of the statement by the chairman of the committee, I shall not make such a motion. If it develops later that some of the administrators concerned think there is a need to have it amended, I reserve that right. At this time I wish to express my appreciation for the statement of the chairman of the committee.

Mr. LONG of Louisiana. This matter will be in conference. I anticipate that the Senator from Kansas [Mr. CARLSON] will be a member of that conference between the Senate and the House. In the event this matter has not been resolved to the satisfaction of the hospital administrators, we will certainly consider that fact in conference and consider whether their fears are well founded, and dispose of it in conference. I think when they see what the committee really has in mind, their fears will be allayed.

Mr. CARLSON. I appreciate what the Senator has said.

Mr. PROUTY. Mr. President, first I wish to express my appreciation to the four Senators who supported the Prouty-Cotton amendment, which received six votes.

I remember when I first offered to bring the very low-income people under the social security system at a minimum of $44 a month, I was almost laughed down. I believe the Senator from New Hampshire [Mr. COTTON], who joined

me at that time, was subjected to the same criticisms which were showered on me.

As time went on, the Senate finally was persuaded to adopt such an amendment, which provided $44 a month. When the bill went to conference, it was reduced to $35, which certainly was a step in the right direction, because we had something. Now that minimum has been raised to $50 under the bill as reported by the Finance Committee.

With persistent effort, we sometimes achieve results. I believe in the years ahead many Senators who voted against the last Prouty-Cotton amendment will eventually see the wisdom of the proposal.

Now, Mr. President, on behalf of myself and the distinguished senior Senator from New Hampshire [Mr. COTTON], I send to the desk an amendment and ask that it be stated.

The ACTING PRESIDENT pro tempore. The amendment will be stated.

The assistant legislative clerk proceded to read the amendment.

Mr. PROUTY. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

The amendment proposed by Mr. PROUTY is as follows:

On page 16, line 9, insert "January" in lieu of "March". On page 17, in lines 7, 8, 16 and 21 insert "January" in lieu of "March". On page 18, in lines 6 and 9, insert "December, 1967" in lieu of "February, 1968". On page 19, in lines 2 and 17, insert "January" in lieu of "March". On page 19, in lines 8, 10, and 14, insert "December 1967" in lieu of "February 1968". On page 21, line 5, insert "December 1967" in lieu of "February 1968". On page 22, line 18, insert "December 1967" in lieu of "February 1968". On page 55, line 21, insert "December 1967" in lieu of "February 1968".

Mr. PROUTY. Mr. President, this amendment would simply advance the date when the benefits will be paid from March 1 to January 1 of next year.

During the past 32 years, there have been relatively few large increases in the benefit amounts of social security. In fact, during the past 13 years, there have been only two such increases. Our older retired Americans have learned to expect very little from Congress in the way of increased income from social security.

In January of this year, however, 20 million Americans over age 65 were heartened to learn that the President of the United States was recommending a massive increase. These same older Americans were encouraged when the House Ways and Means Committee held hearings on the administration bill, H.R. 5710, in early March of 1967.

During the course of testimony given before the Ways and Means Committee on Thursday, March 2, Congressman JOHN BYRNES and Under Secretary of Health, Education, and Welfare Wilbur J. Cohen discussed the date when the proposed increases would in all probability go into effect. The colloquy went as follows:

Mr. BYRNES. This bill provides that the benefit increases will go into effect as of July 1?

Mr. COHEN. The increase would be effective with respect to the month of June, though they would probably actually be paid in October or so.

These dates were bandied about in the press, Mr. President, so it is not unreasonable to assume that our older Americans have been expectantly awaiting increases since October of this year. Their expectant optimism has probably changed to doubting pessimism as the months go by and the holiday season approaches but Congress still has not acted on a social security bill.

Mr. President, the Finance Committee at long last announced to the world last week on November 9 that it was reporting the long-overdue social security bill. This bill with its substantial—even generous—benefit increases must have been good news to our older Americans. Yet, at the same time, their excitement and happiness must have been dampened by the announcement accompanying the increase, to the effect that the increases would not go into effect until March of 1968. If there is a delay in payments as suggested by Mr. Cohen of up to 4 months, beneficiaries might have to wait as late as July of 1968 to receive checks for larger amounts.

In any case, Mr. President, it is unfair to ask 20 million older Americans, most of whom depend predominantly or entirely upon social security for their sustenance, subsistence, or very salvation, to wait any longer for needed increases.

First, Mr. President, an immediate increase is desirable because it is long overdue. Second, an immediate increase is imperative because of the exorbitant increase in the cost of living. Third, an immediate increase is necessary as assurance to our older Americans that social security is not a political issue. Finally, an immediate increase is possible because there is at present a surplus of funds in the social security trust fund.

As I indicated before, Mr. President, significant and meaningful social security increases have been few and far between. In 1935, the minimum payment to a retired individual was $10. This amount remained as the minimum until 1950 when it was doubled. The maximum amount payable to a retired individual did not substantially increase from its original amount of $85 until 1954. In addition, there were small increases enacted in 1954, 1956, 1958, 1961, and 1965.

These miniscule changes reflected congressional recognition of the need for benefits to rise in direct proporation to the increase in the cost of living. This principle along with the cardinal rule that income into the social security fund must equal outgo, has been adhered to—except for the initial timelag of 15 years—in principle but not in fact.

It has not been adhered to in fact because increases have not been adequate enough to counteract the effects of inflation. Neither have they risen in relation to the higher wage scales of today.

This brings me to my second point. Social security benefits simply have not kept pace with the rising cost of living. Since 1958, the cost of living measured by the Consumer Price Index has risen close to 28 percent. In the past 2 years alone, it has risen over 3 percent per annum. Social security benefit increases during this whole period have amounted to less than 15 percent. What does this mean for the retired American?

It means, Mr. President, that the 7½-percent benefit increase of 1958 failed to restore 1954 buying power.

It means that the 7-percent increase of 1965 failed to restore 1958 buying power.

It means, Mr. President, that a drastic increase in benefits is urgently needed now to supply buying power to our older retired Americans commensurate with that which workers enjoy and which is high enough to raise retirees to the levels of the 1960's. For this reason, a social security benefit increase is long overdue.

This week and last, Mr. President, there have been accusations made by both Democrats and Republicans that the "other side" was engaging in political opportunism with regard to the proposed benefit increases. My third point is that it is necessary to enact an increase which will go into effect immediately as an indication to our senior citizens that we are concerned with their welfare before politics.

Mr. President, I would hope that with a modicum of agreement politics can be pushed aside in favor of speedy action to assist needy Americans.

As I understand it, there is now a substantial surplus of funds in the social security retirement fund—in fact, close to $2.3 billion—which would cover benefit increases for a number of months. Since income should equal outgo, it is only reasonable that the tax increase should come into effect when it is needed to insure that payments must be met.

The Finance Committee has determined that if benefits increases go into effect on March 1, 1968, the tax increase need not go into effect until January 1, 1969. There is nothing wrong or incorrect about this reasoning as far as the length of the time lag between increase in payment and increase in taxation is concerned.

There is something wrong with reasoning, however, which dictates that benefit increases should be delayed until March 1 when they are so urgently needed now. Such a large benefit increase is long overdue. Such a large increase is desperately needed now to counteract the effects of inflation. Such a large increase is necessary to convince older Americans that Congress considers their needs before it maneuvers for their votes. Finally, with the current surplus, we can afford to fund increases at any time.

Mr. President, this amendment authorizes the funding of social security retirement benefit increases on January 1, 1968.

I do not believe, Mr. President, that the effects of moving up either the benefit or the tax increase will be detrimental to Congress, to older Americans, or to the Nation as a whole. On the contrary, it will bring joy to millions, alleviate

suffering, and demonstrate our care and concern for 20 million Americans who labored to make our country great.

Mr. President, I point out that this amendment does not change the effective date of the payroll tax increase, but it does provide that the increased benefits will become payable as of January 1, 1968.

Mr. LONG of Louisiana. Mr. President, it is not the fault of the Senate nor of the Committee on Finance that we have not voted on the social security bill prior to this time, and that we cannot put the bill into effect as of July of this year. The President made his recommendation in such a way as to indicate that by about July the increase would go into effect. But as a practical matter, the House of Representatives worked long and hard on the bill. They considered everybody's point of view, and let all the retired people be represented through those they had chosen to speak for them.

They heard the views of all of those, pro and con—the administration, the employer groups, the taxpayers, and others. And by the time they were through, they sent us a bill which we received about August 18. So, as a practical matter it is not the fault of the Senate nor of the Finance Committee that it took the House until August 18 to get a bill to us.

Mr. PROUTY. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. PROUTY. Mr. President, I certainly did not wish to imply any criticism toward either committee. I know they had a tremendous load to carry.

I am simply hoping that the benefits will be paid in January 1968 rather than March 1968.

Mr. LONG of Louisiana. I was not suggesting here that the Senator made any invidious suggestions, because he did not.

I was only saying that Congress, and certainly the Senate, cannot be blamed, nor can the House committee, because it took from January until the middle of August for this enormous and important bill which contains the biggest increase in cash benefits in the history of the country. In fact, from the point of view of cash benefits, the pending bill is the biggest social security bill in the history of America.

Naturally, I do not think anyone would be critical of the fact that it took the House until August 18 to get a bill to us, nor of the fact that it took the Senate committee 10 weeks to work its will on this measure.

With respect to the date the Senator has in mind, the bill would be in conference. If we could pass the pending bill this week, the House has a date which would work out to about January 1.

The Senate committee bill would be effective as of March with the first checks falling due in April.

The Department tells us that they need this time in order to do the studies and work that is necessary to convert the benefits of these 24 million people on the rolls who would be receiving these additional payments.

Furthermore, under part (b) of medicare, there is a special enrollment period for people to enroll until March 31, 1968, which could lead to some confusion with regard to benefits for which people would be available under part of the social security program.

Furthermore, the cost of the bill, as far as it reduces the revenue received by the Government, would be about $2 billion in the first year.

The bill is more or less neutral as far as an inflationary problem and the Government income accounts are concerned.

After April, however, the bill would tend to increase inflationary pressures, and that is something that Congress could be looking at next year when it comes back.

Revenue loss and, to that extent, the lessening of the Government's income accounts on the increase, we might say, of the deficit on a cash spending basis would be $710 million if the pending amendment were agreed to. So, Mr. President, the committee did think about the matter. We provided that the benefits would go into effect a little bit later. But, on the other hand, there would be much more substantial benefits. In other words, if we compare the House bill and the Senate bill, the first year's cost would be greater under the Senate bill. The people would have to wait a few months longer to get the increased benefits, but when they did get them, they would get a 15-percent increase instead of a 12.5-percent increase.

The Senate bill provides for a $70 minimum payment instead of a $44 minimum payment, and they would receive these high benefits from then until the good Lord called them home.

For these various reasons, I hope that the amendment will be rejected.

SOCIAL SECURITY ACT AMENDMENTS OF 1967

The Senate resumed the consideration of the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

Mr. COTTON. Mr. President, I ask for the yeas and nays on the pending amendment.

The yeas and nays were ordered.

Mr. COTTON. I shall merely take one moment to ascociates myself with the distinguished Senator from Vermont [Mr. PROUTY] as a cosponsor of this amendment. It has been my privilege through the years to fight by his side to secure a greater income for the low bracket of elderly people on social security. I remember that last year—more than a year ago—we fought for a $70 social security payment for those in the lowest bracket, and we were then charged, as we have been today, with being fiscally irresponsible. In fact, one of the newspapers in my State referred to us as being fiscally irresponsible. I do not recall that either the majority leader or the minority leader took occasion to make that charge against either of us; but the charge was made.

Therefore, it was with astonishment and some degree of satisfaction that when the 90th Congress assembled and President Lyndon Johnson appeared before us to make his recommendation, I heard him recommend a $70—the exact figure—minimum for the elderly on social security.

He was not charged, as I recall, with fiscal irresponsibility, although I do not recall that he made specific recommendations about the tax to support it. But we waited for it to become a fact and introduced bills to make it so. It was with great satisfaction that we found that the able Committee on Finance had come up with the figure which the President had recommended, and for which it so happens the Senator from Verrmont and I have been working for 3 or 4 years.

Mr. President, now that the Senate has so overwhelming preserved the complete integrity and resources of the social security fund, surely we are not so bad off, and the redtape is not so thick, that we could not advance those payments to the elderly people from March 1 to January 1.

The Senate could wait, without any degree of hardship. But, Mr. President, if I read my mail right—some of the letters are pathetic—every month our elderly wait is too long. When the House and Senate committees decide finally on the increase in social security, I believe that, in spite of all the clogs that take place in the machinery of government, it is possible for these people to begin to receive their payments January 1.

I am sure that it is not in the minds of the distinguished Senator from Louisiana and others who oppose this amendment that they want to save just that amount of revenue for that brief period. As a matter of fact, whether it is intentional or not, once we have passed this bill and have adopted the conference report, and the President in his wisdom has seen fit to sign it, we shall have already waited too long to take care of our elderly people. Some of them cannot wait, and they may not even be here to finally receive their just desserts.

It is very difficult for me to understand how any Senator could vote against the proposed amendment. So, once more, I am very proud to join the distinguished Senator from Vermont in sponsoring it.

Mr. PROUTY. Mr. President, I should like to point out that many of the people about whom we are talking are receiving $44 a month, the minimum social security rate today, which totals $528 a year. The average payment is $85 a month under the social security system, which brings in the munificent sum of $1,020 a year. I wonder whether we realize the extent of the problems with which these people are faced. These people are suffering. They are going hungry. They need help.

Only last week, the Committee on Post Office and Civil Service reported a bill embodying substantial pay increases for Federal employees. It was made retroactive, as I recall, to October 1. There is no reason why the Social Security Administration cannot take care of these benefits as of January 1, 1968.

I have a memorandum from Mr. Myers which indicates that the cost for moving the effective date for benefits to January 1, 1968, would be $710 million. For once, the Senator from Louisiana and I have the same memorandum and the same facts. It is quite interesting. I am glad to have it.

The fact is this change in the effective date can be done. These people are desperately in need of help; and, heaven knows, $70 a month to those now receiving $44 a month will not make life very rosy for them, but at least it will be something.

Mr. President, I have nothing more to say on the question.

Mr. LONG of Louisiana. Mr. President, as I have already stated, in terms of cash benefits, this is the biggest social security bill ever to come before the Senate.

The Committee on Finance, if I say so myself, is a very responsible committee. It is one committee that has the power to raise the revenue to pay for the bene-

fits it votes. I am proud that the committee has the courage to provide for both the taxes and the benefits it proposes, as it has done on this occasion.

Now, as to the reason why it is not proposed that these benefits go into effect earlier: many of the benefits for which the committee voted were suggested by the Senator from Indiana [Mr. HARTKE]. Senator HARTKE, who proposed the most expensive benefit items, also moved that we adjust our financing so that the benefit increases that we voted for 1968 would be paid for in 1968, and that is what we did.

Now, you will not find many old people in this country who will be disappointed if our bill, rather than the House bill, is adopted. Even though they might have to wait 3 months longer before receiving the benefits, they will end up getting much more.

In order to keep the cost of the bill within reason, and in recognition of this Government's problem with regard to its deficit and its excess of expenditures over income, the Senator from Indiana [Mr. HARTKE] was willing to postpone his proposal, which deals with the liberalization of benefits for the blind, to January 1969. He also was willing to do the same with regard to raising the earnings limitations, which is the most expensive amendment we added to the bill. It would permit a social security recipient to make $2,000 a year without any reduction in his benefits. The Senator was willing to postpone the effective date of that proposal until January 1969.

May I say that cost factors also caused us to postpone the effective date of the amendment proposed by the Senator from West Virginia [Mr. BYRD]—the option to retire at age 60—to 1969.

If the pending amendment is agreed to by the Senate, then those two Senators, in good conscience, could move that the dates of their pet provisions should be moved up. That would increase the cost by another $1,010 million. Add that to the Prouty amendment, and the increase in the cost of the bill would use $1,720 million.

The Government has a deficit at this time. The deficit does not look nearly as bad on a cash basis, on a national income accounts basis, as it does on the administrative budget basis set up by law.

On an administrative basis it looks as if the deficit might go as high as $29 billion, but if one looks at the taxes coming in and payments going out, it looks as if it might be about $18 billion.

The bill which was sent to us by the House would worsen our national income-outgo by $2 billion in 1968, but that impact would not be felt until April. During that time if we want to pass a bill increasing taxes to raise general revenues, we would have that privilege; and, also, if we wish to cut spending, we have that course open to us.

If the amendment of the Senator from Vermont is agreed to and other Senators insist that the same principle be applied to their proposals, we would put everything in effect immediately in January. That would mean the impact of this bill would worsen our budgetary situation and cause the Government to go into the market and borrow an additional $3.7 or $4 billion.

If this amendment is agreed to, other Senators would insist that their pet provisions, all of which contain merit, go into effect immediately in January. Although the possibility of a bankrupt fund by 1970, did not deter the Senator from Vermont from moving benefits without the tax, I think it would deter him that his amendment would create a real inflationary problem and create greater pressures on Congress to pass a tax increase, which this Senator is very reluctant to vote for.

However, I am sure the committee bill as it stands will be hailed by aged people of our country, the retired people of our country, and the many widows and orphans who are presently receiving benefits, as one of the most generous and progressive forward-looking and healthy pieces of social legislation ever passed by any Congress. In terms of cash benefits it will be the largest bill passed.

While I would like to do everything we can afford to do to help those who are advanced in years, those who are disabled, and all the others who get social security benefits, I think the responsible attitude taken by the committee is worthy of support.

Several Senators addressed the Chair.

Mr. LONG of Louisiana. Mr. President, I yield to the Senator from Vermont.

Mr. AIKEN. Mr. President, considering the progress which is being made on this bill and other legislation, would the chairman of the committee not be willing to wait until the time comes for final passage of the bill to decide whether to make it retroactive to March 1 or January 1?

Mr. LONG of Louisiana. I hope the Senator will pardon me from responding to the question. I understand the import of his question.

Mr. COTTON. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. COTTON. Mr. President, the Senator from New Hampshire has great admiration for the logic, and for the powers of persuasion and the argument that the Senator from Louisiana always has. He rarely sets up a strawman to knock him down. But these appalling cases he has been using to defeat this amendment depend on many other amendments being offered in other matters if this amendment is adopted.

I would observe to my distinguished friend that this amendment includes those receiving the small pensions. The other amendments that he suggest, might follow as a matter of course as an avalanche do not have the significance of this amendment. The sums involved are not nearly as much.

Sometimes the shoe is on the other foot. I remember sitting in the Senate Chamber not many months ago when for some unknown reason we delayed the passage of a bill that had been passed by the House, to be sent to the President, involving 1 month's benefits to veterans of Vietnam. That delayed their just benefits when at the same time we were spreading money all over the world. I get a little tired of being so penny wise and pound foolish. We spend money all over. But when we get ready to economize, it is by saving a paltry 1 month's benefits to veterans of Vietnam, or by delaying benefits to old people, who are trying to live on $44 a month, from January to March.

It can be glossed over and it can be suggested that if somebody does this we will do that. But it is really very simple. If we cannot afford to get these benefits to our elderly, then we are in tough straits.

(At this point, Mr. PROXMIRE assumed the chair.)

Mr. PROUTY. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I shall yield in a moment.

Mr. President, may I say that in some respects the Senator from Vermont steals the laurels of the Senator from Louisiana. I have offered amendments for a $70 minimum before the Senator from Vermont [Mr. PROUTY] came to the Senate.

Mr. PROUTY. While I was in the House.

Mr. LONG of Louisiana. Then, I was not offering any tax to pay for it, either. However, when one becomes the chairman of the Committee on Finance, he has to start thinking of how to pay for all of these things and how big a deficit the Government is running.

In committee, we were pressed very hard sometimes, by such conservative members as the distinguished Senator from Delaware, to pay for the things we were voting, so that we should not bankrupt the fund. We had to think in terms of Government fiscal problems and inflationary problems because we were voting out more benefits than we were paying for.

It was for that reason that I pressed the Democrats to pay for the benefits we voted for in the Committee on Finance. We did it and we did it without a single Republican vote for it. I do not criticize the other side for their view. There was an argument for fiscal and financial responsibility from the minority side of the aisle that if we were going to vote for benefits, then we should vote the tax to pay for it. We did that.

If the Senate were to depart from that principle, it would be against the best advice we have from more conservative Members on the other side of the aisle, and those who think in terms of not only the needs of the aged people, but also others.

I yield to the Senator from Vermont.

Mr. PROUTY. Mr. President, I wish to point out, first of all, that this amendment is concerned only with the payment of benefits and not other provisions of the bill.

Not long ago we had a public works bill before the Senate. I supported an amendment to cut that appropriation. As a matter of fact only 11 other Senators voted against that public works bill. In fact we appropriated $465 million more than we did last year.

Nevertheless, some of us apparently are hesitant to help these elderly people who are in a desperate plight. I cannot

see justice in that. We spend money for dams, rivers, harbors, and things of that nature yet hesitate when it comes to helping the elderly. Realistically I think we can help the elderly poor and it should be done by January 1.

Mr. LONG of Louisiana. Mr. President, in 1968 this bill will increase the payments to the kind of people for whom the Senator from Vermont has a very warm and large heart, and for whom I have great sympathy and feeling. It would increase the amount flowing to them in 1968 by $3.343 billion. In the following year, 1969, when it becomes fully effective, the bill increases the amount of money for those fine people, some of them retired and others in desperate straits who need the benefits this bill will provide. By 1972, the bill would increase the amount of money flowing to those fine and deserving people by $6.6 billion.

Mr. President, I do not stand here to play the part of Scrooge. The Finance Committee bill will do more to help less fortunate people than any bill ever to come before the Senate, as it stands right now.

Mr. AIKEN. Mr. President, will the Senator from Louisiana yield? I have a serious question this time.

Mr. LONG of Louisiana. I am happy to yield to the Senator from Vermont.

Mr. AIKEN. Does the Senator from Louisiana have any estimate as to the amount of the benefits which would accrue to private insurance firms as a result of passing this bill? I refer to the national employers who, say, have a program guaranteeing a retirement of $200 a month. As I understand it, it is customary to set up these plans so that a company can pay the difference between the social security payment and the amount specified in the program—whatever it may be called. But is there any estimate as to the saving to corporate insurance and retirement funds through raising the social security benefits?

Mr. LONG of Louisiana. I regret to say that I do not have those figures at hand, but I will try to get them for the Senator.

Mr. AIKEN. But, it would be a substantial amount?

Mr. LONG of Louisiana. In some instances; yes, sir. Also, there may be some windfall to State governments as a result of the big increases in the social security payments. Some States will be able to save money on their welfare programs, although we require in the bill that most of the saving be passed on through to the beneficiaries at the other end rather than for the State to take full advantage of such a windfall.

Mr. HARTKE. Mr. President, will the Senator from Louisiana yield?

Mr. LONG of Louisiana. I yield.

Mr. HARTKE. As the chairman of the Committee on Finance knows, I have great sympathy for the basic approach in the amendment offered by the Senator from Vermont [Mr. PROUTY]. Also, the Senator from Louisiana knows that I did the best I could to accomplish in committee something along the same line, trying to bring the $70 a month up to $100 a month. However, there were not enough votes to get it.

I think that a man over the age of 65, living by himself, and with no income, should receive at least $1,200 a year. But that did not prevail in committee. I came back through this thing. They had a majority vote at the beginning of the committee session. We went on back again with the Senator from Delaware [Mr. WILLIAMS] who had the support at that time of the chairman of the Finance Committee—for awhile, at least—on a temporary basis. We had increased the amount of money we were going to raise not by $2.1 billion, but we had it up to $5.4 billion.

Mr. LONG of Louisiana. $5.1 billion.

Mr. HARTKE. All right.

I was astonished, appalled, and everything else. I do not believe that we should use the social security fund as a means for fiscal adjustment of other problems, or use it as a petty cash fund to draw upon for the war in Vietnam. But we do have a situation on our hands where we have a good bill. The fact is, I wonder whether we would have had this good a bill if we had tried to go ahead and follow the situation as recommended by the Senator from Vermont [Mr. PROUTY].

Personally, I would like to see us take that money out of the general fund. If there were not enough votes to get that job done in committee, we would never have had a bill at all. I came back from the committee and gave ground that I preferred not to give ground on. The Senator from West Virginia [Mr. BYRD] also gave ground. I said to him, would he be agreeable, if we could get the bill out and not try to tax the people, to deferring his amendment until January 1, 1969. The Senator from Vermont does not push that date forward. He does not have any plans to push that date forward. I would like to push them all forward. In fact I would like to push them back a couple of years and say that a person receiving only $44 a month in March has been cheated. Give them something for all those years they have not had it. But that is not the way it works. The best we could come up with was a situation of how to do the accounting and how to do the checks.

The Department of Health, Education, and Welfare told us, in all good conscience, that it probably would be February before it could get the job done, anyway. The question is whether it will be February or March 1. We could make it retroactive if we wanted to. We could make it retroactive for a year if we wanted to. There is no law against that. But what we are talking about is relative to the mechanics of providing the checks to be received in March which would be charged from February, or effective in March and voted in April.

They will get their checks. They will get that assurance. It probably must go back to the House to get the figure almost closer to $70, than if we adopt this amendment and move it back to January 1.

In my opinion, if this amendment is successful, instead of people going from $44 up to $70, they will receive closer to $50, a $6 increase.

Personally, I am in favor of making sure that they get all they can, although I personally feel that there is too much tax in the bill. I still think that it is fairer than it was when originally presented. Then we were going to tax $3 billion more. So far as I am concerned, that is unjust and unnecessary and thank goodness it did not prevail in committee, through the good graces of the chairman, because he came back in there and he had changed his original tentative vote—and it was a tentative vote, I agree with that.

Thus, I am going to support the committee. I would hope that the Senate will also support the committee in opposing the amendment.

I will say that opposing the amendment, in my opinion, will do more for the elderly people of this country than adopting it.

It does not make an emotional charge that it has practical effects.

Let me make clear that while next year is an election year, I do not run in 1968. The people will feel the full impact of the tax in this bill in 1969, before I ever have to meet the people again.

Thus, this is a responsible bill. I think there are some changes which should be made, but this is not one of them.

Mr. LONG of Louisiana. Mr. President, I do not think that this Nation would have a national debt of $342 billion if the same committees that authorize the spending had the responsibility to raise the money to pay for it.

The Committee on Finance does have that responsibility with regard to the social security program. The committee has measured up to that responsibility. It has come in here and proposed to pare down somewhat what it would like to do for these fine old people, and for others drawing these benefits, to keep the cost of the benefits we vote within the taxes which are to be paid.

The Senate voted to uphold that idea by a vote of 62 to 6, on the previous roll-call vote today.

If the Senate wishes to depart from that principle and wants our committee to start the business of voting vast benefits without the money to pay for them, the Senate can so instruct us by making that sort of vote.

If that is what the Senate wants to do. I can play that game as well as anyone else and go into committee and vote to raise benefits by $200 a month minimum and not worry about where the money will come from—just add it to the deficit. But, Mr. President, the committee has been responsible. One reason that we do not pay the checks earlier—one reason we deferred some benefits—is that we have responsibly tried to keep the cost of the program within the revenues we have been able to raise. I would hope that the Senate would sustain the committee and not agree to the amendment for that reason.

Mr. COTTON. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. COTTON. I note that the Senator, like the majority and minority leaders, is laying down on the word "responsible" and labeling some of us who thought, through the years, that we had been responsible, as irresponsible. But I respect the responsibility—and he has used that word a dozen times—of the distinguished

chairman of the Finance Committee. Perhaps it is irresponsible to suggest that these people receiving the minimum, in the dead of winter, in January, should not have to base their expectation on what is going to happen in March. But they cannot eat expectations and expectations will not keep them warm. Perhaps it is an emotional appeal, but if we are going to be entirely responsible, and the overwhelming vote to which the Senator referred really means something, it would be a very simple matter for those who bow down to follow a sense of responsibility—let the elderly have this money in January and move up the tax in January, too. Then we will not be faced with what I am sure is a purely coincidental situation of having benefits just before election and taxes coming after election.

Mr. LONG of Louisiana. In the first place, I have not said anyone was irresponsible, but I have said the committee was responsible, in this particular argument, and I think that is correct.

The tax increase does not go into effect in January, to raise enough money in 12 months, from taxes for the benefits that would be paid out in 9 months. The following year the taxes go up even more, and we apply it against an even higher wage base. Again, we would raise more money to pay for the benefits that we are voting.

Mr. PROUTY. Mr. President, if the Senator will yield, actually, the Senator is reducing the tax in January of this year over the present level.

Mr. LONG of Louisiana. Not this year.

Mr. PROUTY. Next year the Senator is reducing it from 4.4 under existing law to 4.2. So that is a reduction in taxes.

Mr. LONG of Louisiana. As I recall, in January 1969, the rate will go to 4.9 under existing law. We put it at 4.8.

Mr. PROUTY. Under existing law it is 3.9, and the committee reduced it to 3.8 for 1968.

Mr. LONG of Louisiana. The Senator is looking at part of it only. He is looking at the social security part of it. The total tax is 4.4 in 1968. It would be 4.9 in 1969 to 1970. We changed that rate to 4.8, but we apply it against a bigger base, so it brings in more money. We collect more taxes by charging a rate that is one-tenth of 1 percent less against a base that is much greater.

Mr. PROUTY. But the Senator reduces it under the Oldage and Survivors Disability Insurance program.

Mr. LONG of Louisiana. That is largely because of a shift of funds necessary to put more money into the nursing home program to correct a deficiency in those funds, as pointed out by the Senator from Delaware [Mr. WILLIAMS]. By making that adjustment, it causes a reduction in one area and an increase in another. But if one looks at the overall rate, the rate would go from 4.4 to 4.9 under existing law in 1969, and we would have it go from 4.4 to 4.8. We still raise more money, and the reason for it is that we apply it against a much higher wage base.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Vermont [Mr. PROUTY] for himself and the Senator from New Hampshire [Mr. COTTON].

The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. BYRD of West Virginia. I announce that the Senator from Nevada [Mr. CANNON], the Senator from Alaska [Mr. GRUENING], the Senator from North Carolina [Mr. JORDAN], the Senator from Missouri [Mr. LONG], the Senator from Oregon [Mr. MORSE], and the Senator from Maryland [Mr. TYDINGS] are absent on official business.

I also announce that the Senator from Virginia [Mr. BYRD], the Senator from Idaho [Mr. CHURCH], the Senator from Connecticut [Mr. DODD], the Senator from Louisiana [Mr. ELLENDER], the Senator from North Carolina [Mr. ERVIN], the Senator from Arkansas [Mr. FULBRIGHT], the Senator from Oklahoma [Mr. HARRIS], the Senator from South Carolina [Mr. HOLLINGS], the Senator from Washington [Mr. JACKSON], the Senator from Washington [Mr. MAGNUSON], the Senator from Minnesota [Mr. MCCARTHY], the Senator from Wyoming [Mr. MCGEE], the Senator from Oklahoma [Mr. MONRONEY], the Senator from Wisconsin [Mr. NELSON], the Senator from Florida [Mr. SMATHERS], the Senator from Mississippi [Mr. STENNIS], and the Senator from Georgia [Mr. TALMADGE] are necessarily absent.

I further announce that, if present and voting, the Senator from Oklahoma [Mr. HARRIS], the Senator from Wyoming [Mr. MCGEE], the Senator from Florida [Mr. SMATHERS], the Senator from South Carolina [Mr. HOLLINGS], the Senator from Maryland [Mr. TYDINGS], the Senator from Washington [Mr. JACKSON], and the Senator from Nevada [Mr. CANNON] would each vote "nay."

On this vote, the Senator from Oregon [Mr. MORSE] is paired with the Senator from Louisiana [Mr. ELLENDER]. If present and voting, the Senator from Oregon would vote "yea" and the Senator from Louisiana would vote "nay."

Mr. KUCHEL. I announce that the Senator from Tennessee [Mr. BAKER], the Senator from Utah [Mr. BENNETT], the Senator from Colorado [Mr. DOMINICK], the Senator from California [Mr. MURPHY], the Senator from Illinois [Mr. PERCY], and the Senator from Pennsylvania [Mr. SCOTT] are necessarily absent.

The Senator from Kentucky [Mr. COOPER] and the Senator from Texas [Mr. TOWER] are absent on official business.

The Senator from North Dakota [Mr. YOUNG] is absent because of death in his family.

The Senator from Arizona [Mr. FANNIN] is detained on official business.

If present and voting, the Senator from Utah [Mr. BENNETT], the Senator from Colorado [Mr. DOMINICK], the Senator from Arizona [Mr. FANNIN], the Senator from California [Mr. MURPHY], the Senator from Pennsylvania [Mr. SCOTT], and the Senator from Texas [Mr. TOWER] would each vote "nay."

The result was announced—yeas 12, nays 55, as follows:

[No. 328 Leg.]

YEAS—12

Aiken	Cotton	Kennedy, N.Y.
Bayh	Hatfield	Miller
Brooke	Javits	Prouty
Case	Kennedy, Mass.	Williams, N.J.

NAYS—55

Allott	Hayden	Mundt
Anderson	Hickenlooper	Muskie
Bartlett	Hill	Pastore
Bible	Holland	Pearson
Boggs	Hruska	Pell
Brewster	Inouye	Proxmire
Burdick	Jordan, Idaho	Randolph
Byrd, W. Va.	Kuchel	Ribicoff
Carlson	Lausche	Russell
Clark	Long, La.	Smith
Curtis	Mansfield	Sparkman
Dirksen	McClellan	Spong
Eastland	McGovern	Symington
Fong	McIntyre	Thurmond
Gore	Metcalf	Williams, Del.
Griffin	Mondale	Yarborough
Hansen	Montoya	Young, Ohio
Hart	Morton	
Hartke	Moss	

NOT VOTING—33

Baker	Fulbright	Morse
Bennett	Gruening	Murphy
Byrd, Va.	Harris	Nelson
Cannon	Hollings	Percy
Church	Jackson	Scott
Cooper	Jordan, N.C.	Smathers
Dodd	Long, Mo.	Stennis
Dominick	Magnuson	Talmadge
Ellender	McCarthy	Tower
Ervin	McGee	Tydings
Fannin	Monroney	Young, N. Dak.

So Mr. PROUTY's amendment was rejected.

SOCIAL SECURITY ACT AMENDMENTS OF 1967

The Senate resumed the consideration of the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

The PRESIDING OFFICER (Mr. PROXMIRE in the chair). The Senator from Michigan is recognized.

Mr. GRIFFIN. Mr. President, I am pleased to call attention to the fact that the bill reported by the Finance Committee includes a provision for expedited processing of social security checks in situations where long delays are often experienced under the existing law.

The proposed increases in social security taxes and benefits have monopolized most of the current debate. However, under some circumstances the administration of the social security program can be as important to retired persons as the range of benefits.

I have been disturbed that many people across the country who are entitled to benefits, do not receive their checks as promptly and as efficiently as they have a right to expect. Numerous cases of undue delay in the processing of claims have arisen in my State of Michigan. The need to expedite the handling of benefit applications is urgent.

Earlier this year I joined the distinguished Senator from Pennsylvania [Mr. SCOTT] and others, in sponsoring S. 1954. That bill would authorize the establishment of procedures under which disbursement of social security checks could be expedited when claimants run up against protracted delays in the processing of their applications.

I am pleased that the substance of that bill has been adopted by the committee and has been incorporated as section 172 of the pending bill. Under this provision, the Secretary of the Department of Health, Education, and Welfare is directed to establish special procedures to permit stepped up payment of monthly benefits under particular circumstances.

Of course, I would point out that the effectiveness of this section will depend to a large extent upon the regulations to be promulgated by the Secretary.

I assume and anticipate that the regulations to be issued, if section 172 becomes law, will delegate substantial discretion and authority to the local social security offices. This will be necessary if the provision is to be meaningful.

It should be noted that claims for disability benefits are excluded from the provision. This is justified because those cases are customarily complicated and require medical judgment which should be carefully evaluated.

But, Mr. President, there is no excuse for the long delays often experienced in processing routine claims for ordinary retirement benefits.

I believe that section 172 of the bill before the Senate will go a long way toward eliminating much of the bureaucratic redtape which is now so evident in administering social security benefits. Social security is the major source of income for about one-half of all beneficiaries over 65 years of age. For them, a delay of a month, or even a week, can be a serious blow.

I want to commend the members of the Finance Committee for incorporating this provision in the bill. Along with them, I hope it will become law, and that it will operate to eliminate much of the unnecessary delay Members of Congress read about in the daily mail received from our constituents.

SOCIAL SECURITY ACT AMENDMENTS OF 1967

The Senate resumed the consideration of the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

UNANIMOUS-CONSENT AGREEMENT

Mr. MANSFIELD. Mr. President, I am about to propound a unanimous-consent request, but before doing so, and in accordance with the rule, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, the rule notwithstanding, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MANSFIELD. Mr. President, I have a unanimous-consent request at the desk which I have discussed with the distinguished Senator from Louisiana [Mr. LONG], the Senator in charge of the bill; the ranking minority member, the distinguished Senator from Delaware [Mr. WILLIAMS]; and my dear colleague the minority leader, the Senator from Illinois [Mr. DIRKSEN]; the distinguished Senator from Florida [Mr. HOLLAND]; the distinguished Senator from Vermont [Mr. PROUTY]; and other Senators; and I ask that it be read at this time.

The PRESIDING OFFICER. The unanimous-consent request will be stated.

The assistant legislative clerk read as follows:

Ordered, That effective on Monday next, at the conclusion of routine morning business, during the further consideration of the bill (H.R. 12080), debate on any amendment, motion, or appeal, except a motion to lay on the table, shall be limited to 1 hour, to be equally divided and controlled by the mover of any such amendment or motion and the junior Senator from Louisiana [Mr. LONG]; *Provided, however*, That with respect to the two amendments to be designated by the Senator from Delaware [Mr. WILLIAMS], there be a 2-hour limitation on each; *Provided*, That in the event the junior Senator from Louisiana [Mr. LONG] is in favor of any such amendment or motion, that the time in opposition thereto shall be controlled by the minority leader or some Senator designated by him: *Provided, further*, That no amendment that is not germane to the provisions of said bill shall be received; *Ordered, further*,

That on the question of the final passage of said bill, debate shall be limited to 5 hours, to be equally divided and controlled respectively by the majority and minority leaders; *Provided*, That the said leaders, or either of them, may from the time under their control on the passage of said bill, allot additional time to any Senator during the consideration of any amendment, motion, or appeal.

Mr. MANSFIELD. Mr. President, I have one addition to make, if I may, and that is that the vote occur at 11 o'clock on Wednesday morning next and, on that date, that the Senate come in at 10 o'clock for the purpose of having 1 final hour of debate.

The PRESIDING OFFICER. Does the Senator also ask that rule XII be waived?

Mr. MANSFIELD. Yes, indeed.

Mr. JAVITS. Mr. President, what is rule XII?

Mr. WILLIAMS of Delaware. It requires a quorum call.

The PRESIDING OFFICER. Rule XII requires a quorum call to be had before the setting of the time for a vote.

Mr. MILLER. Mr. President, may I ask the majority leader: Suppose the amendments are disposed of, say, by midafternoon of Tuesday next——

Mr. MANSFIELD. The order would still hold. It is the best we can do. There is no perfect way to face up to the situation. The reason why we had planned to come in tomorrow was the slow progress we are making on the bill. This will give every Senator notice as to when the final vote will take place. He will be made aware of the fact that there will be a time limitation on amendments in the meantime, and in that way, every Senator will be treated as equitably as possible under the circumstances.

Mr. LONG of Louisiana. Mr. President, I regret not to have been in the Chamber at the time the unanimous-consent request was stated. May I ask what is the request?

Mr. MANSFIELD. Briefly, it is a 1-hour limitation on each amendment, 2 hours on two amendments to be specified by the Senator from Delaware [Mr. WILLIAMS], and 5 hours on the bill. The final vote will occur at 11 o'clock on Wednesday morning next. The Senate will come in on that day at 10 o'clock. The hour between 10 and 11 will be for final debate on the bill as it is at that time.

Mr. LONG of Louisiana. Mr. President, I would hope that we might not try to insist on a vote on Wednesday because the thought occurs to me that on some major amendment between now and then the decision might turn on the number of Senators out of town. I realize the problem the majority leader is faced with, and I want to cooperate 100 percent with him. I wonder, however, whether we might not have an agreement without specifying the time for the final vote, for the reason that it is just possible that some Senator may feel he is being very much prejudiced against in an amendment of his which might be debated, with the absent Senators making the difference, whereas a full Senate attendance might make the difference when he calls up his amendment.

Could we not agree to the unanimous-consent request without the Wednesday date?

Mr. MANSFIELD. If the distinguished chairman of the committee would allow me, I think that what the membership, by and large, is most interested in is when the time for final passage of the pending legislation will take place.

It appeared to me it would be doing a favor to all Members of the Senate if they knew specifically that there was to be a vote at a time certain. As far as amendments are concerned, some Senators will be absent, on both sides of every amendment, whom we would like to have here, but who under the circumstances find it impossible to be here.

Mr. JAVITS. Mr. President, will the Senator yield

Mr. MANSFIELD. I yield.

Mr. JAVITS. I hope not to have to object to this request. I do not happen to have been one who was consulted, but that is not too important as long as I am here. There are a series of amendments to some sections of the bill which are being prepared by a group of us in the Senate—quite a number of Senators—which I hope will be filed, generally along the lines that Senator KENNEDY of New York and I have been pushing and serving notice on.

I must say I am caught short on the question of what to do about them. The only thing I would like to say, as I think the thing through, is first, that I am sure the majority leader will agree that if another amendment needs 2 hours of discussion—we may have an amendment which may be as significant as that of the Senator from Delaware—we may have it out of the reserved time which the leaders have, and that it is understood we will be accommodated on it, because a half hour on an amendment is not very much.

Mr. MANSFIELD. The Senator can be assured of that.

Mr. JAVITS. Another thing: It is conceivable that on a bill of this kind we may not be able to get through with all amendments by 11 o'clock Wednesday morning. Then all the amendments not acted on by then would have to be voted on at that time. Therefore, that is a cut-off that is not justified.

I may very well not be here. I have a duty in Europe, which is very familiar to the majority leader, as have other Senators; but I do think we ought to have a chance to see to it that the amendments are proposed, debated, and voted on.

Therefore, I hope the unanimous-consent request will be modified to provide two things: First, additional time on the bill. Five hours may not be enough. One hour on each amendment may be too little. I think the fixing of 11 o'clock on Wednesday is fine, but it should be subject to the fact that amendments submitted by then should have had time to be debated and voted on. Then, if there is a third reading, and if 11 o'clock on Wednesday follows the third reading, it is fine to have the vote at 11 o'clock. Otherwise, the time should be extended so as to give every Member of the Senate the right to have his amendment brought up and at least have the minimal time on it.

My suggestion is twofold: First, that the leaders provide more time on the bill; second, that they make the hour of 11 o'clock Wednesday for voting, if they insist on it, contingent upon the fact that there shall have been a third reading and that Senators shall have had their time on their amendments.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. WILLIAMS of Delaware. The Senator from New York raised a good point. It was my understanding that this request was intended to take care of the situation in which every Senator would have a chance to get time on his amendment. I agree that we would not want to come in at 11 o'clock on Wednesday and then have to discard all other amendments or vote on them without explanation.

What I think the majority leader was trying to work out was, in the event we reached third reading on Tuesday afternoon, that we would have a final vote on Wednesday. I think it should be made clear that in the event we went into Wednesday morning and there were amendments which had not been offered or disposed of, we would have time to dispose of them.

Mr. MANSFIELD. Mr. President, the suggestion of the manager of the bill, the chairman of the Finance Committee, the gentleman from Louisiana [Mr. LONG], is that if there are any amendments in that category on Wednesday, after coming in at 10 o'clock on Monday and Tuesday and staying late, it might be well to consider having a half-hour limitation on such remaining amendments, 15 minutes to a side, and add to the time allowed on the bill, 6 or 7 hours, instead of 5.

Mr. JAVITS. Mr. President, if the Senator will yield, I do not think we should cut off a Member of the Senate if he has not submitted an amendment. He ought to be given an opportunity to explain it. I do not think we ought to have such a bobtail provision in this agreement.

Mr. MANSFIELD. All I am trying to do is find a way out of a situation which besets many Senators. Personally, I would just as soon come in tomorrow and Sunday and stay here over Thanksgiving. The majority and minority leaders are trying to work out, with the manager of the bill and the ranking minority member of the committee, something that will meet the requirements of Senators who must leave town to fulfill other responsibilities.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. PASTORE. The Senator from New York knows that the majority leader is a fair man. No Senator is going to be precluded from his fundamental rights. I think the majority and minority leaders are trying to be fair about this. We have to rely upon their integrity. I do not think any Senator will be left out in the cold.

Mr. MANSFIELD. Not if we can help it.

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. HOLLAND. In the first place, I want to make it clear that I shall not object to the request. In fact, I favor it. I wanted to make it clear to the Senator from Louisiana [Mr. LONG] and the Senator from West Virginia [Mr. BYRD] that my earlier request will no longer be applicable if the unanimous-consent request is agreed to. Whether I am here on Monday or not, please disregard my earlier request.

If the Senator from Montana will listen to me, please, I am quite agreeable to this method of handling of the matter, and I would hope that I might be given a live pair in two cases. I will describe what they are. I have committed myself to the Senator from Delaware [Mr. WILLIAMS] to vote for one of his amendments, not for the other. He knows the one. And I have committed myself to the Senator from Iowa [Mr. MILLER] to vote for an amendment which he has.

I would hope I would have a live pair to fulfill my commitments in that regard, because I thought the amendments would be offered earlier than this. Except for that, and I place no condition on it, I would have no objection to the request.

Mr. MANSFIELD. I will do the very best I can.

Mr. President, I suggest that the Chamber be cleared.

The PRESIDING OFFICER. All persons not here on business will please vacate the Chamber promptly. The Sergeant at Arms is instructed to see that the order is carried out. Senators will suspend until the Chamber is cleared.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MANSFIELD. Mr. President, I wish to modify the unanimous-consent request to this extent:

First, that the time on the bill be changed from 5 hours to 6 hours.

Second, that the time designated in the unanimous-consent request, at which the final vote would be taken, be made contingent upon the third reading of the bill by the close of business on Tuesday.

Third, if third reading is not reached by Tuesday night, time for further amendments be limited to a half hour, the time to be equally divided between the Senator who proposes the amendment and the distinguished chairman of the committee.

The PRESIDING OFFICER. Is there objection?

Mr. WILLIAMS of Delaware. Mr. President, reserving the right to object——

Mr. HOLLAND. Mr. President, I did not hear the distinguished majority leader state that the final vote would come at the end of that time, or at any fixed time, on that day or when.

Mr. MANSFIELD. It all depends on how the time is used, but if we reach third reading on Tuesday afternoon, the final vote will occur on Wednesday at 11 a.m. But if amendments are still to be proposed on Wednesday, there will be a half hour on each one until we reach final passage.

Mr. WILLIAMS of Delaware. Mr. President, I have discussed a proposal of mine with the chairman of the committee, and it is agreeable to him. One of my amendments deals with series E bonds, which may not be considered exactly germane. I want it understood that it is agreeable to take up that amendment.

Mr. LONG of Louisiana. There will be no objection to that.

Mr. MANSFIELD. I assure the Senator from New York that if additional time is needed, it will be forthcoming.

Mr. HRUSKA. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. HRUSKA. Will this arrangement take care of the objection voiced by the Senator from New York that perhaps amendments will not be disposed of by 11 o'clock on Wednesday? What will become of the final vote in that event? Will it be delayed, in which event Senators who have reservations for Wednesday afternoon had probably better cancel them?

Mr. MANSFIELD. No; we are coming in early.

Mr. HRUSKA. But however early we come in, will there not be the possibility that the amendments will not be taken care of, and that that will leave the hour for the final vote a floating hour?

Mr. MANSFIELD. Only if third reading is reached on Tuesday, will the vote take place at 11 o'clock on Wednesday.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. MANSFIELD. Mr. President, after going through this ordeal, I am about to make another unanimous-consent request, but before I do so, I extend my apologies to those Senators who had engagements tomorrow and who have remained in attenance on the basis of my motion this morning that the Senate come in tomorrow. I am deeply sorry if they have been discommoded in any plans they made. I hope it is not too late for some of them, at least, to carry them out.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. PASTORE. The majority leader is forgiven.

ORDER FOR ADJOURNMENT UNTIL 10 A.M. ON MONDAY

Mr. MANSFIELD. Mr. President, I ask unanimous consent that when the Senate completes its business today—and this will automatically vacate the previous order—it stand on adjournment until 10 o'clock on Monday morning next.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DIRKSEN subsequently said: Mr. President, I ask unanimous consent that the amendment referred to by the distinguished ranking minority member on the Committee on Finance [Mr. WILLIAMS of Delaware] be considered as germane to the bill. I understand that this request is agreeable to the chairman.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

The unanimous consent was subsequently reduced to writing, as follows:

Ordered, that effective on Monday, November 20, 1967, at the conclusion of the routine morning business, during the further consideration of the bill (H.R. 12080), an act to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes, debate on any amendment (except two amendments to be designated by the Senator from Delaware [Mr. WILLIAMS] upon which there will be a 2-hour limitation), motion, or appeal, except a motion to lay on the table, shall be limited to 1 hour, to be equally divided and controlled by the mover of any such amendment or motion and the Senator from Louisiana [Mr. LONG]: *Provided,* That in the event the Senator from Louisiana [Mr. LONG] is in favor of any such amendment or motion, the time in opposition thereto shall be controlled by the minority leader or some Senator designated by him. *Provided,* That no amendment that is not germane to the provisions of the said bill shall be received.

Provided further, That if the third reading of the bill has not been reached at the close of business on Tuesday, November 21, debate on further amendments shall be limited to ½ hour, to be equally divided and controlled under the same conditions set forth above, and that if the third reading is reached before the close of business on Tuesday, November 21, the vote on final passage of the bill shall occur at 11 o'clock a.m., Wednesday, November 22.

Ordered further, That on the question of the final passage of the said bill debate shall be limited to 6 hours, to be equally divided and controlled, respectively, by the majority and minority leaders: *Provided,* That the said leaders, or either of them, may, from the time under their control on the passage of the said bill, allot additional time to any Senator during the consideration of any amendment, motion, or appeal.

SOCIAL SECURITY ACT AMENDMENTS OF 1967

The Senate resumed the consideration of the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

AMENDMENT NO. 442

Mr. MILLER. Mr. President, I offer an amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated for the information of the Senate.

The legislative clerk proceeded to read the amendment.

Mr. MILLER. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered; and, without objection, the amendment will be printed in the RECORD at this point.

The amendment offered by Mr. MILLER is as follows:

Beginning on page 133, line 1, strike out all through page 139, line 25, and insert in lieu thereof the following:

"METHOD OF DETERMINING REASONABLE COST FOR PROVIDERS OF SERVICES

"SEC. 142. (a) (1) Strike out the third sentence of section 1861(v)(1) of the Social Security Act and insert in lieu theerof the following: 'Such regulations (A) shall provide for the determination of costs of services on a per diem basis, at the option of the provider of services, in all cases where the circumstances under which the services provided so permit, and, otherwise, shall provide for the determination of costs of services on a per unit, per capita, or other basis, (B) may provide for the use of estimates of costs of particular items or services, and (C) may provide for the use of charges or a percentage of charges where this method reasonably reflects the costs. With a view to not encouraging inefficiency, in determining a per diem basis for cost of services there shall be taken into account the per diem costs prevailing in a community for comparable quality and levels of services. Such regulation shall include provision for specific recognition of a reasonable return on fair market value of the facility (determined in accordance with periodic Federal Housing Administration or similar appraisals); but the rate of return so recognized shall not exceed one and one-half times the average of the rates of interest for each of the months any part of which is included in such fiscal period, on obligations issued for purchase by the Federal Hospital Insurance Trust Fund. Where such return is allowed there shall not be allowed interest on capital indebtedness or depreciation on the facility in determining reimbursable costs.'

"(2) The fourth sentence of such section 1861(v)(1) is amended by inserting '(except as might happen by reason of the provisions of clause (A) of the preceding sentence)' immediately after 'will not'.

"(3) The last sentence of such section 1861(v)(1) is hereby repealed.

"(b) The amendments made by subsection (a) shall be applicable to services provided under title XVIII of the Social Security Act on and after July 1, 1968."

On page 321, strike out lines 20 through 23, and insert in lieu thereof the following:

"'(D) for payment of the reasonable cost (as determined in accordance with the regulations promulgated by the Secretary for determining reasonable cost under title XVIII) of inpatient hospital services, skilled nursing home services, intermediate care facility services, and home health care services provided under the plan;'."

On page 384, strike out lines 4 through 6, and insert in lieu thereof the following: "(as determined in accordance with the regulations promulgated by the Secretary for determining reasonable cost under title XVIII) of inpatient hospital services, skilled nursing home services, intermediate care facility services and home health care services, provided under the plan;".

Mr. MILLER. Mr. President, I invite the attention of Senators to the fact that the amendment, which is No. 442, has been modified slightly. The pending amendment is a slightly modified version of the original amendment No. 442.

Mr. President, I suggest the absence of a quorum, without losing my right to the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

The legislative clerk proceeded to call the roll.

Mr. JAVITS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. JAVITS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. METCALF. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. METCALF. Mr. President, if I may have the attention of the chairman of the committee, I wish to submit two amendments, which I send to the desk.

Does the chairman of the committee want to set aside the pending amendment at this time?

Mr. LONG of Louisiana. Mr. President, does the Senator from Iowa wish to press his amendment at this time or withdraw it temporarily?

Mr. MILLER. Mr. President, I am ready to proceed, unless the Senator from Louisiana has something more pressing.

Mr. LONG of Louisiana. No; I am ready to proceed.

Mr. MILLER. Mr. President, I invite attention to the fact that my amendment No. 442, as modified, is designed to relieve hospitals, nursing homes, and other facilities covered by titles 18 and 19 of a serious problem with respect to their present method of reimbursement.

There are two problems, really. The first problem is the inadequacy in many cases of the present method of reimbursement; and the second is the horrible cost accounting through which these facilities and their owners have to go in order to obtain their reimbursement.

Insofar as No. 1 is concerned, this amendment would permit, at the option of the facility, a shift to a per diem basis in determining reasonable cost for payment to providers of services, namely, inpatient hospitals, skilled nursing homes, intermediate care facility services, and home health care services.

The amendment is also calculated to prevent such a provider of services from benefiting from inefficient operations by providing that in determining such per diem cost there shall be taken into account the per diem costs prevailing in a community for comparable quality and levels of services. Thus, for example, it would be our intention that a hospital coordinate its capital investment action with a State planning agency, if there is one, to the extent at least of avoiding unnecessary or duplicative high cost investment which would increase its per diem unduly over that prevailing in the community.

There is another aspect of this amendment; namely, that it would recognize a reasonable return on the fair market value of the facility, with no reimbursement in that case for depreciation and interest on indebtedness, instead of the present provision for a return on the net equity of the provider of services plus reimbursement for depreciation and interest on indebtedness.

In my opinion, it is the fair market value of the facility which is the true basis for the determination of a fair profit. The Government is protected in my amendment by the provision that this fair market value be determined by FHA or similar appraisal on a periodic basis. So this avoids all manner of complexities in computing proper depreciation and interest reimbursement, as presently required.

I wish to point out that the substance of this amendment was offered last year insofar as the fair market value basis for the return is concerned. The Senator from Louisiana very graciously took my amendment to conference. However, the result of the conference was that, instead of using the fair market value as the basis for a return, they compromised on the net equity, as far as the depreciation allowance was concerned, plus interest allowance, plus a 2-percent factor.

That is the present formula.

This is better than what the previous regulations had provided, but I think it is still somewhat inadequate, at least in some cases. For example, depreciation reimbursement may be based on a cost basis which does not reflect current market value. If it does not, then it does not provide sufficient revenue to make provision for reinvestment in new facilities and equipment.

With respect to older facilities, there should be some increase because reimbursement would take into account the fair market value rather than the outmoded cost basis against which depreciation reimbursement is currently measured. But such increase is essential to enable the providers of services to keep their facilities updated. Without it they will not be able to do so, and may be even discouraged, in some cases, from seeking to provide such services.

Now, with respect to the per diem approach, this really reflects the fact that older people in a hospital use more nursing services and other components of the room-and-board category than do younger patients. It also reflects the fact that such additional services tend to offset the fact that there may be a lower cost as a result of a longer stay by an older person in the hospital.

I know concern has been expressed that the per diem approach might cost more money, but I do not believe it is well placed because of the express provision in the amendment that there shall be taken into account the per diem costs prevailing in a community for comparable quality and levels of services. In fact, I suggest that, in some cases, this would result in some savings.

I am apprised of the fact that Mr. Robert Myers, for whom I have a great amount of respect, has made a hurried cost estimate of this, resulting in a cost increase of from $500 to $650 million in 1968. But I do not know of any basis on which he rests this estimate, and, in fact, I believe he has stated it is very difficult to know what the effect of the fair market value provision would be.

With respect to new facilities, there should not be any difference at all. The 1½ times the trust fund interest rate on the fair market value certainly would not be any greater than 1½ times the net equity plus reimbursement for depreciation plus reimbursement for interest plus the 2-percent factor.

If a provider of services does not wish to use the per diem approach, then the regulations that are provided for in my amendment are to provide for determin-

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SOCIAL SECURITY ACT AMENDMENTS OF 1967

The Senate resumed the consideration of the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

ing costs of services on a per unit, per capita, or other basis, including the one presently in use.

Many hospitals have complained of the inordinate cost accounting they must do in order to comply with present regulations. I do not think it is correct to say that this problem has been overcome. In any event, if these hospitals or other facilities feel that it has been overcome, then they may elect not go on the per diem basis. They can go on some other basis. They can proceed on the present basis. Breaking out the separate cost accounting for medicare and other patients is a backbreaking bookkeeping job.

The cost of this amendment, in my judgment, has not been carefully evaluated; and I believe it is clear that the Department's analysis, which was hurriedly presented to the committee during its consideration of the amendment, did not take into account the compensating savings resulting from the "per diem rate in the locality" provision, which applies not only to hospitals but to all other types of facilities involved in the programs.

In fact, Mr. President, if my amendment is adopted, this will be the first time that Congress has put in writing its policy—and I am sure that this is the policy of Congress—that inefficiency not be benefited. Under the present state of the law on the cost reimbursement formula, an inefficient hospital or nursing home will receive a larger reimbursement than an efficient facility. I might add that the hospital and nursing home associations are most unhappy with this hiatus in the law.

I would hope that my amendment could be taken to conference. I believe that the cost estimates involved could be more carefully reviewed; and I am quite confident that the hospitals, the nursing homes, and the other types of facilities would then feel that they were being taken care of properly.

On the basis of my correspondence and my contacts with many people in these various institutions, they feel that they are being shortchanged now. They feel that they have been put upon by the requirement of an inordinate amount of cost accounting and bookkeeping, and some of them are actually suggesting they may even have to go to computer type operations in order to meet the costing for the individual medicare and medicaid patients.

I do not believe that when the medicare and medicaid bills were passed originally, there was any intention by Congress to have such a burdensome undertaking placed on those facilities.

Mr. President, as I pointed out last year, if we do not do something about this problem, we are going to find that many of these facilities will not seek to serve the patients who are entitled to such care, and we will have patients entitled without the opportunity for service. I do not believe that the amendment provides for any overreaching. As I said last year, I think that it provides for a fair approach and a practical approach. In fact, the per diem is used by Blue Cross and Blue Shield. I see no reason why we should not give this a try, and I think if it could be taken to conference, we would find a goodly reception on the other side of the Capitol, for putting this provision into effect.

Mr. HOLLAND. Mr. President, will the Senator yield to me?

Mr. MILLER. Yes; indeed.

Mr. HOLLAND. I have had several telegrams from highly reputable sources in Florida, primarily from small private hospitals, church-supported or other privately supported hospitals—not from the large public hospitals—complaining very vigorously about the provisions of the section of this bill which would be changed by the amendment of the Senator from Iowa.

I ask the Senator this question: Am I correct in my understanding that his amendment, which would provide for the application of a per diem rate similar to that stated for the same services in that community and in that facility, would remove the objections of the hospital boards and operators to the provision of the bill—I believe it is section 142—which in effect limits very greatly the amount that may be included in computing the value of services for medicare and medicaid on a basis which includes the principal capital investments, and includes the interest that is expended? Will the Senator's amendment, which does not mention those two factors by direction, cover them by indirection, in that it would provide, as I understand it at least, that the per capita cost charged in that community and by that facility for the rendition of similar services would be the charge recognized?

Mr. MILLER. The Senator is correct. This is the principal thrust of one part of my amendment.

There are two parts to my amendment. The first is the per diem part; the second is reimbursement on the fair market value of the facility.

With respect to the first part, it is the per diem approach that most of the hospitals wish. I should point out, however, that there are some hospitals that do not want the per diem basis. Therefore, my amendment provides that the per diem basis will be at the option of the provider of services.

Mr. HOLLAND. That means the hospital?

Mr. MILLER. The hospital or the nursing home or other type of facility.

If they do not wish to use the per diem approach, then the amendment provides that the provider of services will have his costs reimbursed on a per unit per capita, or other basis. The "other basis" could include the present basis.

We were told that there was one hospital which did a lot of teaching, and that the per diem approach did not fit their requirements. That is the reason why we left it open, so that, at their option, they could have the per diem; if they did not wish to have per diem, then it would be on some other basis established by the regulation.

With respect to this capital matter, I invite the attention of the Senator to the fact that the amendment strikes all of the bill starting on line 1 on page 133 through line 25 on page 139.

Mr. HOLLAND. That is the portion of the bill which incorporates the provisions that are so seriously objected to by the people from whom I have heard.

Mr. MILLER. That is correct; but I should like to add this caveat: If that portion of the bill is struck out, and my amendment is inserted in lieu thereof, we will be eliminating the absolute requirement that capital investment be limited, and that the capital investment is approved by State planning agencies.

At the same time, I do believe that it is fair to say that the intention behind this amendment is not that hospitals should overlook State planning agencies' plans. They should not feel that they have carte blanche to go out and invest in expensive capital equipment and facilities which unduly or unnecessarily duplicate those of some other facility in the same community.

The intention is that they will coordinate with the State planning agencies, with a view to avoiding, as far as possible, the duplication of high-cost items. If they do not do that, of course, they naturally increase the average per diem cost in the community.

That is another aspect of the average per diem cost in the community which my amendment seeks to avoid. I think it is better, in this way, to encourage the hospitals to coordinate with State planning agencies, than as the bill now provides to require that they do so, and, in effect, give the State planning agencies complete control over their capital investments.

Mr. HOLLAND. Mr. President, if the Senator will yield to me for a general statement, I am glad to see that the distinguished Senator from Alabama [Mr. HILL] is present, because his interest and concern with hospitals and their proper operation is well known; and I am also glad that the Senator from Louisiana is here, and I hope he will follow my remarks, which will not be of undue length.

I have received a number of telegrams and letters, and I note that they are all from relatively small hospitals, that have been hard hit, as they have complained to me for months now, by the methods followed in the medicare program.

For instance, a gentleman who is my longtime friend, and is attorney for several of these hospitals, has called me on the telephone to talk at length about it, to say that more than 30 percent of the patients in the hospitals which he represents, which are all relatively small, are medicare patients. They are operating at a very great loss, and they will soon have to go out of business.

I have letters and telegrams here, two of which I would like to read because I think they express the point I wish to stress.

The first is a letter from St. Anthony's Hospital, Inc., St. Petersburg, Fla., signed by Sister Mary of Lourdes, O.S.F., administrator. It reads:

NOVEMBER 15, 1967.

HON. SPESSARD HOLLAND,
U.S. Senate,
Washington, D.C.

DEAR SENATOR HOLLAND: I urge that you do all within your power to bring about the removal of the provision in the Senate measure similar to that defeated in the House in

H.R. 12080, which would deny reimbursement to hospitals of amounts representing depreciation and interest attributable to "substantial capital items"—expenditures which were not in accordance with a state's overall planning under the Partnership for Health Act.

Depreciation is a return to the hospital of expenditures already made—and hospitals need the funds to make mortgage payments. Further, making capital expenditures subject to a state planning agency—financed by a federal grant—is an unwarranted interference in the rights of hospital trustees to control finances of individual hospitals. Hospitals will support "voluntary" planning but can tolerate no further erosion of the reimbursement and still make mortgage payments and buy new equipment.

Sincerely,
Sister MARY OF LOURDES, O.S.F.,
Administrator.

I have a similar communication, a telegram in this instance, from another Catholic hospital, the Sacred Heart Hospital in Pensacola, Fla., signed by Sister Anne William, administrator.

I shall not read this communication. I ask unanimous consent to have it printed at this point in the RECORD.

There being no objection, the telegram was ordered to be printed in the RECORD, as follows:

Hon. SPESSARD L. HOLLAND,
U.S. Senate,
Washington, D.C.:

We urgently request that you use your influence to defeat the Senate provision to the amendment of H.R. 12080 that would deny reimbursement of amounts representing depreciation and interest attributable to "substantial capital items." Our trustees would recommend cancellation of our medicare contract if this provision became a law.

We are indeed grateful for your continued support in these important matters.

Sister ANNE WILLIAM,
Administrator, Sacred Heart Hospital.

Mr. MILLER. Mr. President, that is the very point I wish to emphasize. The hospital administrator from the State of Florida who wrote to the Senator was complaining about the rigid requirement that a hospital must coordinate the whole capital investment program with the State planning agency.

That is what the bill now provides. My amendment would strike that all out. It does not say anything about a State planning agency as such. It merely provides that in determining this per diem there shall be taken into account the prevailing per diem rate in the community.

If that is done, that will indirectly cause hospital administrators to be very careful that they do not engage in high-cost capital investments that will be wasteful or duplicative.

I do not think we will have much difficulty with that anyway. However, in any event it will not do any harm for the hospitals in the community to sit down with the State planning agency and try to coordinate their hospital services. Perhaps one hospital wishes to have a kidney machine and another hospital wishes to have a new type of heart machine instead. If everyone is to have the same type of equipment, there would be a problem.

Hospitals that would disregard this provision would do so at their peril and get out of step with the prevailing per diem in the community. The amendment would serve in that way as a salutary inducement and encouragement to do something with voluntary State planning agencies.

I think that would achieve the objective of the writer of the letter to which the Senator referred.

Mr. HOLLAND. Mr. President, I have here a telegram from a small hospital at Dunedin, Fla. Dunedin is a beautiful little city just north of Clearwater. The communication reads:

MEASE HOSPITAL, INC.,
Dunedin, November 15, 1967.

Re: H.R. 12080 Social Security Amendments.
Hon. SPESSARD HOLLAND,
Senate Office Building,
Washington, D.C.:

Urge removal of amendment denying reimbursement for depreciation and interest. Large numbers of hospitals are entirely dependent upon these funds to meet mortgage obligations. This is appropriate reimbursement for past capital expenditures. Such usurping of authority of hospital trustees in controlling hospital finances would result in consideration of decision to participate in medicare.

Urge your careful attention to this most urgent matter.

DONALD M. SCHRODER
(For trustees).

That is another private hospital.

I have so many of these items that I shall not put them all in the RECORD.

I have a letter from Mr. William J. Schneider, administrator of the Fish Memorial Hospital, at New Smyrna Beach, Fla. That is a relatively small city and a relatively small hospital.

The letter reads:

NOVEMBER 14, 1967.

DEAR SENATOR HOLLAND: Let me urge you to consider the removal of the provision in the Social Security Amendment (H.R. 12080) which restricts reimbursement to hospitals for depreciation and interest on capital expenditures that are not approved by some state planning agency.

Such a law, if passed, can only work to the long range detriment of the health field by preventing the trustees of hospitals from carrying out their responsibilities for providing the health facilities of local communities. Further, this law would negate the efforts of administrators in operating hospitals on a sound fiscal basis while participating in the medicare program, and would further increase the cost to the paying patient.

Thank you for your continued interest in our health facilities.

Very truly yours,
WILLIAM J. SCHNEIDER,
Administrator.

I have received other communications from throughout the State that indicate that unless the hospitals do get a fair allowance based upon their capital investments and their interest charges, as well as other items, they will just have to discontinue their taking care of medicare patients, which they do not want to do.

The telegrams speak for themselves. I shall not even have them printed in the RECORD. However, I do want to give the names of persons from whom I have received some of these wires.

I have a telegram here from S. R. M. Innocent, R.S.M., Holy Cross Hospital, administration. That is another Catholic hospital. It is located in Fort Lauderdale, Fla.

I have one from Leo Wotitzky, president of the Charlotte Hospital Association, Inc., and Robert O. Bruce, executive director of the Medical Center, Punta Gorda, Fla. That is another small town and a small hospital.

I have another communication from Mr. W. L. Simon, administrator of the North Miami General Hospital, North Miami, Fla. That is to be distinguished from Miami, the larger city. North Miami is a relatively small city in the north part of that area.

I have a communication from C. A. Severs, executive director of the Doctors' Hospital of Sarasota, Inc., Sarasota, Fla.

I have another communication from Russell T. Clayton, administrator of the Bethesda Memorial Hospital, and Mr. William F. Koch, chairman of the board of hospital commissioners of the Bethesda Memorial Hospital, Boynton Beach, Fla. That is another small town and a relatively small hospital.

There are other communications here. I will not try to include all the names.

I have received, in addition, communications from the head in Florida of the hospital association and one from the head, here in Washington, of the American Hospital Association, who states that he speaks for 7,000 of the Nation's hospitals, and that he strongly protests this action.

It seems to me that when the burden of all of these communications is that the medicare service will be discontinued by many small hospitals in relatively small communities unless something of this sort is done, and that the charge to patients other than medicare patients will have to be raised. The seriousness of this point stand out.

I suggest that the amendment of the Senator from Iowa does deal adequately with this problem, as I am inclined to think it does.

My legislative assistant has called the American Hospital Association, in Washington, and they think it does. If it does not, I am sure that if we can include this proposal in the bill, the conferees can find out exactly what is the meaning and make a correction, because I am sure we are all agreed that we do not want to handicap the medicare program, nor do we want to see hospitals continuing to operate at a loss simply because they are handling that program.

Regardless of how we may feel toward medicare, in my State, at least, which has so many elderly people, it has come to be, particularly in the smaller towns, where the retired people like to stay, a very large part of the business of the average small hospital. So the program must be placed on an adequate basis, or it will dry itself up. It just cannot be continued if it is not on an adequate basis.

I do not know what the attitude of the distinguished chairman of the committee is on this proposal, but I would express the strong hope that he might take the amendment, have it studied in conference, and bring out whatever is the

exact language that will cure the situation. If this will not correct it, let us bring out something that will. I am sure that the chairman would not want to bring about the hardship of closing hospital doors to medicare patients, or possibly even closing small hospitals in the way that is indicated.

I strongly support the Senator from Iowa in his effort. In fact, I was planning to draft an amendment myself when I was told by the American Hospital Association that the amendment of the Senator from Iowa would meet this issue. I strongly hope that the Committee on Finance, and especially the chairman of the committee [Mr. LONG], who is handling the bill so ably on the floor of the Senate, may see fit to take the amendment and make certain that in the final version we will have something that is fair to the Nation—yes, we all represent the Nation—and is also fair to the small hospitals and fair to Medicare patients in our communities, because they do not, in all communities, have access to the very large publicly supported hospitals.

Mr. MILLER. Mr. President, I wish to thank the Senator from Florida for his very able thoughts on this amendment. I should like to assure him that this amendment was most carefully drawn after close consultation with various hospital groups.

The hospital association in my home State was very carefully coordinated with on this, and they in turn very carefully coordinated it with other organizations, including the National Hospital Association.

I should also like to point out that during our consideration of this amendment and in our consultation with the hospital people, there never was any effort on their part to try to gain a windfall or to overreach or to dig into the treasury for an unwarranted sum of money. They want to perform a service, but they do not believe that they can perform their service under the present formula. They have very good reasons for this belief.

Furthermore, as I have pointed out, they are bogged down with all types of accounting and bookkeeping which, in my judgment, is enough to try the patience of a saint. I do not know how they have been able to get along as well as they have thus far.

As I have said, some hospitals will not desire the per diem approach. My guess is that most of them will. All of this will be saved. They will be on a basis that has been recognized by Blue Cross and Blue Shield for a long time. I believe it will get the job done very well, and it certainly merits a fair trial.

I hope the Senator from Louisiana will see fit to acquiesce in the request of the Senator from Florida that this proposal be taken to conference.

Mr. LONG of Louisiana. Mr. President, since the medicare bill went into effect, the costs of hospital benefits has advanced under the program by approximately $1 billion a year. It has been in operation about a year and a half, and in this bill we have to raise taxes by $1 billion to cover the increased cost since the last time we looked at the medicare program. If we did everything for the hospitals that the hospital administrators believe is necessary and desirable, it might increase the cost of this program another $2 billion right now. We do not have money in this bill to pay an additional $2 billion.

We plan to look more deeply into this matter when we have more time to work on it, because there may be a great deal of merit to what the hospital administrators say; and we probably will accede to some of their suggestions. Naturally, when we study it more, we will know more about the merits and the demerits of their case.

I cannot agree with one feature of the proposed amendment, and it arises entirely out of a misunderstanding between those who represent the hospital associations in Washington and those of us who draftcd the bill. It is an unfortunate misunderstanding. They have misinformed the members of their association, with the result that, I suppose, by now they have wired all Senators requesting them to vote to strike out the language that appears on pages 133 through 139. This is completely meritorious language and should not be stricken from the bill. The language on those pages seeks to make some savings in a most reasonable way, looking to the future. It does not take anything away from hospitals. It just says, for instance, looking into the future, that if you have a big surplus of hospital beds in a town and someone wants to build another hospital or build room for an additional 100 beds and the State "Partnership for Health" agency does not think it necessary and affirmatively and specifically disapproves of it, then we are not going to pay depreciation or interest on debt incurred by somebody for building a lot of surplus beds when there is already a surplus in the area.

If there is no State planning agency or, if the planning agency does nothing, that would be all right. The surplus beds would be built, and we would pay all the costs of care in those beds. We are not complaining about that. We are saying that where the States do have a planning agency—most of them do—and the planning agency affirmatively and specifically tells the facility that this is not needed, and it still goes ahead and does it anyway, we do not propose to pay depreciation and interest on the debt for that disapproved addition out of the medicare program.

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. HOLLAND. Mr. President, I thoroughly agree with that statement, and I do not see how anybody could take issue with it.

We are talking about long-established hospitals, with capital assets that in part they have paid out and in other is still owed in mortgages, and they are paying interest on those mortgages; and we believe that the value of their capital investments, the depreciation therein, and the interest are all items which should be taken into account. That would be done in any other private business.

Mr. LONG of Louisiana. That is not what I am talking about at the moment. I am speaking about lines 1 and 2 of the proposed amendment, which would strike out six pages of very good language in the committee bill. This language was put in by the committee. And may I say that that language is what should be done, as modified by the Senator from Nebraska.

If an agency affirmatively says this is not needed, we would respect that statement.

We believe that the wires from the hospital associations arise entirely from the fact that they have not read the committee report. The committee report was not available until the morning we took up the bill. In an attempt to inform everyone as to what was in the bill, we furnished a little blue pamphlet, which apparently those who represent hospital associations in Washington must have read. From this thumbnail sketch of the amendment, they have read into it something it does not do. If they read the committee report, their fears will be allayed, and they will realize that the language on the six pages to which I have referred would not do what they think. It is an unfortunate misunderstanding. I do not believe anyone could quarrel with what the committee has done in that regard.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. CURTIS. When this language was originally proposed, as I recall, the hospital had to get an affirmative ruling from the State hospital planning board. I opposed it because I did not beleive it was necessary.

In the State of Nebraska, the only places where we have a number of hospitals are Omaha and Lincoln. They have this system on a voluntary basis at present and have had it a long time. If one hospital goes into open heart surgery, another hospital does not do it.

I do not believe this language is necessary. It was finally changed so there was not a burden on the hospital to get approval, but he would not have been interfered with if the State planning board did not take action to deny it.

I desire to comment briefly about the other proposal of the distinguished Senator from Iowa. I am in sympathy with it. I do not regard it as opening and enlarging the medicare program. It is a matter of efficient and fair treatment of our hospitals.

Congress chose to make medicare uniformly available, as a matter of right, to all people over 65, regardless of income; and when we did so, we placed a terrific burden on the hospitals.

I do not believe any Senator wishes to have the Government's money spent in auditing hospitals. They would rather have that money spent for caring for people. I do not believe Senators wish to see a hospital's budget unnecessarily spent in cost accounting to satisfy the government.

Frankly, I am not sufficiently competent as a cost accountant to pass on the merits of the entire amendment offered by the Senator from Iowa. I am in

favor of its objective, although I have consistently voted against expanding the program. I believe that if you are going to have the program, the cost of it must be paid by the funds provided, and it should not be subsidized by the hospitals.

Neither should the care of medicare patients be subsidized by other patients in the hospital. That is what it amounts to. I mention that our two larger cities in Nebraska and cities elsewhere would be money ahead if they would settle on a reasonable charge rather than a cost. If you have costs you have to have figures to have the cost and it takes more to take care of that than it does to cure the sick. In rural hospitals they are able to look at it and tell if that is a reasonable charge, and that should be the end of it.

I am not passing on the adequacy or the inadequacy of the amendment because I do not feel competent to do that. However, I hope that something can be done to meet the objective of the Senator from Iowa before the bill becomes law.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. PASTORE. I wish to ask the chairman of the committee a question. Does the Senator admit there is a loss to the hospital under present procedures?

Mr. LONG of Louisiana. No, I do not admit it; but I am aware of the complaints that the hospitals make about this. I agree that this is a matter we should look into.

Mr. PASTORE. Then there is some substance to the allegations made that the hospitals are, to some extent, subsidizing this program.

Mr. LONG of Louisiana. They have just closed their fiscal year, and we are still analyzing the books. They contend that is so. They are honest and decent institutions, and they are not trying to victimize the public.

Mr. PASTORE. Why would it not be a good idea to take the matter to conference? If there is no validity to it, it can be disposed of there. If there is some validity then it can be considered further. We are the ones who initiated the medicare program and thrust the burden upon these hospitals. They are all nonprofit institutions and they are not making money, although they are pretty well managed. They are out to serve the people.

I do not see how, through an act of Congress, we can place an imposition on a hospital which is nonprofit to subsidize the program. I do not understand the weight of the argument that it is going to cost money. All of the program is going to cost money, but the question is: Who is going to pay for it?

Mr. LONG of Louisiana. The costs of hospital care under medicare is going up a billion dollars a year. If we did everything they would like us to do it might cost as much as $2 billion a year more.

If we take lines 1 and 2 of the amendment we will not be permitted to go to conference.

Mr. PASTORE. On that question, cannot the Senator from Iowa concede to that argument and take that part of the amendment out, and let us reach some understanding? I do not think we are going to resolve this intricate problem this afternoon at 15 minutes after 5. It is not going to happen. There should be a sensible and reasonable approach.

I think the Senator from Louisiana makes a good argument on the six-page provision, and the Senator from Iowa makes a good argument on the other point. Let us be sensible, fair, and expeditious.

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. HOLLAND. I agree with the Senator from Rhode Island. I was going to make a suggestion that the Senator from Iowa consider, in place of his striking out a part, to add the words at the proper place in the bill. Add the words, and then you will have both provisions, and the matter can be gone into in conference.

I am strongly of the feeling that there are two problems. The first problem is the financing of additional hospitals in the future; and the second problem is paying fair costs to hospitals in existence.

We have a great many hospitals in Florida, as Senators know. We try to take care of a community in which a large number of people are retired and aged people, even before medicare was thought of. That means we must have a large number of hospitals. We have a large number of hospitals, many of which are small hospitals. We have a great many county seat towns in Florida which have fine hospitals, and they are not publicly supported. They cannot continue to accumulate losses as they are doing.

The kind of assurances I have are such that I know that they are truthful and they come from people who know the facts and who are not interested in gouging Uncle Sam. They want to continue to render services and live. They are not asking for profits. They are community or church ventures. Two of these hospitals were created by money donated by Cary Fish, the former Ambassador to Egypt, who left the money in a will for hospitals to be built in New Smyrna and De Land. They are fine hospitals. I assisted in the inauguration of one of them years ago.

The people behind those hospitals are not seeking something to which they are not entitled, but something to enable them to continue to live and serve.

If the Senator can take this amendment, with such words as I indicated, to add at the proper place, it might be helpful. It is true that there will be confusion between the provisions of the bill and the amendment. However, that is what conferences are for, to work out confusion, as we have tried to work out confusion in the past. It seems to me that that might be the way to get this matter on the road.

Mr. MILLER. I appreciate the suggestion made by the Senator from Florida.

Mr. President, I would like to have just a few minutes to discuss this matter with the Senator from Louisiana. With the concurrence of the Senator from Louisiana, I suggest the absence of a quorum, and it will not be very long.

Mr. HOLLAND. Mr. President, I understand that the Senator from Montana is here and is ready to take up a matter.

I would suggest we set this matter aside temporarily.

The PRESIDING OFFICER (Mr. BAYH in the chair). Does the Senator withdraw his request?

Mr. MILLER. Mr. President, I withdraw my request. I ask unanimous consent that the matter may be temporarily set aside, and I yield to the Senator from Montana [Mr. METCALF].

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. METCALF. Mr. President, I have two amendments. I send the first amendment to the desk.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

On page 275, line 15 of the bill, add the words "or other persons" after the word "mother."

Mr. METCALF. Mr. President, this is an amendment that would provide working mothers who are actually caring for children of preschool age will be exempt from some provisions of the Welfare Act.

The effect of this amendment would be that a grandmother, an elder sister, or an aunt, or somebody in that category could be considered as taking care of the children. We tried to take care of this in the report at page 148, where they say a mother or person acting as a mother.

Upon consideration I believe it would be better to spell it out in the law, in the statute, and insert the words "or other person" such as a grandmother.

Mr. President, I understand this amendment would be satisfactory to the chairman of the committee.

Mr. LONG of Louisiana. Mr. President, the Senator wants to make clear that the word "mother" could include some person who is acting in place of the mother in the home?

Mr. METCALF. Taking care of preschool children.

Mr. LONG of Louisiana. I think the amendment has merit.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. METCALF. I yield.

Mr. CURTIS. It would be with the same limitations that now exist with reference to a mother?

Mr. METCALF. The Senator is correct, and the language of the report would be unchanged.

Mr. LONG of Louisiana. I think the Senator is right about the matter, and the language should be broadened.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Montana [putting the question].

The amendment was agreed to.

Mr. METCALF. Now, Mr. President, I send to the desk another amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated by title.

The ASSISTANT LEGISLATIVE CLERK. Beginning on page 191, line 22, strike out all through line 4, page 193.

On page 193, line 5, strike out "(5)" and insert in lieu thereof "(2)".

On page 194, strike out lines 11 through 18.

On page 194, line 19, strike out "(e)" and insert in lieu thereof "(d)".

Mr. METCTALF. Mr. President, I ask that the amendment be considered as read and that the various parts of the amendment be considered en bloc, and I will explain it.

The PRESIDING OFFICER. Without objection, the provisions of the amendment will be considered en bloc.

Mr. METCALF. Mr. President, this is a different amendment from any we have considered today. Before today, we have been considering amendments that broadened the scope of the bill, enlarged payments, or extended the time.

This amendment is a limiting amendment. It narrows and restricts the definition of "disability."

Under the bill before us, this "disability" is redefined so that an individual shall be determined to be under disability only if his impairment or impairments are so severe that he is not only unable to do his previous work but cannot, considering his age, education, and work experience, engage in any other kind of substantial gainful work which exists in the national economy, regardless of whether such work exists in the general area in which he lives, or whether a specific job vacancy exists, or whether he would be hired if he applied for work.

A rather impressive list of witnesses, eight in all, testified before the Committee on Finance in opposition to this particular provision of the bill. So that Senators may have the full benefit of their thinking on this matter, I ask unanimous consent that the pertinent excerpts from the evidence submitted to the Finance Committee be printed at this point in the RECORD.

There being no objection, the excerpts were ordered to be printed in the RECORD, as follows:

DEFINITION OF DISABILITY

(AFL–CIO, statement of George Meany, hearings, p. 1434–35)

The House included a more restrictive definition of disability than now in the law by providing that a disabled worker is not eligible for disability benefits if he can engage in any kind of substantial gainful work which exists anywhere in the national economy.

The large majority of the seriously disabled are over 50. We all know that once an older, disabled person loses his job, his chances of obtaining a similar position are about zero. It is unrealistic and unfair to say to this severely disabled worker that he is not disabled because there may be employment someplace in the national economy which he might be able to handle even though he has no way of reaching that place and it is very unlikely he would be hired if he did apply. A major complaint of disabled workers has been the stringent administration of the disability provisions. Greater liberalization, not restriction is needed.

The problems of disability, age and unemployment are all interrelated and what is needed is a comprehensive and broad program to deal with them as a group. Many people suffer chronic ill health during their later working life. Unless they are so totally disabled that they can meet the stringent definition of disability in the Social Security Act, they are in an economic no-man's-land. They are unable to work but are not yet eligible for their regular retirement benefits.

There are a number of changes that could be made in the Social Security Act that would help alleviate this problem.

First, we feel there should be an occupational definition of disability that would permit older workers after age 50 or 55 to receive disability benefits if their disability prevents them from doing their usual occupation.

Second, an increase in the number of drop-out years in the benefit formula would also help. At the present time, the social security law permits the dropping out of 5 years of low or no earnings in computing a worker's benefit which does provide some limited protection against unemployment, illness and low earnings. Because of the low wage bases in the earlier years of the system, which must be used in computing the average wage on which benefits are based, the typical worker receives a low percentage of his wages earned shortly before retirement. The problem is compounded for older workers who are laid off by plant closings, technological changes, ill health, etc. who must include these years of low or zero earnings in determining their average wage. Additional drop out years would be of great help to them.

Third, the AFL–CIO also advocates a flexible zone of retirement between 60 and 65 that would permit retirement at age 60 with less than full actuarial reduction. In general, as workers grow older, they often find the pace of their work is beyond their physical ability. A flexible zone of retirement, if coupled with a substantial increase in benefits, would permit the individual to make a retirement decision during a period of years based on his financial resources, age, health and the nature of his occupation.

Though the social security program can be of considerable value to unemployed older workers, we know that it cannot solve what is essentially an unemployment problem. We are also advocating changes in other programs so that efforts in these various programs may dovetail to solve this social problem. It may not be possible to include all or most of our proposals for changing the Social Security law in this respect in the present legislation, but at the very least, Congress should refrain from making the problem of older workers more difficult by a more restrictive definition of disability.

DEFINITION OF DISABILITY

(American Foundation for the Blind, Inc., A. 168)

We are also pleased that H.R. 12080 has included disabled surviving divorced wives and disabled widowers for cash benefits. However, we believe that the requirement of attainment of age 50 for eligibility would work an undue hardship on otherwise eligible disabled widows, surviving divorced wives, and widowers. *Similarly, we believe that the definition of disability for these individuals is unduly harsh and should be made the same as the definition of disability for beneficiaries of the disability insurance program.* We also would strongly recommend that the cash benefits be 82½% of the primary insurance amount immediately upon eligibility for benefits rather than graduated from 50% to 82½%. The American Foundation for the Blind welcomes the extension of the provision covering blind persons between the age of 21 and 31 for cash disability insurance benefits to all types of disabled persons who meet the definition of disability in the law. *However, we believe that the guidelines in the new Section 223(d)(2)(A) concerning the definition of disability are unduly harsh. The individuals covered for cash benefits are severely disabled under the definition in the existing law, and this definition should not be made any stricter than it already is.*

DEFINITION OF DISABILITY

(Georgia Federation of the Blind, Conyers, Ga., A22)

CONYERS, GA.,
August 24, 1967.

Hon. RUSSELL B. LONG,
Chairman, Senate Committee on Finance
Senate Office Building,
Washington, D.C.

MR. CHAIRMAN AND GENTLEMEN OF THE COMMITTEE: You now have before you, for consideration, H.R. 12080 as adopted by the House. This bill contains many excellent and progressive amendments to the social security act and in general, the Georgia Federation of the Blind supports this bill.

However, Section 156 contains the most regressive and punitive definition of disability ever to be included in a public assistance law since the days of the Elizabethan "poor laws". This provision makes the existence of a theoretically possible employment for a disabled person sufficient grounds for denying public assistance payments, whether or not such employment opportunities actually exist for him. It is our belief that public assistance in all categories should be granted on the basis of definite, objective criteria and not be made subject to the whim of Federal and State officials. The great majority of the severely disabled earnestly desire to become self sufficient and contributing members of society. They should be encouraged and assisted to reach his goal. This certainly would not be the effect of the provision written into this bill by the House Committee.

We would like to see the present criterion for assistance to the "totally and permanently disabled", which admittedly is severely restrictive, modified so that the criteria used for eligibility for benefit payments to the disabled under Title II of the social security act would also apply to applicants for assistance to the disabled under Title XIV. This would require the elimination of the word "permanently" in this Title and the substitution in the definition of disabled, wording similar to that now contained in Title II.

We respectfully request that the Senate Finance Committee eliminate the phraseology to which objection has been voiced herein, and the inclusion in the Senate version provisions which will allow the totally disabled, whose disability has lasted or is expected to last for at least twelve (12) months, eligible for public assistance payments under Title IV of the Act.

Respectfully submitted.

NED FREEMAN,
President,
Georgia Federation of the Blind.

DEFINITION OF DISABILITY

(Gov. Philip H. Hoff, Vermont, A109; excerpt from September 8, 1967, letter to LONG)

(5) Social Security Disability Program: The bill sets a tighter definition of disability than presently exists in the law. The effect of this on the states will be to require denied applicants to seek public welfare under our State-Federal Aid to the Permanently and Totally Disabled Program. This simply amounts to an abrogation of responsibility on the part of the Federal Government and a pass on of the financial burden to the States.

DEFINITION OF DISABILITY

(Blinded Veterans Association, American Association of Workers for the Blind; excerpt from statement of Irvin P. Schloss, national president of Blinded Veterans Association, A160)

BVA and AAWB endorse the provision of H.R. 12080, which would make disabled widows, surviving divorced wives, and widowers eligible for benefits under age 62, even if they do not have minor children in their care. However, we believe that the requirement of attainment of age 50 for eligibility would work an undue hardship on these individuals. Similarly, we believe that the definition of disability for these individuals is unduly harsh and should be made the same as the definition of disability for beneficiaries of the disability insurance program. We also would strongly recommend that the cash benefits of 82½% of the primary insurance amount become available immediately upon eligibility for benefits rather than graduated from 50% to 82½%.

DEFINITION OF DISABILITY

(National Council of Senior Citizens; excerpt from statement of John F. Edelman, president, National Council of Senior Citizens, p. 1076–1077)

The House-passed bill contains a harshly restrictive definition of disability, forbids for widows without dependent children benefits below age 50, limits the primary benefit for widows at age 50 to half of the regular benefit with a gradual step-up in benefits determined by the age benefits begin.

DEFINITION OF DISABILITY

(Physicians Forum; excerpts from statement of Malcolm L. Peterson, M.D., chairman of the Physicians Forum, New York, N.Y., A242)

E. We regret the more restrictive definition of disability in H.R. 12080 as compared with the present law, and we regret the failure to included disabled beneficiaries under Medicare as recommended by the administration.

DEFINITION OF DISABILITY

(Excerpt from statement of Robert M. Gettings, assistant for governmental affairs, on behalf of the National Association for Retarded Children, p. 1935)

The House Ways and Means Committee expressed concern over several recent court decisions reversing departmental determinations of eligibility for disability payments. In these cases, HEW found that the individual was not absolutely disabled but only disabled relative to the local job market. In an effort to correct this situation, H.R. 12080 revises the definition of disability to provide that if the client can do appropriate work which is significantly available in any part of the economy he will not be considered disabled. This language has two drawbacks from the point of view of the retarded. First, a retarded individual may be able to live and work in the community if he is residing with his family but not if he must venture forth on his own without proper social shelter. Second, the definition of feasibility for purposes of vocational rehabilitation depends on the availability of suitable work opportunities locally or at least within the State. The House language would tend to hinder proper coordination between welfare and rehabilitation programs immediately after these two activities had been combined for administrative purposes in the new social and rehabilitation service. We respectfully suggest that this committee include clarifying language in its report to insure that the new House definition of disability does not work to the disadvantage of retarded citizens.

Mr. METCALF. Mr. President, we heard eight witnesses, all of whom testified against the change in disability. Only one witness in this voluminous record testified in support of the present language in the bill. He was Mr. Paul P. Henkel, chairman of the Social Security Committee of the Council of State Chambers of Commerce.

This is what he said:

We do not oppose the disability insurance amendments proposed in H.R. 12080. We support the concern of the House Ways and Means Committee over the extension by judicial decisions of the definition of disability. We agree there is a need for a stricter definition.

Mr. President, in this whole record, the only justification for taking this backward step and abandoning the position we took on the Social Security Amendments of 1965 is the testimony by Mr. Henkel of the Council of Chambers of Commerce.

Actually, what has happened is that the social security system and the Department of Health, Education, and Welfare have lost a lawsuit. The courts have defined disability using definitions out of the Veterans' Act, out of the precedents of the Workmen's Compensation Act, and held against the present definition we have in the present bill.

Thus, all I am asking is to return to present law and remove this restrictive definition.

Going back to what the court has already defined, let me tell the Senate what it objects to. For instance, the administration is objecting to the case of Leftwich against Gardner.

Mr. President, the recent decision of the Court of Appeals for the Fourth Circuit in *Leftwich* v. *Gardner*, 377 F. 2d 287 (1967), has been criticized by the Social Security Administration and that criticism has been adopted in the committee report. I do not share in the criticism of that opinion. Because of the significance of that decision which centered on a disabled father of nine children and so that my colleagues may have the full benefit of the court's thinking, I ask unanimous consent to have the opinion printed in the RECORD.

There being no objection, the opinion was ordered to be printed in the RECORD, as follows:

John J. Leftwich, Appellee, *v.* John W. Gardner, Secretary of Health, Education, and Welfare, Appellant. No. 11015. United States Court of Appeals, Fourth Circuit. Argued March 7, 1967. Decided May 1, 1967.

Social Security case. The United States District Court for the Southern District of West Virginia at Beckley, John A. Field, Jr., Chief Judge, granted claimant a period of disability and disability insurance benefits and Secretary of Health, Education, and Welfare appealed. The Court of Appeals, Craven, Circuit Judge, held that where 52-year-old manual laborer suffered from spondylolisthesis and had congenital marked curvature of spine so that he could not stoop, bend or lift and suffered pain when he sat more than 10 minutes and all of the time while he was standing, he was totally and permanently disabled for purposes of disability benefits under the Social Security Act and fact that he chose to work every day as a dishwasher to support his family did not preclude him from recovering disability benefits.

Affirmed.

Before Sobeloff and Craven, Circuit Judges, and Harvey, District Judge.

Craven, Circuit Judge.

In this unusual social security case, claimant Leftwich was denied disability benefits at the administrative level largely because he has the admirable motivation to insist upon working for the support of his family despite physical inability to do so. There is more logic than common sense in such a result, and there is irony not intended, we think, by the Congress. We affirm the decision of the district court granting Leftwich a period of disability and disability insurance benefits.

[1] We have carefully reexamined the record as a whole before deciding that the decision of the Hearing Examiner and the Appeals Council is not supported by substantial evidence. "The substantiality of the evidence to support the Secretary's findings is the issue before each court." Thomas v. Celebrezze, 331 F.2d 541 (4th Cir. 1964), citing Farley v. Celebrezze, 315 F.2d 704 (3d Cir. 1963), and Ward v. Celebrezze, 311 F.2d 115 (5th Cir. 1962).

[2] Although we review the same record and make the same determination as made in the district court, "[i]t should hardly require articulation to note that an appellate court gives great weight both to the reasoning and conclusions of the district courts." Farley v. Celebrezze, supra, 315 F.2d at 705 n. 3. There is here no inconsistency: we are influenced by the decision of the district court, but we are not bound by it. See Roberson v. Ribicoff, 299 F.2d 761, 763 (6th Cir. 1962); Flemming v. Booker, 283 F.2d 321, 322 n. 4 (5th Cir. 1960).

In the Hearing Examiner's decision appears the following:

"The Hearing Examiner will not attempt to describe in detail each of the medical reports relative to the claimant or to describe the two hearings previously referred to,[1] since the Hearing Examiner feels that the primary issue to be resolved herein is whether or not the claimant's present job as a dishwasher at the Pinecrest Sanitarium, which he has been doing since around June 1960 to the present, constitutes the ability to engage in substantial gainful activity within the meaning of the disability provisions of the Social Security Act and the regulations implementing such provisions." Consistent with that position, the hearing held at Beckley, West Virginia, on September 7, 1965, lasted exactly fifteen minutes. At that hearing, the Hearing Examiner said:

"It would appear to the Hearing Examiner that the reason the claimant's application was denied was because of his work at the Pinecrest Sanitarium as a dishwasher and they apparently considered this as the ability to engage in substantial gainful activity."

We agree with the Hearing Examiner that it is unnecessary to narrate in great detail the medical history of claimant. Only a small part of it will make it crystal clear that but for the question posed by his minimal employment he would unquestionably have been found unable to engage in substantial gainful employment.

WORK HISTORY AND DISABILITIES

[3] Leftwich is now fifty-two years old. Although he has a high school education, his entire work history consisted of manual labor in the coal mines, where he suffered two severe back injuries, one in 1951 and another in 1953. In the first accident he suffered a fractured right clavicle, fractures of the ribs,

[1] These were Workmen's Compensation hearings.

and injuries to the lower back. In the later accident he suffered a ruptured disc, which was removed by surgery in 1954.[2] Since that year, he has suffered from spondylolisthesis. He also has a congenital marked scoliosis (curvature) of the spine. Flexion of the spine is limited to two-thirds and side bending and extension nil. As of 1963, Dr. Stallard reported that claimant's condition had grown progressively worse and that claimant could not stoop, bend, or lift. In a 1964 report, Dr. Raub concluded that the claimant was "quite disabled" and could not return to the mines.

The Hearing Examiner noted in his decision that one doctor "further commented that under modern screening processes and pre-employment examinations the claimant is barred from securing employment * * *."

Typical of medical opinion in the file is that of Dr. C. W. Stallard, who concluded as of May 12, 1961, "this patient is totally and permanently disabled from work."

In addition to the extremely limiting physical disability, Leftwich suffers from psychoneurotic symptoms which the neuropsychiatrist has predicted will continue "unabated". This condition was described as "moderately severe" and sufficient to make him a poor candidate for rehabilitative retraining.

Despite the foregoing, and much more, the Hearing Examiner concluded "that the objective medical evidence of record establishes that the claimant has suffered moderate impairments to his musculoskeltal [sic] system that would preclude him from engaging in any work requiring heavy manual labor or lifting, bending, stopping, etc. But the Hearing Examiner does not feel the objective medical evidence of record establishes that the residuals of the claimant's impairments to his musculoskeltal [sic] system would preclude him from engaging in all substantial gainful activity, particularly of a light or moderate type, and he so finds." We think it apparent that the Hearing Examiner and the Appeals Council accorded too much weight to

THE DISHWASHING JOB

Much of the record and the Hearing Examiner's decision is devoted to consideration of claimant's having worked for approximately the past five years as a dishwasher at Pinecrest Sanitarium. Claimant says in explanation of his employment that his job is rather easy and that he is not pushed by his supervisor. He also says, and it rings true when read with the rest of the record, that he works days when he does not feel like it for the sake of his family. He has nine children dependent upon him. By way of corroboration, claimant has repeatedly advised doctors who examined him that he endures pain while he works for the sake of making a living for his family, that he has pain if he sits more than ten minutes, and that his back hurts all the time while he is standing.

Claimant started his dishwashing job on May 25, 1960. He put in ten hours a day at first, 240 hours a month, and earned $130.00 a month. As of 1965, his work day was eight hours, totaling 184 hours per month, for which he was paid $150.00. Although he is present at the place of work for an eight-hour day, he actually works only four to five hours per day. He washes dishes by the use of a dishwashing machine and scrubs aluminum pots by hand. He does no lifting. Claimant's supervisor testified that he was not capable of doing anything but dishwashing and pot washing, and that if he were, she would have assigned other duties to him. She disclosed that he could not have obtained his job without political influence and stated that a lot of employees at the sanitarium are persons who could not handle jobs in private industry.

The Hearing Examiner conceded that claimant "may well have gotten his job on the basis of politics," but he felt that claimant's position was not a "made" job involving minimal or trifling tasks which make little or no demand on the individual and are of little or no utility to his employer or to the operation of a business, and refused to apply the exclusion in the Regulations.[3] In making this determination, the Hearing Examiner adverted to Hanes v. Celebrezze, 337 F.2d 209 (4th Cir. 1964), and acknowledged that counsel for claimant urged its similarity to the instant case. The Hearing Examiner rejected the analogy in these words:

"The Hearing Examiner also invites attention to the fact that the Administration does not acquiesce in either the results or the opinions expressed by the Fourth Circuit Court of Appeals in the *Hanes* case, and that it does not feel that the decision in the *Hanes* case is binding on it with respect to any other disability case."

We recognize that we are neither final nor infallible. However, we respectfully suggest that Hearing Examiners in this circuit may with some profit consider our prior decisions to see whether or not they have value as precedents.

In *Hanes*, supra, this court held that evidence of claimant's earnings of $125.00 per month as a building custodian did not by itself and in view of other evidence constitute substantial evidence to support the Secretary's decision that claimant was disqualified for benefits due to ability to engage in substantial gainful activity. Judge Boreman, writing for the court, expressed the view that "the court below erred in ascribing controlling significance to the evidence of claimant's earnings." The decision of the district court affirming denial of benefits by the Secretary was reversed.

In Flemming v. Booker, 283 F. 2d 321 (5th Cir. 1960), despite evidence that the claimant averaged five days a week work at a used car lot for which he was paid $15.00 or $20.00 a week, it was held that, nevertheless, the claimant had established his inability to engage in any *substantial* gainful activity. Judge Rives, speaking for the court, thought it not inappropriate to borrow tests of disability from other areas of the law. The quotations relied upon by the Fifth Circuit are worthy of reproduction here:

"In Berry v. United States, 1941, 312 U.S. 450, 455, 456, 61 S. Ct. 637, 639, 85 L. Ed. 945, Mr. Justice Black, speaking for a unanimous Court, said:

" 'It was not necessary that petitioner be bedridden, wholly helpless, or that he should abandon every possible effort to work in order for the jury to find that he was totally and permanently disabled. It cannot be doubted that if petitioner had refrained from trying to do any work at all, and the same evidence of physical impairment which appears in this record had been offered, a jury could have properly found him totally and permanently disabled. And the jury could have found that his efforts to work—all of which sooner or later resulted in failure—were made not because of his ability to work but because of his unwillingness to live a life of idleness, even though totally and permanently disabled within the meaning of his policies.' "

"In Mabry v. Travelers Ins. Co., 5 Cir., 1952, 193 F. 2d 497, 498, Judge Holmes, for [the Fifth] Circuit, said:

" 'Pinched by poverty, beset by adversity, driven by necessity, one may work to keep the wolf away from the door though not physically able to work; and, under the law in this case, the fact that the woman worked to earn her living did not prevent a jury from finding, from the evidence before it, that she was totally and permanently disabled even while working.' " 283 F. 2d at 324.

The similarity of Leftwich's situation to those of claimants in *Hanes* and *Booker* is apparent.[4] No two cases are, of course, exactly alike. But Hearing Examiners may not quit thinking when a claimant's earnings reach a magic mark.[5] The test is not whether Leftwich by will power can stay on his feet yet another day—but whether objectively and in the totality of circumstances, including especially his afflictions, he is disabled within the meaning of the Social Security Act. Substantial medical evidence establishes that claimant was totally and permanently disabled. In spite of such disablement, he chose to work every day to support his family. The statute defines disability as an "inability to engage in any substantial gainful activity." In this case, the emphasis properly is on *inability*. We think the Congress did not intend to exclude from the benefits of the Act those disabled persons who because of character and a sense of responsibility for their dependents are most deserving.

Affirmed.

Mr. METCALF. Mr. President, while there are enough Senators in the Chamber, I ask for the yeas and nays on my amendment.

The yeas and nays were ordered.

Mr. METCALF. Mr. President, the appropriate part of the report begins on page 46, where it discusses the definition of disability and continues on through pages 47, 48, and 49.

The only justification given in the report for changing the definition is this:

The Social Security Administration has indicated that in large part the reasons why a larger number of people than anticipated have become entitled to disability benefits are:

(1) Greater knowledge of the protection available under the program leading to increased numbers of qualified people applying for benefits—

They are complaining about the fact that more people know about the basic rights that we have given them, and thus more qualified people are getting some benefits.

(2) Improved methods of developing evidence of disability.

That means that they have learned about the case in court, the Leftwich against Gardner case, which the administration is complaining about, demonstrating that their disability makes them qualify under the law.

[2] Despite his serious injuries, claimant worked in the mines (after periods of recuperation) until in 1959 he was rejected by the company doctor.

[3] The exclusion reads as follows: " 'Made work', that is, work involving the performance of minimal or trifling duties which make little or no demand on the individual and are of little or no utility to his employer, or to the operation of a business, if self-employed, does not demonstrate ability to engage in substantial gainful activity."

[4] But cf. Canady v. Celebrezze, 367 F.2d 486 (4th Cir.1966); Simmons v. Celebrezze, 362 F.2d 753 (4th Cir.1966); Brown v. Celebrezze, 347 F.2d 227 (4th Cir.1965).

[5] 20 C.F.R. § 404.1534 provides in pertinent part:

"(b) *Earnings at a monthly rate in excess of $100.* An individual's earnings from work activities averaging in excess of $100 a month shall be deemed to demonstrate his ability to engage in substantial gainful activity in the absence of evidence to the contrary.

(3) More effective ways to assess the total impact of an individual's impairment on his ability to work.

In a veteran's case, the Supreme Court unanimously declared, and in a case quoted in the HEW case, that a person does not have to be completely or totally disabled. They said:

It was not necessary that petitioner be bedridden, wholly helpless, or that he should abandon every possible effort to work in order for the jury to find that he was totally and permanently disabled.

What is wrong with that?

That is basic law. That is in the basic Workmen's Compensation law in most States.

Continuing to read:

It cannot be doubted that if petitioner had refrained from trying to do any work at all, and the same evidence of physical impairment which appears in this record had been offered, a jury could have properly found him totally and permanently disabled. And the jury could have found that his efforts to work—all of which sooner or later resulted in failure—were made not because of his ability to work but because of his unwillingness to live a life of idleness, even though totally and permanently disabled within the meaning of his policies.

Continuing to read:

Pinched by poverty, beset by adversity, driven by necessity, one may work to keep the wolf away from the door though not physically able to work; and, under the law in this case, the fact that the woman worked to earn her living did not prevent a jury from finding, from the evidence before it, that she was totally and permanently disabled even while working.

Mr. President, the law now, as written by the committee, states that his physical or mental impairments are of such severity that not only was he unable to do his previous work but he cannot, considering his age, education, and work experience, engage in any other kind of substantial gainful work which exists in the national economy, regardless of whether such work exists in the general area where he lives, or whether a specific job vacancy exists for him, or whether he would be hired if he applied for one.

There is an exceptional case of a man disabled in the mines, as in the case of Leftwich against Gardner, in Montana. They say, well, he cannot work in the mines any more, but he could answer the telephone for Arthur Murray, who teaches dancing back in New York, that since he could solicit people on the telephone for dancing lessons, as part of the national economy, he would have to leave his State and go to New York and participate in such an activity.

Of course, that is probably beyond—coming up under the definition—even what the Secretary would apply.

Actually, what the Secretary could apply under this conclusion is that a man would have to leave the geographic area in which he lived and he would have to engage in work in which he had no experience either by age, education, or training, and if such work were available in the national economy, whether he could get to it or not, whether he would be available or not, whether a vacancy existed, he would still be disqualified because of disability.

Yet, when we made the change in 1965, and changed the definition of disability, we broadened and liberalized this portion of the act because those who are disabled needed this sort of liberalization.

For instance, the courts have applied this precedent in other areas—veterans, workmen's compensation—to the detriment of the definition laid down by the Secretary or the Hearing Examiner.

The reason stated to take this severe backward step, to broaden the bill, as the chairman has stated, to broaden the scope of social security, makes this the most important financial bill that has ever come before the Senate so far as increasing and broadening social security is concerned.

But, so far as those who are, unfortunately, disabled, are concerned, we are going back to make this a more limited bill than we have ever had before.

I submit, Mr. President, that these people want to come in and win their lawsuits. They should, therefore, at least appeal some of the cases to the Supreme Court and get some legal definition before they come out to the Senate and try to have us pull their irons out of the fire.

I submit that we should go back to existing law. We should return to the law we passed in 1965.

Mr. President, I ask unanimous consent that, as a part of my remarks, an excerpt from the Senate committee report be included in the RECORD.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

4. AMENDMENTS OF DISABILITY PROGRAM

The Social Security Amendments of 1956 extended the insurance protection of the social security program to provide monthly benefits for persons with disabilities of long-continued and indefinite duration and of sufficient severity to prevent a return to any substantial gainful work. In providing this protection against loss of earnings resulting from extended total disability, the Congress designed a conservative program. Amendments enacted in 1958 and 1960 liberalized the disability program, among other changes, extended benefits to wives and children of the disabled, and provided for the payment of benefits to disabled workers under age 50, who had previously been excluded. All the recommended changes in the disability provisions of the program would be adequately financed from the contributions the committee is recommending be earmarked for the disability insurance trust fund.

(a) *Elimination of the long-continued and indefinite duration requirement from the definition of disability.*

Under present law, disability insurance benefits are payable only if the worker's disability is expected to result in death or to be of long-continued and indefinite duration. The House bill would broaden the disability protection afforded by the social security program by providing disability insurance benefits for an insured worker who has been totally disabled throughout a continuous period of 6 calendar months. The committee believes that the House provision could result in the payment of disability benefits in cases of short-term, temporary disability. Under the House provision, for example, benefits could be paid for several months in cases of temporary disability resulting from accidents or illnesses requiring a limited period of immobility. The committee believes, therefore, that it is necessary to require that a worker be under a disability for a somewhat longer period than 6 months in order to qualify for disability benefits. As a result, the committee's bill modifies the House bill to provide for the payment of disability benefits for an insured worker who has been or can be expected to be totally disabled throughout a continuous period of 12 calendar months. (Disability insurance benefits would also be payable if disability ends in death during this 12-month period, provided the worker has been disabled throughout a waiting period of 6 calendar months prior to death.) The effect of the provision the committee is recommending is to provide disability benefits for a totally disabled worker even though his condition may be expected to improve after a year. As experience under the disability program has demonstrated, in the great majority of cases in which total disability continues for at least a year the disability is essentially permanent. Thus, where disability has existed for 12 calendar months or more, no prognosis would be required. Where a worker has been under a disability which has lasted for less than 12 calendar months, the bill would require only a prediction that the worker's disability will continue for a total of at least 12 calendar months after onset of the disability.

The House bill modifies the provision of present law under which the waiting period is waived in subsequent disability so as to make this provision more restrictive when applied to short-term disabilities. Since, under the definition the committee is recommending, disability protection would be limited to workers with extended total disabilities the same test of disability initially applied should also be applicable in second and subsequent disabilities. Under the provision in the committee bill, benefits would be paid beginning with the first month of onset of the second or subsequent disability and without regard to the waiting period requirement if the individual is under a disability which occurred within 5 years of the termination of his previous disability and which can be expected to result in death or has lasted, or can be expected to last, for a continuous period of not less than 12 calendar months.

The modification in the definition of disability recommended by the committee does not change the requirement in existing law that an individual must be reason of his impairment be unable "to engage in any substantial gainful activity."

An individual with a disabling impairment which is amendable to treatment that could be expected to restore his ability to work would meet the revised definition if he is undergoing therapy prescribed by his treatment sources, but his disability nevertheless has lasted, or can be expected to last, for at least 12 calendar months. However, an individual who willfully fails to follow such prescribed treatment could not by virtue of such failure qualify for benefits.

The committee expects that, as now, procedures will be utilized to assure that the worker's condition will be reviewed periodically and reports of medical examinations and work activity will be obtained where appropriate so that benefits may be terminated promptly where the worker ceases to be disabled.

The committee retains the provision in present law under which payment of disability benefits is first made for the seventh full month of disability. The House bill would have authorized payments beginning with the sixth full month of disability.

It is estimated that if benefits were payable for disabilities that are total and last more than 12 calendar months but are not necessarily expected to last indefinitely, about 60,000 additional people—workers and their dependents—would become immediately eligible for benefits. Benefit payments under the provision in 1966 would total $40 million.

Mr. CURTIS. Mr. President, I am not out of sympathy with the individual cases in which the Senator from Montana is interested. We have, however, a far broader question before us. When it was undertaken to pay benefits to a disabled person just as though he were retired because of age, the decision was arrived at to make it a narrow definition.

Those who are interested might turn to the committee report beginning near the bottom of page 46, which reads:

The present law defines disability (except for certain cases of blindness) as the "inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

We have this strange situation. This narrow definition has been enlarged by interpretation of the courts. It is quite unlikely that any of those decisions will ever get to the Supreme Court. Consequently, courts all over the land have proceeded in various ways. The result is that the cost of disability retirement pay has gone up and up.

The allocation to the disability trust fund has increased from 0.50 percent of payroll in 1956 to 0.70 percent today, and will be increased to 0.95 percent by the committee's bill. In 1965 the Congress adopted an increase in the social security taxes allocated to the disability insurance trust fund; a large part of which was needed to meet an actuarial deficiency of 0.13 percent in the system. Again this year the administration has come to the Congress asking for an increase in the taxes allocated to that fund to meet an even larger actuarial deficiency, which has reduced the 0.03-percent surplus, estimated after the 1965 amendments, to a 0.15-percent deficiency.

What has happened is that even though the percentage of people in the total economy has not increased, the number of people who are now on disability retirement has increased. Because the Ways and Means Committee felt that the definition of disability as originally written by the Congress was not being adhered to, it inserted this language and put further guidelines in it, as appears on page 48 of the committee report, where Senators will find the following interesting comments:

When asked about the court decisions, the Social Security Administration summarized developments in the courts in some jurisdictions as—

(1) An increasing tendency to put the burden of proof on the Government to identify jobs for which the individual might have a reasonable opportunity to be hired, rather than ascertaining whether jobs exist in the economy which he can do. Claims are sometimes allowed by the courts where the reason a claimant has not been able to get a job is that employers having jobs he can do, prefer to avoid what they view as a risk in hiring a person having an impairment even though the impairment is not such as to render the person incapable of doing the job available.

(2) A narrowing of the geographic area in which the jobs the person can do must exist, by reversing the Department's denial in cases in which it has not been shown that jobs the claimant can do exist within a reasonable commuting distance of his home, rather than in the economy in general.

(3) The question of the kind of medical evidence necessary to establish the existence and severity of an impairment, and how conflicting medical opinions and evidence are to be resolved.

(4) While there have heretofore been no major differences by or among the courts on the issue of disability when the claimant was performing work at a level which the Secretary under the regulations had determined to be substantial gainful activity, this issue was recently highlighted and publicized in the case of *Leftwich* v. *Gardner*. The Fourth Circuit Court of Appeals in this case held that the claimant was under a disability despite his demonstrated work performance considered by the Secretary to be substantial gainful activity.

Then the Finance Committee said this:

The committee concurs with the statement of the Committee on Ways and Means instructing the Social Security Administration to report immediately to the Congress on future trends of judicial interpretation of this nature. As a remedy for the situation which has developed, the committee's bill would provide guidelines to reemphasize the predominant importance of medical factors in the disability determination.

In summary, it amounts to just about this: Congress provided for the disability program. It provided for the degree of disability. The Ways and Means Committee of the House and the Finance Committee of the Senate found that that definition of disability was being exceeded and they placed in this bill some guidelines. I believe they should be left in there. I think to depart from a rather strict and narrow definition of disability in the social security program would be a mistake. That is not to say that some people should not have consideration in other programs. I regretfully express the hope that the amendment will not be adopted.

Mr. METCALF. Mr. President, I shall take only a few minutes.

I have a memorandum from Robert J. Myers, Chief Actuary of the Social Security Administration, which reads:

H.R. 12080, both as passed by the House and as reported by the Finance Committee, would provide a more detailed definition of "disability" as used in determining eligibility for disability benefits under Social Security. It has been proposed—

That is my amendment—

that this detailed definition should be eliminated, so that the definition would then be that in present law.

In my opinion, such a change would not necessitate any increase in my estimate of the cost of the program, since I did not reduce the cost estimate when the more detailed definition was added to the bill. But, in the absence of the more detailed definition, there is a much greater likelihood that the costs actually developing will exceed my intermediate-cost estimate.

So we do not need to add any further taxes; we do not need to add any further increases; this amendment goes back to existing law.

I point out that in the Leftwich case, which I mentioned and which the Senator from Nebraska [Mr. CURTIS] mentioned, Mr. Leftwich was denied disability benefits by the hearing examiner and Secretary. Mr. Leftwich could not stoop, bend, or sit down for more than 10 minutes. Yet he was required to take a job as a dishwasher at $130 a month to support himself and nine children. The Circuit Court of Appeals for the Fourth Circuit, quite properly, I think, held that, under that definition, a man who could not bend, stoop, or sit for very long did not have to take a job at $130 a month while he was under physical pain at all times, but was entitled to disability benefits.

That is all I seek: To go back to that kind of definition, to return to the kind of language that we had in the bill in the 1965 act, which to my mind actually protects all the people who need to be protected, protects the financial integrity of the act, and will prevent us from taking the backward step we would be taking should we adopt the definition that is now in the bill.

Mr. LONG of Louisiana. Mr. President, it was my privilege to be a part of the fight and a cosponsor of the Senate amendment which provided that disabled people could receive social security benefits. I recall that at the time we agreed to it, it carried by a very close vote.

I was one of those who prevailed upon the former chairman of the committee, Senator Walter George, of Georgia, to offer the amendment on behalf of himself and a number of other Senators—I believe the Senator from New Mexico [Mr. ANDERSON] may have been one of them—by which we voted disability insurance into the act.

One of the big problems has been that the cost of this program, relative to payroll, has been increasing. For example, the cost of disability insurance has moved up from one-half of 1 percent of payroll to seven-tenths of 1 percent of payroll, and this bill would advance that cost to 0.95 percent—roughly 1 percent of payroll—to cover the cost of this protection.

So the cost of disability insurance, measured against the total earnings of the people of this country, will thus have doubled since we put it into effect in 1956.

One thing which has added to the increase in cost has been the fact that Federal courts have had considerable sympathy for those who appear before the courts and urge that they should be entitled to benefits as disabled people.

It is a relative thing. In the State of Louisiana, for example, under its workmen's compensation program, good lawyers—my father being one of them—over the years, were successful in persuading the courts that a man is totally and permanently disabled when he can no longer hold the same job he had in the past. Under workmen's compensation there might be a specific allowance provided for the loss of a hand. However, a man who, for example, had been working on the railroad and lost his hand might also be regarded as totally and permanently disabled, even though he could still do many other things. As a matter of fact, one man whom I highly respect lost his hand while working on the railroad, went into other businesses, was very successful at them, and is today one of the richest men in the city. Even

though at the time of his accident no employer would hire a man with but one hand, he was later extremely successful despite his disability.

The courts, as I say, tend to be very sympathetic toward disabled persons, so much so that the House committee felt they had gone far beyond the intent of Congress when it enacted the disability program which was in general based on the idea that if there is a job available, that he could do, not in a few isolated places, but in a considerable number of places in the national economy, even though it might not be available in the man's hometown, he should not be regarded as disabled.

If Senators wish to hold to the court decisions on this matter, which have tended to liberalize the interpretation of the law beyond what the House of Representatives felt Congress intended when the program was enacted, that must be left to the judgment of each individual Senator. As pointed out by the Senator from Nebraska, this tightening of the definition was by way of insistence that we adhere to what the House committee had in mind as to the intent of Congress when this provision was originally enacted. I have great sympathy for the position of the Senator from Montana, but I feel also that we have a real cost problem to contend with here. This, the House thought, and the Senate committee concurred, is one area where the cost of the program could be restrained.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Montana. On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. BYRD of West Virginia. I announce that the Senator from Nevada [Mr. CANNON], the Senator from Alaska [Mr. GRUENING], the Senator from Hawaii [Mr. INOUYE], the Senator from North Carolina [Mr. JORDAN], the Senator from Missouri [Mr. LONG], the Senator from Arkansas [Mr. MCCLELLAN], the Senator from Oregon [Mr. MORSE], the Senator from Connecticut [Mr. RIBICOFF] are absent on official business.

I also announce that the Senator from Virginia [Mr. BYRD], the Senator from Idaho [Mr. CHURCH], the Senator from Connecticut [Mr. DODD], the Senator from Mississippi [Mr. EASTLAND], the Senator from North Carolina [Mr. ERVIN], the Senator from Tennessee [Mr. GORE], the Senator from Oklahoma [Mr. HARRIS], the Senator from South Carolina [Mr. HOLLINGS], the Senator from Washington [Mr. JACKSON], the Senator from Massachusetts [Mr. KENNEDY], the Senator from New York [Mr. KENNEDY], the Senator from Ohio [Mr. LAUSCHE], the Senator from Washington [Mr. MAGNUSON], the Senator from Minnesota [Mr. MCCARTHY], the Senator from Wyoming [Mr. MCGEE], the Senator from New Hampshire [Mr. MCINTYRE], the Senator from Oklahoma [Mr. MONRONEY], the Senator from Wisconsin [Mr. NELSON], the Senator from Georgia [Mr. RUSSELL], the Senator from Florida [Mr. SMATHERS], the Senator from Mississippi [Mr. STENNIS], the Senator from Georgia [Mr. TALMADGE], the Senator from Texas [Mr. YARBOROUGH], and the Senator from Louisiana [Mr. ELLENDER] are necessarily absent.

I further announce that, if present and voting, the Senator from Nevada [Mr. CANNON], the Senator from Alaska [Mr. GRUENING], the Senator from Massachusetts [Mr. KENNEDY], the Senator from New York [Mr. KENNEDY], the Senator from Wyoming [Mr. MCGEE], the Senator from Connecticut [Mr. RIBICOFF] would each vote "yea."

On this vote, the Senator from South Carolina [Mr. HOLLINGS] is paired with the Senator from Louisiana [Mr. ELLENDER]. If present and voting, the Senator from South Carolina would vote "yea," and the Senator from Louisiana would vote "nay."

On this vote, the Senator from Oregon [Mr. MORSE] is paired with the Senator from Florida [Mr. SMATHERS]. If present and voting, the Senator from Oregon would vote "yea," and the Senator from Florida would vote "nay."

On this vote, the Senator from Washington [Mr. JACKSON] is paired with the Senator from Ohio [Mr. LAUSCHE]. If present and voting, the Senator from Washington would vote "yea," and the Senator from Ohio would vote "nay."

Mr. KUCHEL. I announce that the Senator from Tennessee [Mr. BAKER], the Senator from Utah [Mr. BENNETT], the Senator from Colorado [Mr. DOMINICK], the Senator from California [Mr. MURPHY], the Senator from Illinois [Mr. PERCY], and the Senator from Pennsylvania [Mr. SCOTT] are necessarily absent.

The Senator from Kentucky [Mr. COOPER] and the Senator from Texas [Mr. TOWER] are absent on official business.

The Senator from Massachusetts [Mr. BROOKE], the Senator from Kansas [Mr. CARLSON], the Senator from Hawaii [Mr. FONG], the Senator from Oregon [Mr. HATFIELD], the Senator from Iowa [Mr. HICKENLOOPER], and the Senator from Idaho [Mr. JORDAN] are detained on official business.

If present and voting, the Senator from Kansas [Mr. CARLSON], the Senator from California [Mr. MURPHY], and the Senator from Texas [Mr. TOWER] would each vote "nay."

On this vote, the Senator from Massachusetts [Mr. BROOKE] is paired with the Senator from Utah [Mr. BENNETT]. If present and voting, the Senator from Massachusetts would vote "yea," and the Senator from Utah would vote "nay."

On this vote, the Senator from Pennsylvania [Mr. SCOTT] is paired with the Senator from Colorado [Mr. DOMINICK]. If present and voting, the Senator from Pennsylvania would vote "yea," and the Senator from Colorado would vote "nay."

On this vote, the Senator from Oregon [Mr. HATFIELD] is paired with the Senator from Idaho [Mr. JORDAN]. If present and voting, the Senator from Oregon would vote "yea," and the Senator from Idaho would vote "nay."

The result was announced—yeas 34, nays 20, as follows:

[No. 329 Leg.]

YEAS—34

Aiken	Hayden	Pell
Bartlett	Hill	Prouty
Bayh	Javits	Proxmire
Bible	Kuchel	Randolph
Boggs	Mansfield	Sparkman
Brewster	McGovern	Spong
Burdick	Metcalf	Symington
Byrd, W. Va.	Mondale	Tydings
Case	Montoya	Williams, N.J.
Clark	Moss	Young, Ohio
Hart	Muskie	
Hartke	Pastore	

NAYS—20

Allott	Griffin	Mundt
Anderson	Hansen	Pearson
Cotton	Holland	Smith
Curtis	Hruska	Thurmond
Dirksen	Long, La.	Williams, Del.
Fannin	Miller	Young, N. Dak.
Fulbright	Morton	

NOT VOTING—46

Baker	Harris	McIntyre
Bennett	Hatfield	Monroney
Brooke	Hickenlooper	Morse
Byrd, Va.	Hollings	Murphy
Cannon	Inouye	Nelson
Carlson	Jackson	Percy
Church	Jordan, N.C.	Ribicoff
Cooper	Jordan, Idaho	Russell
Dodd	Kennedy, Mass.	Scott
Dominick	Kennedy, N.Y.	Smathers
Eastland	Lausche	Stennis
Ellender	Long, Mo.	Talmadge
Ervin	Magnuson	Tower
Fong	McCarthy	Yarborough
Gore	McClellan	
Gruening	McGee	

So Mr. METCALF's amendment was agreed to.

Mr. METCALF. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. LONG of Louisiana. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent to have printed in the RECORD a letter prepared by Mr. Robert J. Myers concerning the cost estimates in connection with the Miller amendment as originally introduced.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

MEMORANDUM

NOVEMBER 17, 1967.

From: Robert J. Myers, Chief Actuary, Social Security Administration.

Subject: Cost estimate for amendment No. 442 relating to reimbursement basis under hospital insurance program.

This memorandum will present a cost estimate for Amendment No. 442, submitted by Senator Miller, which would amend H.R. 12080 as reported by the Committee on Finance.

This Amendment would provide an increased reimbursement basis for hospitals and other providers of service (both proprietary ones and nonprofit ones) under the Medicare program, with the principal effect being on the HI program. Reimbursement would be on the basis of average per diem costs for persons of all ages (rather than on the basis of actual costs for beneficiaries aged 65 and over), and also return of 1½ times the trust-fund interest rate would be paid on "fair market value" of the facility (in lieu of the present provisions for payment of depreciation, interest on indebtedness, and the 2% factor).

It is very difficult to know what the effect of the "fair market value" provision would be, although it would be quite significant. It is estimated that the level-cost of the HI program would be increased by .19% to

.25% of taxable payroll over the cost in the Finance Committee version of H.R. 12080 (a lower cost estimate relative to payroll being shown than for the House version of the bill, because of the higher taxable earnings base in the Finance Committee version). The increased outgo in 1968 is estimated at $500 to $650 million, while for 1972 the corresponding cost is $700 to $950 million.

My estimate of the increased cost was made separately for the two parts of the Amendment. An accurate estimate can be made for the proposal to use the average per diem cost for persons of all ages as the reimbursement basis (instead of basing such reimbursement only on the cost for Medicare beneficiaries). When costs are determined relative to charges, the routine room-and-board costs (including general nursing services) are taken to be the same per day for Medicare patients as for other patients.

However, the costs for ancillary services for medicare patients average out at a lower cost per day (because their longer average stay more than offsets their somewhat greater use of these services per stay). As a result, the average daily cost for Medicare patients so determined is about 8% less than the average for all persons. Accordingly, the cost for going to this basis of reimbursement would be .10% of taxable payroll, or for the first full year of operation about $300 million.

It is argued by some that room-and-board costs are higher for Medicare patients because they require more nursing services and that this should be offset by using the higher average daily cost applicable to all patients in lieu of the lower average applicable to Medicare patients. This may be the case, and equity might require a change to recognize this situation, but it will cost the HI program additional money.

As to the second part of the Amendment, providing a return on capital (based on fair market value) for all hospitals and other facilities, a significant cost would be involved on account of the much more favorable treatment involved for the large number of nonprofit hospitals. Because of the uncertainty involved as to how the provision would be administered (e.g. as to determining "fair market value" and as to the interest rate to be used), I must give a range estimate—namely, a level-cost of .09 to .15% of taxable payroll, or $200 to $350 million in the first full year of operation.

It has been suggested that the portion of the proposal relating to return on capital be deleted and that only the "average daily cost for all patients" reimbursement basis should be left in the Amendment. In addition, the legislative history would indicate that the present 2% increase-factor for otherwise unrecognized costs (1½% for proprietary institutions) should be discontinued. The net effect would be an increase in the estimated level-cost of the program amounting to .07% of taxable payroll, or a cost of about $200 to $250 million in the first full year of operation.

ROBERT J. MYERS.

Mr. LONG of Louisiana. It was because of the high cost of this amendment, in the main, that I did not feel that the amendment could be accepted, although I would be willing to accept some part of it.

The PRESIDING OFFICER. The question now recurs on agreeing to the amendment of the Senator from Iowa, as modified.

Mr. LONG of Louisiana. Mr. President, I believe it would be best that we vote on that amendment on Monday, after we have had an opportunity to think about it over the weekend.

Unless other Senators desire to make statements, I will move to adjourn.

ORDER OF BUSINESS—UNANIMOUS-CONSENT AGREEMENT

Mr. KUCHEL. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. KUCHEL. Do I understand the parliamentary situation, then, to be that the amendment of the junior Senator from Iowa is now pending?

Mr. LONG of Louisiana. Yes; it is pending at the moment.

Mr. KUCHEL. It will be subject to the 1-hour limitation on Monday morning?

Mr. LONG of Louisiana. It will be subject to the limitation on Monday.

Does the Senator desire his amendment to be the pending business when we adjourn tonight, or would he care to withdraw it and offer it again on Monday?

Mr. MILLER. Mr. President, I do not believe much more time will be required in connection with this amendment, and I believe we could expect a vote on it rather early. I am hopeful that I will be able to work out an arrangement with the manager of the bill so that he would be willing to accept it.

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. HOLLAND. Mr. President, I am sorry that the vote cannot be taken tonight. As the Senator knows, I have supported this amendment rather actively on the floor, and I renew my request that I be given a live pair on this amendment. I do not make this request often.

Mr. LONG of Louisiana. If there is any substantial opposition to the amendment, I believe we will be able to arrange a pair. I hope the Senator will not be too dismayed if the amendment is agreed to by an overwhelming majority.

Mr. HOLLAND. I believe it would be a wise decision, and I recommend it.

Mr. KUCHEL. Mr. President, I wish to say for the record what I have said informally to my able friend, the majority whip, that it is my hope to offer my amendment as early as I may be permitted to do so on Monday morning. Speaking for the able senior Senator from New York, who has another amendment, I would hope that he would be permitted to offer his early Monday morning, also.

Mr. MILLER. Mr. President, in view of the need for the Senator from California and the Senator from New York to have their amendments taken up early, I wonder if it would be in order to ask unanimous consent that my amendment be laid aside pending the action taken on the Kuchel and the Javits amendments, at which time my amendment would then become the order of business. I make that request, Mr. President.

Mr. KUCHEL. I would prefer, however, to offer it on Monday, perhaps after we have a quorum call, so that many Senators will be present.

Mr. LONG of Louisiana. The thought occurs to me that if the Senator has it ready it might be called up now and we could adjourn with it being the pending business for Monday.

Mr. WILLIAMS of Delaware. We could have it understood it would be the pending business.

Mr. MILLER. Why not agree?

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that when we meet on Monday, when the pending business is laid before the Senate, that the Senator from California [Mr. KUCHEL] be recognized to call up his amendment.

Mr. KUCHEL. Mr. President, reserving the right to object, and I shall not object, I ask my friend, the Senator from Louisiana, to modify his agreement so that we may first agree to a short quorum call so that we may have a quorum present, and then I shall offer my amendment.

Mr. LONG of Louisiana. I so modify the request.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MILLER. And that will be followed by the Javits amendment, and then the Miller amendment.

Mr. KUCHEL. I agree to that, in that order.

Mr. LONG of Louisiana. I am not sure we should include the Javits amendment. I am not sure he wants that done.

I now understand that he does. We will proceed to consider the amendments in that order.

Mr. KUCHEL. I thank the Senator.

SOCIAL SECURITY ACT AMENDMENTS OF 1967

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the unfinished business may be laid before the Senate.

The PRESIDING OFFICER. The bill will be stated by title.

The LEGISLATIVE CLERK. A bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Montana?

There being no objection, the Senate resumed the consideration of the bill.

ORDER OF BUSINESS

Mr. MANSFIELD. Mr. President, it is my understanding that the amendment that will be before the Senate shortly is the amendment of the distinguished deputy minority whip, the senior Senator from California.

Mr. KUCHEL. Will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. KUCHEL. Mr. President, I have a rather important suggestion relative to the amendment that some of us are ready to offer, that I wish to make to my able friend, the majority leader.

I should like to have a quorum call of sufficient length so that more Senators may be in attendance.

Mr. MANSFIELD. Mr. President, will the Senator call up his amendment so that we may have it pending?

Mr. KUCHEL. I will do it as soon as I have the quorum. I only have a half hour.

Mr. MANSFIELD. The time will not be charged to the time of the Senator.

Mr. KUCHEL. Mr. President, I ask unanimous consent that immediately following the offering of my amendment, a quorum call will be had, without the time being charged against my time; and it will be a live quorum.

The PRESIDING OFFICER. Without objection, it is so ordered.

AMENDMENT NO. 444

Mr. KUCHEL. Mr. President, I call up my amendment No. 444 and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk proceeded to state the amendment.

Mr. KUCHEL. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered, and the amendment is ordered to be printed in the RECORD.

The amendment, ordered to be printed in the RECORD, is as follows:

Beginning on page 310, line 23, strike out all through line 10, page 313, and insert in lieu thereof the following:

"SEC. 220. (a) Section 1903 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"'(f) (1) Payments under the preceding provisions of this section shall not be made with respect to any expenditures for medical assistance in any State for individuals whose income exceeds the amount determined, in accordance with standards prescribed by the Secretary, to be equivalent to 150 percent of the highest amount, applicable in the State for determining need, for determining eligibility of an individual for aid or assistance in the form of money payments under the plan of such State approved under title I, X, XIV, XVI, or part A of title IV, or if there is more than one such individual living in the same home, the amount so determined for one such individual plus such additional amounts for each of the other individuals living in the same home, as may be determined in accordance with such standards prescribed by the Secretary, the total amount so determined, if it is not a multiple of $100 or such other amount, as the Secretary may prescribe, to be rounded to the next higher multiple of $100 or such other amount, as the case may be.

"'(2) In computing an individual's (or family's) income for purposes of the preceding paragraph there shall be excluded any costs (whether in the form of insurance premiums or otherwise) incurred by him (or the family) for medical care or for any other type of remedial care recognized under State law.

"'(3) In determining the amount which is equivalent to 150 percent of the highest amount of income applicable to an individual or family for purposes of determining eligibility for aid or assistance in the form of money payments under a State's plan under title I, X, XIV, XVI, or part A of title IV of the Social Security Act, the Secretary shall give consideration to variations in shelter costs and to special needs, if recognized for a significant number of individuals, and where necessary, may prescribe methods for estimating the total cost of items and services recognized by a State in determining eligibility for aid or assistance under plans approved under such titles.'

"(b) The amendment made by subsection (a) shall (except in the cases of Puerto Rico, Guam, and the Virgin Islands) apply with respect to calendar quarters beginning after June 30, 1968."

CALL OF THE ROLL

Mr. MANSFIELD. Mr. President, I ask that there be a quorum call, and I wish to alert the attachés in line with the request of the distinguished acting minority leader that it will be a live quorum call, the time not to be charged against either side.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk called the roll, and the following Senators answered to their names:

[No. 330 Leg.]

Aiken	Hayden	Morton
Bible	Jackson	Nelson
Burdick	Javits	Pastore
Byrd, W. Va.	Kuchel	Pell
Clark	Lausche	Prouty
Curtis	Long, La.	Proxmire
Dirksen	Magnuson	Ribicoff
Ellender	Mansfield	Symington
Gruening	McGovern	Williams, Del.
Hart	Miller	Young, N. Dak.

Mr. BYRD of West Virginia. I announce that the Senator from Nevada [Mr. CANNON], the Senator from North Carolina [Mr. JORDAN], and the Senator from Alabama [Mr. SPARKMAN] are absent on official business.

I also announce that the Senator from Connecticut [Mr. DODD], the Senator from Florida [Mr. HOLLAND], the Senator from Minnesota [Mr. MCCARTHY], the Senator from Wyoming [Mr. MCGEE], the Senator from Georgia [Mr. TALMADGE], the Senator from Ohio [Mr. YOUNG], the Senator from Virginia [Mr. BYRD], the Senator from Tennessee [Mr. GORE], the Senator from Georgia [Mr. RUSSELL], and the Senator from Florida [Mr. SMATHERS] are necessarily absent.

Mr. KUCHEL. I announce that the Senator from Kansas [Mr. CARLSON], the Senator from Hawaii [Mr. FONG], the Senator from Oregon [Mr. HATFIELD], the Senator from California [Mr. MURPHY], and the Senator from Pennsylvania [Mr. SCOTT] are necessarily absent.

The Senator from Kentucky [Mr. COOPER], the Senator from Wyoming [Mr. HANSEN], the Senator from South Dakota [Mr. MUNDT], and the Senator from Texas [Mr. TOWER] are absent on official business.

The PRESIDING OFFICER (Mr. MCGOVERN in the chair). A quorum is not present.

Mr. MANSFIELD. Mr. President, I move that the Sergeant at Arms be directed to request the attendance of absent Senators.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Montana.

The motion was agreed to.

The PRESIDING OFFICER. The Sergeant at Arms will execute the order of the Senate.

After a little delay, the following Senators entered the Chamber and answered to their names:

Allott	Fulbright	Mondale
Anderson	Griffin	Monroney
Baker	Harris	Montoya
Bartlett	Hartke	Morse
Bayh	Hickenlooper	Moss
Bennett	Hill	Muskie
Boggs	Hollings	Pearson
Brewster	Hruska	Percy
Brooke	Inouye	Randolph
Case	Jordan, Idaho	Smith
Church	Kennedy, Mass.	Spong
Cotton	Kennedy, N.Y.	Stennis
Dominick	Long, Mo.	Thurmond
Eastland	McClellan	Tydings
Ervin	McIntyre	Williams, N.J.
Fannin	Metcalf	Yarborough

The PRESIDING OFFICER. A quorum is present.

Who yields time?

Mr. KUCHEL. Mr. President, I yield myself 10 minutes.

I offer amendment No. 444 together with the distinguished Senators from New York [Mr. JAVITS and Mr. KENNEDY] the distinguished Senators from Massachusetts [Mr. KENNEDY and Mr. BROOKE], and the distinguished Senators from Pennsylvania [Mr. CLARK and Mr. SCOTT].

I modify my amendment by striking out on page 2, lines 21 to 25, inclusive, and by striking out on page 3, lines 1 to 7, inclusive.

Mr. President, we deal here with as important a problem as is presented in this bill with respect to medicaid. I well remember when the Senate, acting under the leadership of the late distinguished senior Senator from Oklahoma, Mr. Kerr, approved what is now known as the Kerr-Mills Act.

It was an attempt by the Federal Government to give the States of the Union an incentive to adopt health legislation to be available to the low-income citizen who is self-sustaining and above the level of poverty as determined by State law, but who is unable to meet the high costs of medical care.

Many States participated in the Kerr-Mills Act. My State is one of them. Many States adopted legislation defining the term "medically indigent." Through these programs, medical assistance is provided to people at the bottom rung of the economic ladder who are entering the mainstream of the economic system and who would be wiped out by rapidly rising health costs.

The Senate committee has done two drastic things with that general program. It has, first, considered laying down for the first time a ceiling over which a State could not go in determining who was "medically indigent." The Senate committee, in adopting that ceiling, provided that it should consist of 150 percent of the standards laid down for old-age assistance under State law.

Automatically, that part of the committee amendment will slash, in 6 months' time, on the first of July 1968, the benefits available under State law to "medically indigent" people in seven States. That is too harsh. That is not fair. My State of California is not one of them, but I will tell Senators what States are involved.

Illinois today provides that a person, if he makes $1,800 a year, is "medically indigent." Illinois will provide medicaid if that individual has health problems.

The committee bill slashes it back $100, to $1,700.

Kentucky provides that a person who makes $1,620 will be deemed to be "medically indigent." The committee slashes that back $20, to $1,600.

Maryland provides that a person is "medically indigent," not a pauper, and therefore eligible for medicaid, if he makes $1,800 a year. The committee slashes that back to $1,600.

New Hampshire provides that a person in that State, if he makes $2,088 a year, shall be deemed to be, not a pauper, but "medically indigent," and therefore eligible for medicaid. The committee, in the case of New Hampshire, slashes it back to $1,900.

In New York, the State legislature has laid down the criterion that a person is "medically indigent" if he makes $2,900 a year. The committee cuts that back to $2,400.

The Pennsylvania Legislature finds that $2,000 is the ceiling for meeting the criterion of "medically indigent," and the committee, in the bill now before us, has cut that ceiling back $200, to $1,800.

Rhode Island provides that if a person makes $2,500 a year he would still be eligible for medicaid. The committee has slashed that by $2,300.

Mr. LONG of Louisiana. Mr. President, if the Senator will yield, he means to $2,300.

Mr. KUCHEL. To $2,300.

My amendment seeks to provide an equitable ceiling which will ease the severe cuts faced by these States. The theory of the committee is that it will use 150 percent of the old age assistance standard in each State as its ceiling.

I say that if we are going to use cash assistance as a basis on which to determine a ceiling for the States, it would be far more equitable to provide that the highest level of cash assistance in any State multiplied by 150 percent should be the ceiling.

Let me add here that the impact that I have just suggested will take place under this provision of the committee's bill in 6 months—hardly enough time for the 29 States in this Union that have participated—to scurry into their legislatures and to give adequate consideration as to how they might best amend their State medicaid laws.

But far more important than that is the second provision which the committee has written into the bill. This, my fellow Senators, is an assault on the intention with which Congress approved Kerr-Mills and amended Kerr-Mills. Recognizing the skyrocketing increase in health care costs, we invited the States of the Union to participate in the Medicaid program, saying to the States, "We will help you. We will help you take care of your poor people who are not paupers."

As I have stated, 29 States have responded. The Federal Government participates in the medicaid programs of those 29 States up to a maximum of 83 percent of the cost. In my State of California, the Federal Government provides 50 percent of the cost.

Under the amendment, the percentage would be squared, and in plain English, that means that under the amendment Federal participation in some instances would be cut in half. If Senators wish to follow, I refer to table B on page 178 of the committee report.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. KUCHEL. I ask unanimous consent that I may have 5 additional minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KUCHEL. We would cut participation by the Federal Government in the medicaid programs of States for medically indigent people from 50 percent of the total cost to 25 percent. Is there any Senator here who can justify that?

We have been trying to do something to help the man who is helping himself. I am not talking about paupers. I am talking about people in this country who have enough desire to raise themselves, who are working, who are not making too much money, but who are not participating in cash welfare. I am talking about the protection that 29 States in the American Union have given to such people, and which, within the next 3 years, all of the States will have provided.

I ask Senators to examine the table to which I have referred and the mimeographed sheet which my office has prepared and had placed on each Senator's desk. I suggest that each Senator note what his own State will suffer in decreased Federal participation. As I say, there are some States where Federal participation will be cut in half, and all the rest of them will be cut in a significant fashion.

The amendment which we—from both sides of the aisle—offer with respect to that second point would simply eliminate the committee's provision of squaring the percentage, and would provide that the Federal Government will continue to participate in the medicaid programs of States under the present Federal law.

I recognize that it may be said on this floor that some States have gone overboard. There could be provisions, my fellow Senators, by which Congress might face up to that problem. I cite one example that occurs to me: Congress could well provide that it would not reimburse a State if the cost of a particular benefit, in 1960, was more than that cost today, in 1967, less cost of living index additions.

There are many ways by which the Federal Government and the State governments can more adequately police or patrol this problem. But I beg my fellow Senators not to strike a body blow to a program that has been good in this country, I ask, instead, that Senators support our amendment.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. KUCHEL. I yield to the Senator from Rhode Island.

Mr. PASTORE. Is it correct to say that insofar as the States are concerned, in setting this standard we are talking about, they must, of necessity, make a contribution to match Federal funds?

Mr. KUCHEL. The Senator is correct, on the basis of a sliding scale.

Mr. PASTORE. On a sliding scale.

Let us take my State of Rhode Island. We have a standard set there, for a single person, at $2,500, and for a couple at $3,500. We have been telling the States to raise their standards from time to time, in order that people could meet the responsibilities of life in a better way, without becoming public charges; because fundamentally, if you have a standard of living in a community where the increment or the benefit is not sufficient to meet the ordinary necessities of life that the individual needs, then that person has to appeal to the public welfare department and go on public assistance. It is as simple as that.

What we are trying to do here is lift up—from time to time—the individual in the scale of human dignity to the point where he will not be considered a public charge. We are trying to set certain standards that will meet the situation in a particular State. That is what gave rise to the original law, or the present law which we are now trying to amend. Is that correct?

Mr. KUCHEL. The statement of the Senator is eminently correct.

Mr. PASTORE. I understand that in the State of Rhode Island the Federal Government puts up 52 percent, as against 48 percent on the part of the taxpayers of Rhode Island.

Mr. KUCHEL. That is correct.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. KUCHEL. I ask unanimous consent that I may have—3 additional minutes?

Mr. PASTORE. That will be sufficient.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KUCHEL. I think this point is sufficiently important that we will take a little time out of the debate on the bill. I yield myself 5 additional minutes.

Mr. PASTORE. I do not think we need so much time here. I think we need votes.

Mr. KUCHEL. I am perfectly willing to trade all the time for votes.

Mr. PASTORE. I think we have a just cause, and I do not see how those who are seeking for equity and justice can deny this particular amendment. I understand, if this proposed new formula takes effect, the Federal contribution in Rhode Island will drop from 52 percent to 27 percent.

Mr. KUCHEL. The Senator is correct.

Mr. PASTORE. What we are actually saying is that we are going to punish the States for their progressive spirit. We are going to punish States that are doing something about helping people in need.

Mr. KUCHEL. That is exactly correct.

Mr. PASTORE. We recognize the fact that we have to increase benefits under social security by 15 percent across the board, and we are raising the minimum up to $70 because we feel that the present allotments are not sufficient; and yet, in the same breath, we turn around and say we are going to cut down the standards here.

Mr. KUCHEL. We are punishing States that have tried to help people help themselves.

Mr. PASTORE. And the ultimate result will be, if the States are reluctant to put up the money, the standards will begin to be cut. And here, again, we place the burden right on the backs of the poor.

I congratulate the Senator from California. I regret that he did not talk to me about this amendment before, because I would have been honored to be a cosponsor. I ask unanimous consent that my name may be added to the amendment as a cosponsor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KUCHEL. I thank my able friend very much.

I yield 5 minutes to the able senior Senator from New York.

Mr. JAVITS. Mr. President, this is the first of a series of amendments representing a pooling of the efforts of several Senators.

The Senator from California is taking the lead on this amendment, other Senators will take the lead on other amendments, but there is a community of interest.

Mr. President, I shall not endeavor to repeat any of the arguments already made by either the Senator from California or the Senator from Rhode Island; I should like to refer to the one case in point which has allegedly caused a great deal of the present controversy—the case of New York.

The Senator from California said it is claimed that certain States went overboard, and New York is the one that was principally charged.

Mr. President, there is nothing contained in the pending amendment which would change the efforts of Congress to correct what New York did. And New York will accept that. I have always said that there are two things about which New York is concerned. First New York is willing to accept a ceiling on Federal participation, provided that it is nondiscriminatorily administered. If New York wishes a higher income eligibility standard, New York, will pay the bill for it.

Second, the same income limits should not apply throughout a State, when very fundamental differences in cost of living occur in that State. To have a single income limit increases the cost to the Federal Government and to the State. That subject will be covered in another amendment. New York will accept whatever income limits Congress affixes.

The Senator from California has suggested a very fair standard of income limits in his amendment.

As anyone who will examine the table will find, that standard will cut the New York participation in the Federal plan down very materially because right now our income limits are up to $6,000.

The standard which the Finance Committee bill would impose, would cut back New York's income eligibility to about $5,100. That is perfectly acceptable to us.

However, why should the medically indigent be discriminated against merely because they are not on cash assistance?

The number of people who would be effected is, roughly speaking, two-fifths of the total. There are about 5 million people in New York State alone whose income would be below this ceiling. Of these 5 million, about 1 million receive cash assistance. Approximately 1 or 2 million are eligible to receive cash assistance. We remainder will be discriminated against because they are not presently receiving or eligible for public assistance. They are not taxing the welfare rolls and, for this, they are to be discriminated against. They are managing to hang on by their teeth, and if they become ill, they will not be able to hang on.

We would be discriminating against these people by causing many States to cut them out of medical assistance programs for the States could not carry the financial burden of including them.

Mr. PASTORE. The committee has circulated a document which lists all of the States that will benefit by this provision and the States that will not benefit by the provision. They have left out Rhode Island. I wonder why. What are we? Are we forgotten? Do we stand pat? Are we on dead center, or what? I refer to a circular circulated by the committee.

Mr. LONG of Louisiana. Mr. President, the situation with reference to Rhode Island——

Mr. KUCHEL. Mr. President, will this time be charged to the time of my able friend, the junior Senator from Louisiana?

The PRESIDING OFFICER. The Senator is correct.

Mr. LONG of Louisiana. Mr. President, I will attempt to answer the question asked. This circular did not attempt to cover every State.

Rhode Island, under its present title 19 program, would declare a person to be eligible for medicare if he were receiving $2,500 a year in income. The committee bill would declare that person eligible if he were receiving $2,300 a year in income. The House standard would make that person eligible if he had $1,500 a year in income.

The committee bill is really not far apart from the Rhode Island standard with regard to one person.

Rhode Island makes a family of four eligible if it has an annual income of $4,300. The committee bill would make that family eligible if they had a yearly income of $4,800. So that could raise it $500 above what it is now.

As far as the committee bill is concerned, the matching formula would be less favorable. It could go from 50 percent to 25 percent for Federal matching. I will get into that matter later.

Rhode Island will, like other States, get a big windfall when the minimum social security payments go up and when we increase the payments 15 percent, because that would reduce the welfare load by taking a lot of people off welfare because of the increase in their social security income.

Mr. JAVITS. Mr. President, to complete my argument, there is no just reason why in 22 States those people who are hanging on by their teeth and are not actually drawing cash welfare payments should be discriminated against. And there is no reason that a State should cut off the opportunity these people have to continue in such a program merely because they are not drawing cash welfare payments.

I understand the problem in the committee. They included in the bill a 150-percent standard on old-age assistance.

The House passed a lower ceiling. The Senate committee reported a bill with a higher ceiling, but took away its positive effect with only 25 percent Federal matching funds, thereby discriminating against those who might be medically indigent.

That is a case of Greeks bearing gifts. We would not be doing anything for the people who need it the most—those who are not drawing cash assistance but who will be compelled to draw public assistance in order that they might participate in medicaid programs.

It seems to me that medicaid is a very desirable program. New York, which is alleged to be the principal offender, will take whatever limit Congress sets and will make up the difference if necessary. However, certainly we do not want to be subject to discrimination against those with small earning power, in favor of those who are drawing cash assistance. This provision would require that a man must be drawing or eligible for cash assistance to receive medicaid. That is the very thing we do not want to do.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. KUCHEL. Mr. President, I yield 1 additional minute to the Senator from New York.

The PRESIDING OFFICER. The Senator from New York is recognized for 1 additional minute.

Mr. JAVITS. Mr. President, I believe the Senate ought to correct a manifest discrimination and injustice.

Mr. LONG of Louisiana. Mr. President, I yield myself 7 minutes, if I require that much time.

The PRESIDING OFFICER. The Senator from Louisiana is recognized.

Mr. LONG of Louisiana. Mr. President, Senators will recall that the title 19 program originally was known by the name of Kerr-Mills. This was instituted originally as something of a backfire against the King-Anderson bill, and it was recommended favorably by the medical profession, the idea being that people could be declared medically indigent, even though not drawing cash assistance under public welfare, and that this would be a higher class welfare program, rather than a social security program.

When we put into effect the medicaid-medicare program, the administration asked title 19 to continue the principles of the Kerr-Mills bill by providing medicaid for people who might not be fully cared for or might not be cared for at all by the medicare program.

The costs of this program have ascended in an astronomical way.

It was estimated that this program would exceed the Kerr-Mills program by $283 million a year. In the first year of operation, the cost of the program went

$635 million over that estimate. The cost exceeded the estimate by about 4 to 1.

Looking at the estimates of the program for this year, it will be $1.39 billion for the Federal Government alone. That does not count State aid.

In 1969, the estimate of the costs goes up $600 million, to an estimated total of $1.913 billion.

In the year 1970 the cost goes up another $300 million, for a total estimated cost of $2.292 billion.

The estimate for the year 1972 continues to increase and is estimated to be $3.118 billion.

Mr. President, those amounts are just the Federal matching.

We are talking here about the people who are not on the cash public assistance rolls. That is the area in which we think savings should be made.

Representative MILLS, chairman of the House committee, was one of the sponsors of the Kerr-Mills measure when it started.

People take a look at this now and say—and I think quite correctly: "What in the world is happening here? The costs are fantastic, and they will have to come out of the general revenues."

We are projecting that in 1972 this will cost us more than $3 billion in a single year, money to come out of the general revenue.

So one would say that while we provide, as we do in the pending bill, for an increase of about $6 billion, when it is in full operation in 1969—and while we propose to provide $6 billion in new programs and by liberalizing these programs by including a benefit increase and raising the minimum assistance for people drawing minimum benefits from social security, providing 30 days of additional hospitalization under medicare—while we are doing all this, should we not take a look at some of these old programs in which the cost is exceeding anything we ever dreamed it would cost?

For example, here is an advertisement of the Mount Sinai Hospital, in New York, advertising for business:

Attention: For most New Yorkers, the finest complete medical care is now free!

The word "free" is in large letters.

Effective immediately, the Mount Sinai Hospital is offering the full benefits of the New York State Medical Assistant Program (Title 19).

(NOTE: This is *new* and in addition to the Medicare Program of your Federal Government).

What this means to you:

Unless your income is considerably above the national average, the total cost of almost all the same excellent medical care, services and supplies that Mount Sinai offers to any patient, will be fully paid by your State!

Of course, they do not mention that the Federal Government is paying for half of that.

One would ask how they can extend this to people who are 21 to 65, who are characterized as neither minors nor aged.

What they have done in New York State is to say that where they have a large welfare roll of aid to dependent children, they make all the relatives of those dependent children eligible for this free medical care under title 19, and they have a very liberal standard by which they determine need.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. LONG of Louisana. I yield.

Mr. PASTORE. First of all, is it compulsory upon a State to accept this program?

Mr. LONG of Louisiana. Oh, no. The State does it of its own discretion.

Mr. PASTORE. It is elective on the part of the State, if it desires to participate?

Mr. LONG of Louisiana. Yes.

Mr. PASTORE. The Senator is bringing out the argument that with the course of time, the cost to the Government will be more. Is that correct?

Mr. LONG of Louisiana. That is correct.

Mr. PASTORE. Will not the cost to the States be more?

Mr. LONG of Louisiana. It certainly will.

Mr. PASTORE. Therefore, the States would be working against their self-interest if they could not afford to pay their half share by raising these standards unduly. Is that not correct?

Mr. LONG of Louisiana. A State will apportion its money the way it thinks it can use the money to the best advantage for its people.

Mr. PASTORE. That is correct. The States have a responsibility. They have to match almost 50–50 with the money made available by the Federal Government.

Mr. LONG of Louisiana. That is correct.

Mr. PASTORE. The Senator has made a point about the State of New York. There may be things that could be said about the State of New York, but, after all, the State of New York is not the United States of America. If anything is wrong with what is going on in New York because of the program, let us adjust it. The Senator from New York has already said his State is willing to be reasonable. On the other hand, why should the other 49 States be penalized?

I declared on the floor of the Senate that I preferred the social security medicare program to the Kerr-Mills bill; and many others said, "No, we want a program where the States are going to participate, because that will keep the program honest."

We have done that, and the States have inaugurated a certain standard that they feel is consonant with the situation in each particular State. Now we come along, without any notice, and change the entire system. That, in my opinion, is somewhat unfair.

If it becomes necessary to review this matter and to bring about an adjustment, let us write some law that will say that by such and such a date we will do thus and so, so that the States can accommodate and adjust.

In my opinion, if this amendment is adopted, it will result in a certain number of people being made ineligible.

The PRESIDING OFFICER (Mr. MONTOYA in the chair). The time of the Senator has expired.

Mr. LONG of Louisiana. I yield myself 5 additional minutes.

Mr. President, the committee proposes to be as liberal as the administration recommends so far as eligibility standards are concerned. I do not believe that the pending amendment seeks to get at that facet of the situation.

Mr. KUCHEL. Yes, it does.

Mr. LONG of Louisiana. My impression is that the Senator's amendment would leave the eligibility standards approximately the same as the administration has recommended, perhaps a little higher, but not much higher.

Mr. KUCHEL. Precisely that—by changing, in the first part of the amendment, the committee's standards of a ceiling from old-age assistance to the highest cash welfare payments in any one State.

Mr. LONG of Louisiana. Generally speaking, the old-age assistance standards are the highest standards.

Mr. KUCHEL. No.

Mr. LONG of Louisiana. Generally speaking, that is correct.

Mr. KUCHEL. There are exceptions.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. First, I should like to explain this matter.

Generally speaking, what we have done is to take the old-age assistance standards. I believe that in most of the States these would be the higher standards. Then we say we would apply a 150-percent rule to that, in saying who could be made available under the standards. In most States that would not mean any reduction in standards.

But we do propose to be more conservative, and this is where the big squeeze arises—not to reduce medicaid expenditures, but to prevent them from increasing astronomically.

By 1972, the cost of the program under the committee bill is estimated to be approximately as much as it is today. But if we do not do something of this type, by 1972 this program will be costing $3 billion a year out of the general revenue of the Federal Treasury.

In terms of priority, we provide in the committee amendment no cutback at all for any cash assistance beneficiaries under title 19. They would continue to receive the same liberal matching they are now receiving. Anyone drawing a public welfare check could continue to receive all the liberal benefits of Federal matching. The cutback arises, however, as to how we match for people who are not eligible to receive cash public welfare assistance in the States—the medically indigent.

Now, to illustrate how essential some States deem this program—the priority they put on this type of program of extending medical care to people who are not on public welfare—some States do not use it at all. And they have had 2 years in which to take advantage of the program. For example, the following States do not use the program at all: Alabama, Alaska, Arizona, Colorado, District of Columbia, Florida, Georgia, Idaho, Indiana, Louisiana, Maine, Mississippi, Missouri, Montana, Nevada, New Jersey, New Mexico, North Caro-

lina, Ohio, Oregon, South Carolina, South Dakota, Tennessee, Texas, Vermont, Virginia, West Virginia, and Wyoming.

A majority of the States do not even use this program, because they feel that if they have limited funds, they should take care of the people who need the assistance most. So far as extending a welfare program to people who are not on welfare is concerned, the majority of States say, "We'd better take care of the people really in need first, and then we'll see what we can do about people who can't qualify for welfare."

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. LONG of Louisiana. I yield myself 5 additional minutes.

Note this fact, Mr. President: Low-income States, such as Alabama, Arkansas—so ably represented by the chairman of the House Ways and Means Committee, who started this program—Georgia, Louisiana, Mississippi, West Virginia, South Carolina, Tennessee, and New Mexico—States in the lower brackets of per capita income—do not even use the program. Why? Because when a State finds itself in a low per capita situation, doing the best it can with the meager funds available to help those who are needy, it look at its priorities and says, "We'd better take care of the people who are needy, before spending it for people who aren't so needy," with the result that the State does not use the program.

In this program, the poor States are contributing money to help support the liberal programs of the wealthy States. We are not complaining about this, but we say the cost has gone through the ceiling, far beyond what anybody had estimated. We say that we should not be so liberal in the matching formula.

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. LAUSCHE. Mr. President, the Senator stated that the cost had gone far in excess of what was originally estimated to be the cost. What was the estimated cost of this program in excess of Kerr-Mills when it went into effect?

Mr. LONG of Louisiana. Two hundred and thirty-eight million dollars.

Mr. LAUSCHE. The bill went into effect in 1966, on January 1, I understand.

Mr. LONG of Louisiana. Yes.

Mr. KUCHEL. It first went into effect in the year 1960.

Mr. LONG of Louisiana. Amended in 1965.

Mr. LAUSCHE. How much is it expected to cost in 1968?

Mr. LONG of Louisiana. The Federal share would be $1.391 billion. The Kerr-Mills program would be $518 million. There is a difference of $873 million, or $635 million more than that $238 million that the cost was estimated to be.

Mr. LAUSCHE. Has the Senator projected the calculation through the years, down to 1972? I think we should have in the RECORD that it was anticipated to cost $238 million but now it has gone up to certain amounts in certain years. Where are those figures?

Mr. LONG of Louisiana. Looking at title 19 costs, you see $1.391 billion for the fiscal year 1968, $1.913 billion for 1969, $2.289 billion for the fiscal year 1970, $2.690 billion for the fiscal year 1971, and $3.118 billion for the fiscal year 1972.

Mr. LAUSCHE. All paid out of the general fund.

Mr. LONG of Louisiana. All out of the general revenue.

Mr. LAUSCHE. In the committee report it is stated that "large numbers of persons who could reasonably be expected to pay some, or all, of their medical expenses" are now receiving benefits under title XIX.

Is that correct?

Mr. LONG of Louisiana. Yes.

Mr. KUCHEL. Where is the Senator reading?

Mr. LAUSCHE. I am reading from page 176 of the committee report under the heading, "Limitation on Federal Financial Participation Under Title XIX."

Mr. LONG of Louisiana. May I say with reference to that that in this committee bill we amend the law to help people help themselves. I was surprised to find that the law does not permit States to charge a deductible. If a person's income were $4,000 and the bill was in the amount of $200 or $300, that person would most likely pay that hospital bill.

We repeal that provision that says States may not require deductibles. If they want to make available for the program someone with a hospital who has an income of $4,000 or $5,000 a year in income, they could ask that person to pay the first $300 or $400 in medical expenses before the State pays the entire amount. That was one unwise provision in the Federal law that we are repealing.

We would urge a State to use deductibles when they take care of people who do not qualify for public welfare. Let them pay the first $300 or $400 before public assistance. They should be able to pay something. We also provide they could have coinsurance.

Mr. ANDERSON. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. ANDERSON. The Senator from Louisiana and I sat in the room in the old Supreme Court when this matter was first discussed. They were talking about $200 million. We add $3 billion to the cost. That is what it amounts to; adding $3 billion on to the medical bill. It would be terrible.

Mr. LONG of Louisiana. The Senate committee bill is estimated to save taxpayers about the same amount of money that the House would save, but the Senate committee amendment is much more flexible in that it says to the States if they want to be more liberal han the House they can make a lot of additional people eligible. The standards of eligibility are pretty much the same as the administration recommended and do not depart drastically from the Kuchel amendment. However, we say that the matching funds would not be nearly so liberal because we would square the formula.

In the case of States whose Federal medical assistance percentage is 50 percent under present law they would, under the committee bill, receive only 25 percent Federal matching toward the cost of the medically indigent. Fifty percent times 50 percent gives 25 percent, so that there would be a 25-percent minimum matching figure, rather than a higher figure.

Mr. JAVITS and Mr. CURTIS addressed the Chair.

Mr. LONG of Louisiana. Mr. President, I yield to the Senator from New York.

Mr. JAVITS. Mr. President, I wish to ask the Senator this question: Is it not a fact that the same income limits the bill would set would apply to those medically indigent under the State plan? They are covered by the same income limits, are they not, as for these welfare recipients? We are arguing that they are exactly the same class because there is one income limit. However, the Senate Finance Committee bill discriminates in how much Federal assistance some of those included would receive.

The essence of our argument is that there is discrimination. The State is induced not to extend medical assistance because they are not drawing cash relief. The Senator wants to encourage people to go on cash relief. Do not discriminate against them; lower your limit, if you want; but treat everybody who falls below the ceiling in the same manner. That is the essence of our argument.

Mr. LONG of Louisiana. The committee bill encourages the State to concentrate its medical assistance for those who are most in need, those who qualify for public welfare assistance. We would continue to match with regard to those who do not qualify for public welfare assistance. As to them, however, we would not be as liberal. It is an area where we would save about $600 million compared with the administration bill.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. CURTIS. I hope the Committee on Finance will be sustained on this vote. As has been stated here, the committee program was made available with passage of medicare. It was expected it would cost $200 million or $300 million. Its projected cost is running about $3 billion. It provides Federal matching money for the medically indigent.

Now, something had to be done to curb the projected cost of this program because it was a matching program that some States could not afford to avail themselves of at all. It was a matching program that other States could barely afford to avail themselves of.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. LONG of Louisiana. Mr. President, I yield myself 5 additional minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CURTIS. The House proposed a remedy that would, in effect, cut off persons under title 19. The Committee on Finance in the Senate sought to reach the same objective by lessening the matching formula if a State goes beyond that group which is not eligible for cash assistance.

We must keep in mind that this Federal money is obtained by taxing all the

people, including the States that cannot afford the program, for those people already on welfare.

This would provide medical assistance to those persons who are cash assistance recipients, persons eligible for cash except that they do not meet duration residence requirements, children under 21 eligible for AFDC except for age or school attendance requirements, and individuals in medical institutions who would qualify for cash assistance if they lived outside of the institutions.

For all those people, the Senate committee language does not disturb.

Reading further from the report:

> With respect to the above groups there would be no cutback of Federal matching funds. However, with respect to the medically indigents—those whose income is too high for them to be characterized by a State as in need of welfare—there would be substantial cutbacks in Federal matching funds.

But, instead of putting a ceiling on that, they would take people off, or stop the program so far as the number of people are concerned, and we would accomplish it by lowering the Federal matching fund.

In other words, all of the new part of the program is something that none of the States had before passage of the medicare bill which carried title 19, I am sure that this measure will be enacted into law with some restrictions on the total amount of expenditures. The Finance Committee version will permit the States to go ahead and be liberal, but will lessen the matching fund. I would think that the States which have been the most liberal, far beyond what other States could do, would prefer that, rather than some formula for an absolute ceiling.

Mr. LONG of Louisiana. Mr. President, how much time remains to me?

The PRESIDING OFFICER. Two minutes remain to the Senator from Louisiana.

Mr. LONG of Louisiana. What we would do would be to keep the costs down in the States having a high per capita income and which are wealthy.

What the committee was proposing to do here was to permit the States to be liberal, as to whom it could extend the medicaid program with Federal matching. But it would encourage them to economize on the program by putting some deductibles in the program, perhaps by putting some coinsurance features in their own program, and saving money in ways that would logically be taken. If they wanted to be liberal with the program, that would be all right, but we would not put the higher amount of matching into that portion of the program.

Mr. ANDERSON, The 3 billion-plus cost would be terrible, to start to put it up, would it not?

Mr. LONG of Louisiana. That $3 billion cost is something we think to be completely unwise.

Mr. KUCHEL. Mr. President, I yield 5 minutes to the Senator from New York [Mr. KENNEDY] from the time on the bill. Is there sufficient time remaining on the bill?

The PRESIDING OFFICER. The Senator from California has 8 minutes remaining on the amendment.

Mr. KUCHEL. Mr. President, I yield 5 minutes to the Senator from New York on the amendment.

The PRESIDING OFFICER. The Senator from New York is recognized.

Mr. KENNEDY of New York. Mr. President, I support the amendment offered by the Senator from California [Mr. KUCHEL], which I have cosponsored, liberalizing the proposed limit on Federal participation in State medicaid programs. The amendment would modify the proposed ceiling on income eligibility levels of 150 percent of the State's old-age assistance standard and eliminate that portion of the Senate Finance Committee's bill that would reduce the Federal matching percentage for the "medically needy," the eligible people whose income exceeds the cash assistance standard.

Mr. President, the point which the Senator from California [Mr. KUCHEL] is making is one which I think is extremely important. When this legislation was passed it was not aimed just at the poverty-stricken people of the United States, but in recognition of the increased medical costs in this country. It was also aimed at those in the lower income and lower middle income brackets who desperately needed help and assistance as well. They have taken advantage of this program, it seems to me, and we are breaking our faith with them if we pull back and say that this legislation no longer applies.

This legislation has been effective. We did have an understanding with the people, when this legislation was passed, that it would hit not just people on welfare, but lower middle income and some middle income people as well. I think that the amendment of the Senator from California has provided for that, and is an extremely important matter.

This amendment is preferable to both the House bill and the Senate Finance Committee's substitute.

Both proposals represent a betrayal of the generous and humane promise of title XIX. That statute was based on the recognition that a person or family may need Government help in procuring medical care even if he does not need welfare. The continuing truth of this is clearly demonstrated by the statistics in the Consumer Price Index, which show the cost of medical care increasing at a rate nearly three times that of the general index.

Bureau of Labor Statistics figures indicate that physicians' fees increased during the third quarter of 1967 to a level nearly 8½ percent higher than that of 1966. The recent increases in hospital care costs make even these figures pale by comparison: the price level in third quarter of this year is 20 percent higher than that of 1966.

The figures demonstrate that there is no fair basis for denying full Federal matching assistance to any class of eligible people. Nor is there a persuasive reason for a low eligibility ceiling, such as the House bill imposes. For the evidence is clear that the need for help in obtaining medical care extends far beyond the need for help in procuring food and shelter.

The Finance Committee bill, by reducing the percentage of Federal matching support for the medically needy group, is even worse than the House bill. Projections made by the New York State Department of Social Services show that in fiscal 1970 the Finance Committee version would actually bring New York State $51.8 million less in Federal assistance than would the House version, and $113.5 million less than the present law. Such a loss very likely could not be made up by the State, so that large numbers of people would be forced back into medical poverty.

The people in the State of New York are better off in some ways than the people in other States, but medical cost problems still exist. They have been advised, with this legislation presently on the statute books, that they will be helped. Therefore, to go back on that arrangement and that promise which we made to them will cause many serious problems not only in the State of New York but in other areas of the country as well.

Let me emphasize that even the version that I support would also mean a substantial reduction in the Federal contribution in fiscal 1970, compared to what present law would bring. So in dollar terms we are talking about a very modest liberalization of the Finance Committee bill.

This modest liberalization would be accomplished by a formula that is much fairer to States around the Nation than the confusing and restrictive plan proposed by the House.

The PRESIDING OFFICER. The time of the Senator from New York has expired.

Mr. KUCHEL. Mr. President, I yield 2 additional minutes on the amendment to the Senator from New York.

The PRESIDING OFFICER. The Senator from New York is recognized for 2 minutes.

Mr. KENNEDY of New York. Mr. President, of course the proposals in the House bill and the bill before us, are expressions of concern over the unexpectedly high cost of medicaid. But I believe the evidence shows that the high cost of medicaid is merely an aspect of the high cost of medical care generally. Later in the debate on the present bill I intend to offer some proposals that will embark the Government on a major effort to bring the runaway costs of medical care under control.

For the time being, however, I urge the view that a drastic curtailment of title XIX would represent a cruel and singularly unimaginative response to the real problem—the problem of medical costs. At a time when these costs are soaring even for the affluent, and the Government has done little to control them, it would be intolerable for us to deny help to the needy. I urge the adoption of the pending amendments.

There is no question, Mr. President, that medical costs today are very high. There is also no question that we in Congress have a responsibility in that regard. But it is not fair, and it does not make a great deal of sense, to approach the problem in this way, at this time, when medical costs are so astronomically high and our needy people so desperately need this kind of assistance, par-

ticularly in the lower income brackets, to cut them off entirely.

We have all had illnesses in our families. Some of them can be so serious that over a period of even a few weeks one's life savings could be wiped out. This is happening to a high percentage of the families in this country today. An individual has a heart attack at an elderly age. Sometimes, even if his income is $6,000, $7,000, or even $10,000 a year, it can wipe out his savings entirely in 2 or 3 weeks.

It seems to me that we should try to help those people, which was the intention when we passed this legislation. We should not go back on our promises at this time.

Therefore, I commend the Senator from California [Mr. KUCHEL] in the leadership he has provided in this matter.

Mr. KUCHEL. The Senator from New York is correct in the observation he has made during this debate. What we will be doing if we keep the committee proposal is to break faith with the people when it first passed the Kerr-Mills bill on the floor of the Senate, and when it subsequently amended it. Now we would be telling the States of this Union, as my able friend from New York has just pointed out, that those citizens who have tried to pull themselves up by their own bootstraps can forget it, and go back on the relief rolls.

I think it is an infamous thing. I thank the Senator from New York for his comments.

Mr. JAVITS. Mr. President, will the Senator yield to me?

Mr. KUCHEL. I yield 1 minute to the Senator from New York.

Mr. JAVITS. Mr. President, I think our argument has been very well made. I join with my colleague from New York in thanking the Senator from California [Mr. KUCHEL] for taking the laboring oar and leading in this effort. The argument has been succinctly made. We have started the program. It is a good program. We accept the imposition of a ceiling on income eligibility. However, the question is, shall we discriminate against those who are not on public assistance, because we insist that they be on cash relief before they can receive medicaid? It seems to me that is the primary injustice in this bill which we are here seeking to correct. Therefore, I believe that the amendment should be approved.

Mr. KUCHEL. Mr. President, I yield myself 3 minutes on the bill to make one comment.

I have listened to the distinguished Senator from Louisiana [Mr. LONG] and the distinguished Senator from New Mexico [Mr. ANDERSON] talk about limitations that need to be applied, and that the limitation should be the one which they have written into the bill, which says that 150 percent of the old-age assisance figure shall be the standard to determine "medical indigence."

I have suggested that the ceiling should be 150 percent of the largest cash welfare payment in each State. The Senator from Louisiana has said:

Well, the norm is old-age assistance. There are not too many States that give higher assistance in other categories.

As a matter of fact, there are, but even if there were only one, we should still respect the right of that State with respect the right of that State with respect to its own State laws. In our amendment we gear the ceiling, not to old-age assistance, but to the highest cash welfare payments made within a State. That is a more equitable and effective ceiling than that recommended by the committee.

But, second, let us take a close look at what they are trying to do in their second limitation. The committee calls it squaring the percentage. I repeat, Mr. President—squaring the percentage. That is a contemptible term. What does it do to the States? It treats them unfairly. California gets 50 percent today from the Federal Government for medicaid. They would chop it in half by squaring the percentage. What does that mean if we get 50 percent? We would get 50 percent of that 50 percent, or 25 percent. California would get cut in half.

What about Louisiana? It gets 74.58 percent. It would be cut to 55 percent under the committee's squaring the percentage. Under the committee's squaring the percentage, Louisiana will get more from the Federal Government than California gets under the present law today.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. KUCHEL. I yield.

Mr. LONG of Louisiana. I yield myself 1 minute.

It would not make the least bit of difference to Louisiana. We will not get more than California. We are not using the program. We are getting zero out of it. We will continue to get the same zero out of it.

Mr. KUCHEL. All I ask is that the Senators take a close look at the table showing the effects of these cuts. Take a look at the States that are participating in Medicaid.

Take a look at the different percentages they will get under the bill. Is there not some reason to find a limitation that will apply equally to all of the States? I think there is.

In offering this amendment, we propose to eliminate the misnamed and arbitrary squaring the percentage limitation.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. Mr. President, I yield 1 minute to the Senator from Nebraska.

Mr. CURTIS. Mr. President, I would like to have the attention of the distinguished Senator from California.

The PRESIDING OFFICER. Who yields time?

Mr. LONG of Louisiana. Mr. President, I yield the Senator 1 minute on the bill.

Mr. CURTIS. Mr. President, following the comments of the distinguished Senator from California, I got the impression that he believes the bill as it came from the Senate committee would cut California's percentage on the entire program. That is not true. It would leave California's percentage for those who are eligible for welfare where it is. The cut in percentage merely applies to those individuals that are taken in beyond those eligible in the categories of welfare in the State.

I hope the amendment will be rejected.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield for a question?

Mr. CURTIS. I yield.

Mr. WILLIAMS of Delaware. Is it not a fact that the program with which this amendment deals, when it was first initiated, was presented to the Congress as though it was going to cost $238 million, that today the cost estimates are $2 billion annually, and that this bill would ultimately add $600 million to the cost?

Mr. CURTIS. Yes.

PRIVILEGE OF THE FLOOR FOR JAMES WICKWIRE

Mr. JACKSON. Mr. President, I ask. unanimous consent that Mr. James Wickwire may be permitted the privilege of the floor during the consideration of the social security bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LONG of Louisiana. Mr. President, I yield myself 1 minute on the bill.

This bill, when fully operative in 1969, will cause the cost of welfare and the Federal Government assistance program to go up by almost $6 billion. If this amendment is agreed to, it will make those costs go up another $500 million. It would not benefit the poor States, because they do not use the program. It would not benefit 29 States, because they do not use the program. It would benefit only a minority of the States, and even with regard to them, the committee proposes to be very liberal with them. It proposes to those States, "Well, if you want to use this program, that most States do not see fit to use anyway, we will go ahead and match the program with you, but we will not be as liberal as we were in the past, because the cost is approaching ten times what we estimated it to be when we put it into effect."

Mr. LAUSCHE. Mr. President, will the Senator yield to me?

Mr. LONG of Louisiana. I yield 2 minutes to the Senator from Ohio.

Mr. LAUSCHE. Mr. President, the Nation today is faced with the question of what is to happen about devaluation in the United States. Devaluation, if it comes in our country, is going to rob every thrifty person of a huge part of his savings and lifetime accumulations.

For 11 years on the Senate floor I have been warning about what will happen if we continue our extravagant, unjustified spending.

Let us take a look at these figures.

It was estimated that title XIX would add $238 million to the cost of the Kerr-Mills Act. The figures for 1967 show $1.391 billion. Without title XIX, the amount would be $518 million. Therefore, title XIX has added a cost of $873 million in 1967 fiscal year instead of the $238 million that was predicted.

But what will happen when we go into the years 1969, 1970, 1971, and 1972? In

1972, the cost will be $3.118 billion, payable out of the general fund.

I submit that if we want to accelerate and precipitate an early coming of the day of devaluation, we should continue spending as is contemplated by the amendment that has been offered.

Mr. KUCHEL, Mr. President, I yield myself 1 minute on the bill.

The Department of Health, Education, and Welfare has submitted its estimates of the level of reduction that will take place under the amendment that we have offered. This proposal also will result in a reduction of Federal expenditures, as would the House and Senate committee bills. I wish the RECORD to show that clearly.

The amendment we have offered would provide a $40 million reduction in 1969, a $192 million reduction in 1970, a $408 million reduction in 1971, and a $634 million reduction in 1972.

I compare that with the Committee on Finance bill: A $45 million reduction in 1969—about the same as ours; $702 million in the second year, as against a $192 million reduction in the cost of our amendment. The committee bill would go to $998 million in 1971 and $1,294,000,000 in 1972. I suggest that our amendment is fairer and is not the meat ax approach proposed in this bill.

Mr. President, on the amendment, I ask for the yeas and nays.

The yeas and nays were ordered.

The PRESIDING OFFICER. All time having expired, the question is on agreeing to the amendment of the Senator from California [Mr. KUCHEL]. On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. INOUYE (after having voted in the affirmative). Mr. President, on this vote I have a pair with the Senator from Florida [Mr. HOLLAND]. If he were present and voting, he would vote "nay." If I were at liberty to vote, I would vote "yea." Therefore, I withdraw my vote.

Mr. BYRD of West Virginia. I announce that the Senator from Nevada [Mr. CANNON], the Senator from Alaska [Mr. GRUENING], the Senator from Arizona [Mr. HAYDEN], the Senator from North Carolina [Mr. JORDAN], the Senator from Oklahoma [Mr. MONRONEY], and the Senator from Alabama [Mr. SPARKMAN] are absent on official business.

I also announce that the Senator from Virginia [Mr. BYRD], the Senator from Connecticut [Mr. DODD], the Senator from Tennessee [Mr. GORE], the Senator from Florida [Mr. HOLLAND], the Senator from Minnesota [Mr. MCCARTHY], the Senator from Wyoming [Mr. MCGEE], the Senator from Georgia [Mr. RUSSELL], the Senator from Florida [Mr. SMATHERS], the Senator from Georgia [Mr. TALMADGE], and the Senator from Ohio [Mr. YOUNG] are necessarily absent.

I further announce that, if present and voting, the Senator from Nevada [Mr. CANNON], the Senator from Wyoming [Mr. MCGEE], and the Senator from Florida [Mr. SMATHERS] would each vote "nay."

Mr. KUCHEL. I announce that the Senator from Kansas [Mr. CARLSON], the Senator from Hawaii [Mr. FONG], the Senator from Oregon [Mr. HATFIELD], the Senator from California [Mr. MURPHY], and the Senator from Pennsylvania [Mr. SCOTT] are necessarily absent.

The Senator from Kentucky [Mr. COOPER], the Senator from Wyoming [Mr. HANSEN], the Senator from South Dakota [Mr. MUNDT], and the Senator from Texas [Mr. TOWER] are absent on official business.

The Senator from Kentucky [Mr. MORTON] is detained on official business.

If present and voting, the Senator from Texas [Mr. TOWER] would vote "nay."

On this vote, the Senator from Kansas [Mr. CARLSON] is paired with the Senator from California [Mr. MURPHY]. If present and voting, the Senator from Kansas would vote "nay," and the Senator from California would vote "yea."

On this vote, the Senator from Kentucky [Mr. MORTON] is paired with the Senator from Pennsylvania [Mr. SCOTT]. If present and voting, the Senator from Kentucky would vote "nay," and the Senator from Pennsylvania would vote "yea."

The result was announced—yeas 25, nays 48, as follows:

[No. 331 Leg.]

YEAS—25

Bennett	Hartke	Morse
Brewster	Jackson	Pastore
Brooke	Javits	Pell
Burdick	Kennedy, Mass.	Percy
Case	Kennedy, N.Y.	Ribicoff
Clark	Kuchel	Tydings
Griffin	Long, Mo.	Williams, N.J.
Harris	Magnuson	
Hart	Mondale	

NAYS—48

Aiken	Ervin	Montoya
Allott	Fannin	Moss
Anderson	Fulbright	Muskie
Baker	Hickenlooper	Nelson
Bartlett	Hill	Pearson
Bayh	Hollings	Prouty
Bible	Hruska	Proxmire
Boggs	Jordan, Idaho	Randolph
Byrd, W. Va.	Lausche	Smith
Church	Long, La.	Spong
Cotton	Mansfield	Stennis
Curtis	McClellan	Symington
Dirksen	McGovern	Thurmond
Dominick	McIntyre	Williams, Del.
Eastland	Metcalf	Yarborough
Ellender	Miller	Young, N. Dak.

NOT VOTING—27

Byrd, Va.	Hatfield	Mundt
Cannon	Hayden	Murphy
Carlson	Holland	Russell
Cooper	Inouye	Scott
Dodd	Jordan, N.C.	Smathers
Fong	McCarthy	Sparkman
Gore	McGee	Talmadge
Gruening	Monroney	Tower
Hansen	Morton	Young, Ohio

So Mr. KUCHEL's amendment was rejected.

Mr. JAVITS. Mr. President, I send an amendment to the desk and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk proceeded to state the amendment.

Mr. JAVITS. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered, and the amendment will be printed in the RECORD.

The amendment, ordered to be printed in the RECORD, is as follows:

On page 225, line 22, after "for" insert "after consultation herein after provided".

On page 289, lines 7, 9, 20 and 22, p. 290, lines 10, 12, 23 and 25, page 291, lines 11, 13 and 25, page 292, line 2, strike the first "and".

On p. 289, line 17, page 290, lines 7 and 20, page 291, lines 8 and 22, page 292, line 10, strike " ", " and insert in lieu thereof ", and (C) for the establishment, by State and local agencies administering the program, of advisory councils of recipients whose views will be solicited and taken into account in administration of the program and the development of the plan".

Mr. JAVITS. The pending amendment is the first of seven which will be presented by a group of Senators, myself included.

I will read the names of the cosponsors in a minute.

The amendment is directed toward the welfare aspect of the pending bill.

The amendment calls for the establishment by States and local agencies administering the full welfare program for the blind, the other welfare recipients, and dependent children, of an advisory council whose views will be stressed and taken into account in the administration of a program and the development of a plan.

Mr. President, the Senators who join with me in cosponsoring the pending amendment, Republicans and Democrats, are Mr. KENNEDY of New York, Mr. CLARK, Mr. HART, Mr. MONDALE, Mr. WILLIAMS of New Jersey, Mr. PELL, Mr. YARBOROUGH, Mr. MCGOVERN, Mr. MORSE, Mr. BROOKE, Mr. KENNEDY of Massachusetts, and Mr. CASE.

Mr. President, the concept of the pending amendment is that we were alerted to something in the course of recent years in our work in the welfare field. I think that we have learned a very valuable lesson in the poverty program. That lesson is that if we want these programs to be really effective both in terms of actual work and rehabilitative effect, it is necessary to give a role in the programs to those who are the recipients of the benefits. That is the way in which the people realize fully what the programs are about.

Mr. President, our amendment does not in any way contravene the powers of the administering agency. But it does provide for a voice by the recipients themselves in a way in which welfare is being administered.

Too often welfare consists of taking people by the hand and leading them and telling them how to live. The big problem of welfare is indigency which goes on from generation to generation because at no place is there a break in the cycle.

One of the ways in which we are trying to bring an end to this is through employment. I could not agree more with this objective. I hope to have the privilege, notwithstanding some other commitments I have, to vote to sustain this concept of work and work experience being an extremely important ingredient in the whole welfare field.

However, we must realize that the dignity of the welfare client himself is a very important aspect of work in the

welfare field, as we are learning every day in every town and city of the country.

I deeply feel this has a place not only in the antipoverty program, which is one aspect of the welfare effort, but also in the welfare effort itself.

It will make welfare less demeaning to an individual if he feels that he can be heard on the problem rather than to have some patron, the Government, handing out largesse. But this is something in which, as a citizen, he has a participation, he, too, can be consulted.

The way in which this matter is to be organized and the way in which it is to be done, we leave completely to the Department. There is no effort to erect some enormous structure of committees or bureaucracy or anything else. But, for the first time—this is a first, I emphasize—it introduces into the welfare system the idea that the welfare clients themselves are not helpless, subpar individuals, but that they, too, have a dignity, a standing, a respectability, and a responsibiilty which deserves their being consulted as to what is done about their situation.

That is the amendment, Mr. President. I believe it can represent in this field what we are learning in the field generally. It will be very helpful and progressive in that regard, and that is why I raised the matter here, as it affects the total bill.

I repeat that as we are going into a new concept of welfare, which is based heavily upon jobs and job training and threshold education for jobs, we should also learn the lessons of the poverty program—at least that much of a lesson we have learned—the real innovative concept of it, which is that those who are affected should themselves have a voice in the way in which the program is administered, the types of plans which are evolved, and all of the aspects of the programs themselves.

It is the type of amendment which I would hope the manager of the bill would take and then discuss with the other body, because it is a first; it does represent an initiative. It would not add cost or anything such as that. Yet, it is a very useful technique which we have learned in other fields.

I hope very much, as I already have stated to the Senator from Louisiana, that he will give the matter consideration from that point of view.

I reserve the remainder of my time.

Mr. LONG of Louisiana. Mr. President, I yield myself such time as I may require.

The burden of the proposed amendment is to suggest that the States are not appointing adequate advisory councils to welfare boards under the present system. The amendment would require the States to appoint people to these various advisory councils to welfare boards who are supposed to represent the poor.

Mr. President, the interest of the poor is the entire purpose of a welfare program, and people are appointed who are sympathetic to the underprivileged. That is why the appointees serve on these boards and councils. Generally speaking, they are people who know enough about the affairs of a poor man to be able to give him some adequate advice on how he might improve himself. The people who serve on these boards are humane, idealistic, and sympathetic.

I have heard no complaint that the board in New York is not adequately sympathetic to the needs of the poor or is not interested in them. No one has said that the board in Louisiana does not have such an interest.

I would be curious to learn whether any Senator believes that the public welfare board in his State is heartless or cruel or is unsympathetic to the program it has a responsibility to administer. They are fine people, and they are doing a good job, if the program has been in effect for a long time. I have heard no complaint whatever that any board was not responsive, sympathetic, and interested in the needs of the poor, and I believe that the matter of appointment should be left up to the State. Let New York appoint to the board whomever it wishes, and let Louisiana do the same. Why should we, by Federal fiat, tell them who should and should not be appointed to the boards, simply because they have Federal matching?

I see another splendid cause for alarm presented by the proposed amendment. An organization appeared before our committee and staged a sit-in strike, which disrupted the proceedings of the committee. They came to Washington and argued that people are entitled to draw public welfare payments as a matter of right.

If we want to encourage that type of action, after a while the situation will get to the point where the people on welfare will all be organized and will demand an enormous increase every time Congress meets.

In the type of program those people were urging, they should not have to work; they should not be expected to work; they should be entitled to sit around the house and draw that money from now until God calls them home, with ever-larger checks, although good jobs are available to them and they refuse to take them.

It seems to me that not much is to be gained by contending that these people have a right to large welfare payments as a matter of right. We will do the best job we possibly can. I believe the States are doing the best they can with the funds available and with the liberal Federal matching.

I would hope that we do not try to tell the States—which are doing a good job in this area and are putting up much of their own money—whom they should and should not appoint to the boards and councils. This program has been in existence for many years, and has been administered with satisfaction and understanding. I do not believe the program would be improved at all by attempting to dictate to the States whom they should or should not appoint.

Mr. ANDERSON. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. ANDERSON. The Senator from Louisiana has conducted many hearings with respect to this matter. Has he received any complaints about the people who have been selected to serve on these boards?

Mr. LONG of Louisiana. I have yet to hear the first complaint in Washington about the manner in which the State welfare boards are selected.

Some one has an idea that perhaps having the poor represented in the poverty program might prove to be a good thing. Let us try it for a while and see how the representation of the poor in the poverty program works. But that is something for which the Federal Government is paying. This is a situation in which the Federal Government matches the money that the State contributes.

Mr. President, I was under the impression that I represent the poor. Louisiana has many poor people. The Senator from New Mexico represents the the poor. There are many poor people in the State of New Mexico.

The people serving on these boards are there to represent the poor. They are also put there to think in terms of what is good for the people generally, too. I believe it would be best to leave the matter as it is. They have been doing a good job.

In answer to the question raised by the Senator from New Mexico, I have yet to hear the first person get up and say that these boards are not properly constituted, that they are not good people, doing a good job, in representing the interests of the poor. So why do we want to require a State to put somebody on a board that the State is not disposed to appoint?

Mr. JAVITS. Mr. President, I yield myself 5 minutes.

Mr. President, the difficulty which obviously is shown by the Senator from Louisiana is that he is not addressing himself to this amendment at all. The proposed amendment is not intended to deal with the character of the States' social welfare boards or the social welfare boards of political subdivisions. It is not addressed to that matter at all. It is part of a plan or program under all these welfare categories. We seek the designation of consultative committees to consult with the authorities in order to see what they have to contribute to the way in which these programs are run, and to give them a voice in the programs—yes, to let them complain, if they feel they are being put upon and prejudiced.

What is this situation all about, if it is not to give these people a sense of participation and dignity and a sense of belonging? That is the entire problem of the welfare business.

Mr. KENNEDY of New York. Mr. President, will the Senator yield?

Mr. JAVITS. I yield.

Mr. KENNEDY of New York. Did we not find, as we went around the country conducting our poverty hearings, that one of the greatest complaints in all sections of the United States was about the welfare program and the basic feeling of the people that they did not participate in the decisions that were made concerning them?

Have we not found, as a result of some of the disorders that have taken place in the United States in the last few

years, that the heart of the problem, the core of the problem, is that people do not feel they amount to anything, that they are no more than digits in large numbers of people?

As individuals, they have no role to play in our society, and they have no influence on our Government.

Mr. JAVITS. Precisely.

Mr. KENNEDY of New York. It seems to me that the amendment of the Senator from New York, which I have cosponsored, tries to give some dignity and some importance to the individuals who are a part of the program. If the program is established for these individuals, why should they not play a part in it? Why should we, the committee, or someone in Washington be the only voices that are heard? This amendment would give welfare recipients a role to play.

Anyone who says he has not heard complaints about the welfare program in the United States, it seems to me, is very deaf about one of the basic problems we are facing today in this country.

Mr. JAVITS. Mr. President, I wish to speak briefly with regard to the Senator's last statement.

Obviously, the Senator from Louisiana, has not lived in the big city. We have been in Chicago, Los Angeles, southern cities, northern cities, and we have been in New York City. The complaint of these people is that they are not a part of the program, that they have a handout from a patron, the Government, and they have nothing to say about it, whether it is good, bad, or indifferent. They say that they are demeaned by caseworkers who look down their noses at them, telling them how to live, and who ring their doorbells at 1 o'clock or 2 o'clock in the morning, to see if they have a man or a woman there. These people are dispossessed of dignity and they have a right to be heard.

If the Senator said I am trying to reform social welfare through the country, he would be right, but I am not trying to do that here. We are trying here to put an innovation in the program that would not only state how they are to be dealt with, but would go into whether they are being treated as human beings. Their blood is just as red, they pain just as much, and they suffer as much as anybody else, and more. They, too, should have a right to stand on their feet and say what they think instead of being told to keep quiet and "We will take care of you." That is all the argument amounts to, and that is what we are trying to take care of in the amendment.

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. JAVITS. I yield.

Mr. LAUSCHE. Mr. President, I have tried to find a copy of the amendment but it is not available. What does the amendement provide?

Mr. JAVITS. The amendment requests that consultative committees be set up of recipients of the welfare program in different categories, who would be permitted to have their say as to how the program is run and what the plans and programs which are developed by States and other local subdivisions under it shall do. It is consultative only and has nothing to do with social welfare boards.

The Senator said that social welfare boards represent the poor. We know that social welfare boards are composed of officials and persons who hold positions high in the community. They are first rate people and they are high minded, and so forth. But it is not the fellow whose ox is being gored?

The group of us who are introducing the seven amendments hope to open up the window shades to let recipients have a say. They can complain, if they want. They would not be buried under a mountain of bureaucracy with no chance to be heard.

All Senators here have State offices. I have offices in New York City and in Buffalo. My colleague has offices in New York City and upstate. We have people pouring through those offices every day in connection with welfare who say they have been treated badly and that they are not getting what they are entitled to. This is all very legitimate. We want to hear it. They have to come to us to request us to act, whether it is a city councilman, a Representative, or a Senator. They have no other way to be heard.

I say they should be given dignity and something to aspire to. Recognize them as people who have a right to be heard.

I suggest to the Senator from Louisiana that he take an amendment like this one to conference. If there are bugs in it, it can be considered, and if it needs to be worked out that can be gone into. But do not say, "The State boards of welfare will look after them." They do not. Those of us in big cities know that this is an endemic complaint.

The poverty program is the product of welfare. Everything about the poverty program is in this bill. However, it lacks one ingredient and that is participation by the poor themselves. That is what I am trying to provide. This is a new idea and we should not bury it. It may take awhile to get accustomed to, but it is the right path and we should try it.

Mr. President, inasmuch as I wish to request the yeas and nays on the amendment, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. JAVITS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. JAVITS. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. JAVITS. Mr. President, I yield myself 2 minutes, so that I may address those Senators who were not in the Chamber before the quorum call.

The essence of the amendment, which is the first of seven amendments to be presented by a group of us on this subject, is to provide for consultative committees on the various welfare programs which are encompassed by this bill to give a voice to those who are recipients of the program. This would contribute to their dignity and it would be a channel through which they can voice complaints and make constructive contributions to the program themselves. There is no stratification. We do not provide that there is to be one for every State, just so this voice is heard. We leave the details to the department.

Mr. PERCY. Mr. President, will the Senator yield?

Mr. JAVITS. I yield.

Mr. PERCY. Mr. President, I wish to indicate support for this particular amendment. I feel deeply, as I have talked with people in the slums and ghettos, that we can improve the quality of our program and certainly improve the administration of the program and their sense of belonging in that community, as well as their attachment to the program, if we involve them in the planning and give them a picture of what we are trying to accomplish. I think the program would be more effectively carried out and we would evolve better programs by involving them.

I support the amendment of the Senator from New York.

Mr. JAVITS. I am grateful to the Senator for his support.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. JAVITS. Mr. President, I yield myself 2 additional minutes.

The PRESIDING OFFICER. The Senator from New York is recognized.

Mr. JAVITS. Mr. President, there is one other thought which is very important in this matter. The people who are affected by the program do not know themselves what is going on in the program. Many complaints are made about the fact that these programs are exploited by people without conscience who draw benefits and who are not entitled to do that. One thing that I am sure consultative committees will do is to keep a watchful eye upon this kind of abuse of the program. No one knows better than the welfare recipients themselves who is abusing the program and is not entitled to the benefits although receiving them.

The basic reason is that it adds another dimension, the dimension of work in this bill, which I think is terrific, a great improvement, and a landmark advance for the country.

We should also add the dimension of the personal dignity of consultation which will be an additional landmark in the handling of the program.

I think I have made the argument as well as I can. I do not know whether the Senator from Illinois wishes to debate the matter any further.

Mr. DIRKSEN. Mr. President, will the Senator from Louisiana yield?

Mr. LONG of Louisiana. Mr. President, I yield 5 minutes to the Senator from Illinois.

The PRESIDING OFFICER. The Senator from Illinois is recognized for 5 minutes.

Mr. DIRKSEN. Mr. President, this amendment should be roundly defeated if no other reason than the experience we have had with the bill now pending.

As the distinguished chairman said, a group interested in welfare came into the committee room and staged a sit-in.

Later on, a part of that group came to my office and undertook to stage a sit-in there. I had to call three policemen and have them ejected from my office. I told them to designate any one of them as a spokesman, that I would see him and I would listen to him and give him as much time as he wanted. They did not accept my offer. There was a public relations man with them. He claimed that I struck him. I merely put my hand on his shoulder. If I had struck him, he would still be twirling in the direction of the Hudson River, I think. [Laughter.]

I noticed that he went right outside the door where the newsmen were encamped and he said to them, "Make a good story out of this. He struck me. Make a good story out of it." Any public relations man would do the same thing. It was an organized effort on the part of some of the recipients when they were here.

Now, did they come here for consultative purposes?

Mr. President, I will tell you why they came, because they left their mimeographed folders in my office. They said, "We are here in opposition to the House bill. We want the administration bill."

Right then and there, in writing that over their signatures, they stamped themselves as a lobbying group. I should like to hear anyone deny that, because I lived through it myself. I picked up the mimeographed folders. I took note of the names and addresses, what was inscribed there, and what they wanted to do.

While they came to Washington in the first place, they certainly had some rather expert direction from the outside.

Thus, it is as clear as crystal that they did not come here to consult with me about something in the House bill. They wanted the House bill rejected out of hand. They wanted the administration bill. They demanded an answer, yes or no, whether I would vote for the administration bill.

Well, the answer was a very definite and a very emphatic "no."

But, I make the point that here we have the beginnings of a lobbying or a pressure group. Certainly it is our business to represent all constituents and be just as humane and sympathetic in this whole field as we possibly can.

I think that the committee has been and probably has gone further in some respects than I would have gone; but, in any event, participating in the discussions and in the markup of the bill, we constantly had in mind the well-being of the people, consonant, of course, with the fiscal burden which would be placed upon the Government.

One can go beyond the capacity of the Government and wind up with a very difficult situation.

If I had to make any criticism of the British system of government when Sir William Beveridge came along with his recommendation, which was a good recommendation and a sound system, Parliament began to tinker with it. Today, between military expenditures and welfare, they are just about to sink that Government. Only within the last day, it sank somewhat, when it devalued the pound sterling from $2.80 to $2.40. That is the third time that has happened—incidentally, done under a rather liberal government.

The PRESIDING OFFICER. The time of the Senator from Illinois has expired.

Mr. LONG of Louisiana. Mr. President, I yield 1 additional minute to the Senator from Illinois.

The PRESIDING OFFICER. The Senator from Illinois is recognized for 1 additional minute.

Mr. DIRKSEN. I make the point, Mr. President, that you are going to set up a pressure group and they are not going to consult. They are going to come down here and tell us. Then they will become a voting and a pressure group as well. It has never failed in the past.

This amendment should be defeated, and roundly defeated, so that the country will know how the Senate feels about this matter.

Mr. LAUSCHE. Mr. President, will the Senator from Louisiana yield?

Mr. LONG of Louisiana. I yield 5 minutes to the Senator from Ohio.

The PRESIDING OFFICER. The Senator from Ohio is recognized for 5 minutes.

Mr. LAUSCHE. Mr. President, I think we are dealing with the fundamental issue which should be carefully examined to see what will eventually happen if we pursue the program which has been recommended by the sponsors of the pending amendment.

The argument has been made that we must give these people representation. Our Government is founded upon the proposition that there is representation for all the people through the selection of the executive and legislative members of the Government. We are the representatives of the people in the Senate. The Representatives in the House represent them there.

But it is now argued that they must have representation. Does that mean that we are not representing them? I reject that implication.

Mr. President, the social security law contains provisions for an advisory council. I do not know how many members comprise the advisory council, but their function is to give advice on how to take care of the beneficiaries of the program.

But we do not seem to be content with the proposition which was established by our forefathers that there shall be a government in which the people shall be represented by Senators and Representatives. That contentment is rejected. It is now argued—with practically every bill, now—that we have to have consultative committees in the local communities.

What has it led us to? It has led us to situations as just described by the Senator from Illinois [Mr. DIRKSEN].

If we give people the aegis of decency, they will use it to intimidate and to pressure not only the individual, such as the distinguished Senator from Illinois [Mr. DIRKSEN], but also every one of us.

Mr. DIRKSEN. Mr. President, will the Senator from Ohio yield?

Mr. LAUSCHE. I yield.

Mr. DIRKSEN. Last week—and for all I know it may be happening right now—the same group picketed my office in Chicago, trying to put on the pressure to compel me to take a course of action here; namely, to reject what the committee has done and to accept the administration's proposal. If that is not pressure, if that is not an effort to lobby, then I have no words for it.

Mr. LAUSCHE. Establish a consultative group in Illinois, and that consultative group will take upon itself the attributes of being the spokesmen of the people and try to substitute themselves for Senator DIRKSEN and Senator PERCY. The two Senators from Illinois are in disagreement upon what shall be done here, according to what has been said, but the people of Illinois and of Chicago are represented.

I now come to the most important part of what I wanted to say. The Senator from Illinois [Mr. DIRKSEN] can be beaten at the polls. I can be beaten at the polls. But the consultative group has a barrier between it and the public. It has nothing to lose except to make demands and create disorder.

The framers of our Constitution, I may say to the Senator from Illinois [Mr. DIRKSEN], said, "You will elect your public officials, and if they do not act satisfactorily, you can beat them. If they meet with your approval, you can reelect them." But now it is proposed to establish a new sovereign ruling body, a consultative group responsible to no one.

Mr. JAVITS. Mr. President, I yield myself 5 minutes.

Mr. President, I hope that even a Senator who is not the minority leader may be pardoned a smile at these speeches. Woe to anybody who offends senatorial sensibilities. I understand that. That is probably going to be the new sampler in the homes of many of the poor, as well as "God Bless America."

But here thoroughly experienced Senators talk about the pressures of the poor and suborning their abilities to represent their States. I hope I will be forgiven for a smile. The only difference between them and the manufacturers association or the shipping lobby or the aircraft lobby or the farmers' lobby or the space manufacturing lobby, or the lobby for the humane treatment of animals, and 150 others, is that the poor do not wear such good suits and cannot buy expensive lunches. I do not think that there is any other difference. That is why we are here. We also are here because we know how to resist pressure.

Does anyone tell me that if these particular groups are not brought into existence there will be a dearth of pressures from the right or the left, the middle, or any spectrum under the sun? Of course not.

I do not condone the conduct to which the Senator from Illinois [Mr. DIRKSEN] as alluded, quite properly, whether it is by the poor or by the rich, whether it is by the right or by the left. The laws of lobbying will apply to these consultative committees as well as they apply to everybody else, in terms of what they have to publish, and if they do not comply with them they ought to go to jail, just like everybody else. But this is completely begging the question with respect to what we are trying to do here, which is to redeem the welfare recipients from

an endemic condition of poverty and determine what government can do, look into the lack of motivaton, and ascertain whether reforms like this are good or not. After all, we have consultative groups in the poverty program, and we have all kinds of other groups. They can come to us. Some of the roughest and toughest groups I have met with have been groups of the reactionary right. Some of them are very violent and very strong and very opinionated. So what? That is their privilege. I honor them all. I see them all. They may insult me. That is part of the office, and we have rectitude of knowing that what we are doing is the right thing for our country, and that knowledge sustains us. But to argue that we are not going to have any of these groups or that there is something wrong about lobbying or that people should have no right to tell us what they think when their ox is being gored runs counter to the history of this Nation.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. JAVITS. I yield.

Mr. PASTORE. There is more than that to it. The Senator is proposing to sanctify this by legislative fiat, which is a different matter. No one is disputing the right of these people to appear and to appeal to their elected representatives. Every man has that particular right. But what the Senator is saying is that, by an act, we are going to recognize these people as a fixed, permanent group who are going to be set within this situation. I have the greatest sympathy for them and their rights, but I think this is just taking the point a little too far. I must say this in all honesty.

Mr. JAVITS. What we are dealing with is the question of the rehabilitation technique, which the whole bill undertakes. I think the argument of the Senator from Rhode Island is a relevant one. I think the argument that we should not be submitted to pressure by anyone who tells us to do this, that, or the other is not a relevant argument. But what the Senator from Rhode Island says is a relevant argument. The answer is that this is an effort of rehabilitation, an effort to rehabilitate those who are in an endemic condition which find them in this economic position in the American hierarchy of interest and influence. That is the substance of my argument.

Mr. MANSFIELD. Mr. President, will the Senator yield me 1 minute?

Mr. LONG of Louisiana. I yield 1 minute to the distinguished majority leader.

Mr. MANSFIELD. Mr. President, it seems to me that we have had quite a few extraneous amendments offered to this bill beginning last week. As I read this amendment, we might as well turn this program over to these groups and let them administer it, because certainly this proposal would produce pressure lobbying directly on those charged with administering the program as well as on the Members of Congress.

I would hope most sincerely that the proposal advocated by the distinguished Senator from New York which would create consultative committees among the recipients whose views are to be solicited and taken into account in planning and administering the program will not meet with the approbation of the Senate. There is a limit beyond which we should not go, and this is far beyond the limit to which we should give up our responsibility, in my opinion.

Mr. DIRKSEN. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. LONG of Louisiana. I yield 2 additional minutes to the Senator from Montana.

Mr. MANSFIELD. One minute is enough.

Mr. DIRKSEN. Actually what we would be doing here is getting statutory authority to set up these groups by local and State agencies and their views will be solicited. That is a peculiar provision, to say the least.

The Senator from New York talks about these lobby groups. Have we ever solicited any lobby to come before a committee or one's office? If people want to come by their own free will and accord, well and good. I am always glad to see them. But I do not send out letters and make telephone calls soliciting them to come and tell me what they want. That is what we have here.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. DIRKSEN. I think.

Mr. MANSFIELD. I think one of the weaknesses of the program has been that there are too many semiofficial and quasi-official groups which have been trying to exert pressures. I think the Congress would have unusual pressure exerted on it. I think it is about time we called a halt. The defeat of this amendment would help in that effort.

Mr. LONG of Louisiana. Mr. President, I yield 3 minutes to the Senator from Connecticut [Mr. RIBICOFF].

Mr. RIBICOFF. Mr. President, I do not think the amendment is necessary.

If the Senator from New York will turn to page 373 of the bill, he will see that the Finance Committee was aware that there were basic problems involving recipients. Section 250, on page 373 of the bill, provides that—

> The Secretary of Health, Education, and Welfare shall make a study of and recommendations concerning the means by which and the extent to which the staff of State public welfare agencies may better serve, advise, and assist applicants for or recipients of aid or assistance in securing the full protection of local, State, and Federal health, housing, and related laws and in helping them make most effective use of public assistance and other programs in the community and the extent to which the State public assistance, medical assistance or related programs may be used as a means of enforcing local, State, and Federal health, housing, and related laws. The Secretary shall report the results of such study and make recommendations, including the necessary changes in the Social Security Act, to the Congress no later than July 1, 1969.

May I say to the distinguished Senator from Illinois, who says he is being picketed by a group in Illinois for the administration bill, that the bill which the Finance Committee has reported to this body is far superior to and far broader and more liberal than the administration program.

All the way through this legislation there have been landmark improvements, of which many Members are unaware.

As I said at the beginning of this debate, I have the highest commendation for the chairman of the committee for taking the initiative in many of these landmark changes, such as the lead he has taken in section 250. The explanation of the committee's reasoning will be found on page 171 of the report.

In the poverty program itself there are already legal agencies set up to give advice to the poor. There are other groups in the community action programs that are concerned with the problems of those on welfare. Consequently, with the study being made of the part to be played by the recipients, what is being advocated by the distinguished Senator is certainly not necessary. The Secretary of Health, Education, and Welfare is aware of the problem raised by the distinguished Senator from New York. The study that is being made takes into account the problem to which the Senator from New York addresses himself.

It is my feeling that what he advocates is not necessary. I believe that there will be other recommendations from the Secretary of Health, Education, and Welfare concerning the handling of this problem. I hope that the amendment will be rejected.

Mr. LONG of Louisiana. Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. The Senator has 5 minutes remaining.

Mr. LONG of Louisiana. I yield 4 minutes to the Senator from Oklahoma.

Mr. HARRIS. Mr. President, I believe the amendment proposed by the Senator from New York is well intentioned, but I do not think it is necessary, by reason of certain facts already pointed out by the distinguished Senator from Connecticut and others.

In further support of this position, I call the attention of Senators to my amendments Nos. 400 and 401, which were agreed to by the Committee on Finance and are now a part of the bill.

Amendment No. 400, found on page 290 and succeeding pages of the printed bill, requires, in the State plans on the various types of welfare programs, that the State agency must provide for the training and effective use of paid subprofessional staff, with particular emphasis on the full-time or part-time employment of recipients and other persons of low-income, as community service aides; and then further—leaving out a phrase having to do with social service volunteers, also required by the amendment—the amendment continues, "and in assisting any advisory committees established by the State agency" which are provided for in the existing law.

Moreover, as is set out on page 30 of the committee report, my amendment No. 401, also adopted in the Committee on Finance, requires a very far-reaching study by the Secretary of Health, Education, and Welfare on how, in short,

welfare programs of various types in the various States may be made to become more activist on behalf of the poor.

I believe these two amendments, together, obviate the necessity for the proposal of the Senator from New York.

Mr. RIBICOFF. Mr. President, will the Senator yield?

Mr. HARRIS. I am glad to yield to the Senator from Connecticut.

Mr. RIBICOFF. Is it not true that the work programs and the work training programs contemplated by the welfare amendments have in mind the training of individuals now receiving welfare payments? They will be trained to take on these subprofessional assistance jobs, as they participate in the service programs. Certainly, to get people off of welfare rolls, the welfare authorities will be turning to people on welfare who can be trained and qualified, and thus help reduce the size of the welfare rolls. Those mothers and older children who can be trained to assist the social workers, and also to serve in an advisory capacity, will receive salaries and be paid for services instead of receiving welfare checks.

So it seems to me that the committee did a constructive job here, which went far beyond the question of just an advisory, consultive group. We tried to get right at the heart of the problem. Therefore, I do not think it is necessary nor desirable to support the proposal of the distinguished Senator from New York.

Mr. HARRIS. I agree, and join in the statement of the distinguished Senator from Connecticut.

I believe that the bill, in its welfare provisions, represents a landmark change of philosophy from the hopelessness of poverty to the increased opportunity for self-sufficiency provided by these work programs, as well as the amendments I have mentioned. I think we would provide poor people and recipients of welfare, first, an opportunity for greater income, which is desperately needed, and, second, through their use as subprofessionals in the programs themselves, a greater share and a greater voice in the making and administration of policy; and I believe that will have a great deal to do with changing the character of welfare programs themselves.

So I say that, while I think the proposed amendment is well intentioned, I believe it is not necessary, and should not be agreed to.

Mr. JAVITS. Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. The Senator has 8 minutes remaining.

Mr. JAVITS. I yield myself 4 minutes. I know that the Senate is anxious to get on with the business at hand, and I hope I shall not require much time.

In answer to the arguments of the Senator from Connecticut and the Senator from Oklahoma, it seems to me that all they do is highlight the points I have been making.

I understand the position of the majority leader and the minority leader. I love them dearly; but that is always the position of the establishment: the bill is in, the committee has done its best, so let us pass the bill itself, and not rock the boat.

But to rock the boat is the function of individual Senators like myself. That is what we are here for. Sometimes we have to rock the boat by calling to the attention of our fellow Senators new ideas which are useful and applicable, because we have learned them in the particular circumstances in which we individually function.

I believe that the committee bill is a good bill, and I support it, but I think there are areas in which improvement can be made, and that we should try to improve it. But as to the specific arguments of the Senator from Oklahoma and the Senator from Connecticut, I repeat, it seems to me that they only help prove what I set out to prove.

Certainly, the bill adopts a new concept—the concept of work. That is the reason for giving subprofessional employment to the poor. Certainly an effort will be made, in studying the situation as it develops, to see what can be learned from that new concept.

But that is only one of the new concepts in the welfare field. The other new concept is that the recipients themselves are adult human beings and, both for rehabilitative purposes and to make the legislation more fair and to work better, we have now found, as a matter of practice throughout the country, that they are very well worth consulting. So all I am asking to do is to regularize that practice. This is in answer to the widespread complaint that when you are a welfare client, you do not amount to anything, you are faceless, you are nobody.

Surely, there will be groups which will be difficult; but is that not true of everything we do in this country? Mr. President, I do not see that as an argument against broadening the bill to include the new rehabilitative technique in addition to the work technique for which the Senators very properly argue, so that the welfare client himself may be represented and may have a voice in determining his own fate.

His own fate is greatly involved, Mr. President, and is subject to the judgment of the caseworker as well as the provisions of the program. But, Mr. President, the other technique we have learned, in addition to work, the technique of personal dignity in some organized way, should be followed here, for the same reason that unions and trade associations are organized in every field. The same instinct for organization to help control one's fate exists here. I think it is creative, and therefore I have taken the liberty of suggesting that it can properly be employed in this connection. That is all I am suggesting by my amendment.

Mr. President, I yield back the remainder of my time.

Mr. LONG of Louisiana. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. All time having expired, the question is on agreeing to the amendment of the Senator from New York. On this question the yeas and nays have been ordered and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. BYRD of Virginia. I announce that the Senator from Nevada [Mr. CANNON], the Senator from Alaska [Mr. GRUENING], the Senator from North Carolina [Mr. JORDAN], the Senator from Alabama [Mr. SPARKMAN], and the Senator from Missouri [Mr. SYMINGTON], are absent on official business.

I also announce that the Senator from Virginia [Mr. BYRD], the Senator from Connecticut [Mr. DODD], the Senator from Tennessee [Mr. GORE], the Senator from Florida [Mr. HOLLAND], the Senator from Minnesota [Mr. MCCARTHY], the Senator from Wyoming [Mr. MCGEE], the Senator from Wisconsin [Mr. NELSON], the Senator from Mississippi [Mr. STENNIS], the Senator from Georgia [Mr. TALMADGE], and the Senator from Ohio [Mr. YOUNG], are necessarily absent.

I further announce that, if present and voting, the Senator from Nevada [Mr. CANNON], the Senator from Alaska [Mr. GRUENING], the Senator from Florida [Mr. HOLLAND], and the Senator from Wyoming [Mr. MCGEE], would each vote "nay."

Mr. KUCHEL. I announce that the Senator from Kansas [Mr. CARLSON], the Senator from Hawaii [Mr. FONG], the Senator from Oregon [Mr. HATFIELD], the Senator from California [Mr. MURPHY] and the Senator from Pennsylvania [Mr. SCOTT] are necessarily absent.

The Senator from Kentucky [Mr. COOPER], the Senator from Wyoming [Mr. HANSEN], the Senator from South Dakota [Mr. MUNDT] and the Senator from Texas [Mr. TOWER] are absent on official business.

The Senator from Kentucky [Mr. MORTON] is detained on official business.

If present and voting, the Senator from Kansas [Mr. CARLSON] the Senator from Kentucky [Mr. MORTON], the Senator from California [Mr. MURPHY], the Senator from Pennsylvania [Mr. SCOTT] and the Senator from Texas [Mr. TOWER] would each vote "nay."

The result was announced—yeas 11, nays 64, as follows:

[No. 332 Leg.]

YEAS—11

Brooke	Kennedy, N.Y.	Prouty
Case	Mondale	Williams, N.J.
Hart	Morse	Yarborough
Javits	Percy	

NAYS—64

Aiken	Fulbright	Metcalf
Allott	Griffin	Miller
Anderson	Harris	Monroney
Baker	Hartke	Montoya
Bartlett	Hayden	Moss
Bayh	Hickenlooper	Muskie
Bennett	Hill	Pastore
Bible	Hollings	Pearson
Boggs	Hruska	Pell
Brewster	Inouye	Proxmire
Burdick	Jackson	Randolph
Byrd, W. Va.	Jordan, Idaho	Ribicoff
Church	Kennedy, Mass.	Russell
Clark	Kuchel	Smathers
Cotton	Lausche	Smith
Curtis	Long, Mo.	Spong
Dirksen	Long, La.	Thurmond
Dominick	Magnuson	Tydings
Eastland	Mansfield	Williams, Del.
Ellender	McClellan	Young, N. Dak.
Ervin	McGovern	
Fannin	McIntyre	

NOT VOTING—25

Byrd, Va.	Hatfield	Scott
Cannon	Holland	Sparkman
Carlson	Jordan, N.C.	Stennis
Cooper	McCarthy	Symington
Dodd	McGee	Talmadge
Fong	Morton	Tower
Gore	Mundt	Young, Ohio
Gruening	Murphy	
Hansen	Nelson	

So Mr. JAVITS' amendment was rejected.

Mr. JAVITS. Mr. President, with the permission of the minority leader, I yield myself 2 minutes on the bill, to propound an inquiry to the Senator from Louisiana.

Mr. President, as we read the bill, referring to page 266, it relates to the new type of special work projects in which welfare recipients may be employed; and the question is whether public agencies and private nonprofit agencies, who are there specifically referred to, could subcontract or buy services from any private organization whether or not it is profitmaking.

I wish to point out in that respect that under the poverty program now, where community action agencies must be public or nonprofit they can nonetheless contract out different parts of the program either to profit or nonprofit private agencies, and that the flexibility which that affords and the utilization of the abilities of the private business community have been very valuable.

I wonder as to the construction of the manager of the bill.

Mr. LONG of Louisiana. Mr. President, the intention, in this work program, of saying that the Labor Department can make payments to a public or nonprofit public service institution to make possible the employment of persons who otherwise would be entirely on welfare was restricted for the purpose we had in mind. We intended that the purpose of the project should be something that would benefit the community or that would help a nonprofit public service institution to perform a better service.

In some instances, a hospital would have a contract with someone to provide services for the hospital, and I would think that that type of contract would not be prevented.

The PRESIDING OFFICER (Mr. HOLLINGS in the chair). The time of the Senator has expired.

Mr. JAVITS. I yield myself 1 additional minute.

Mr. LONG of Louisiana. Employment of the type we visualize could be used for a contractor or subcontractor or a city or a county or a subcontractor working to perform a service for a hospital. But it is intended that the type of work done would be such that the city or the hospital could properly perform itself.

Mr. JAVITS. I thank the Senator. I think we understand it.

Mr. MILLER. Mr. President, under a previous unanimous-consent request, my amendment was to be taken up next. I ask unanimous consent that, instead, the amendment of the Senator from Delaware be taken up next, to be followed by my amendment.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. WILLIAMS of Delaware. Mr. President, I call up Amendment No. 450, and ask that it be read.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk proceeded to read the amendment.

Mr. WILLIAMS of Delaware. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered, and the amendment will be printed in the RECORD at this point.

The amendment is as follows:

At the end of the bill, add the following: "That (a) the second sentence of section 22(b)(1) of the Second Liberty Bond Act (31 U.S.C. 757c is amended to read as follows: 'Such bonds and certificates may be sold at such price or prices, bear such interest rate or afford such investment yield or both, and be redeemed before maturity upon such terms and conditions as the Secretary of the Treasury may prescribe.'

"(b) The second sentence of section 22A(b)(1) of such Act (31 U.S.C. 757c–2) is amended to read as follows: 'Such bonds shall be sold at such price or prices, afford such investment yield, and be redeemable before maturity upon such terms and conditions as the Secretary of the Treasury may prescribe.

"(c) Section 25 of such Act (31 U.S.C. 757c–1) is repealed.

"(d) The Secretary of the Treasury is hereby directed to take such action as may be necessary to assure that bonds affected by the amendments made by subsection (a), (b), or (c) of this section which are issued after December 31, 1967, shall bear interest or provide investment yield comparable to the interest or investment yield payable, on obligations of similar maturity and which are not affected by the amendments made by subsections (a), (b), and (c) of this section."

The PRESIDING OFFICER. Will the Senator advise the Chair whether this is one of the two amendments upon which he has a 2-hour limitation.

Mr. WILLIAMS of Delaware. No; it is not.

The PRESIDING OFFICER. The limitation on this amendment is 1 hour?

Mr. WILLIAMS of Delaware. One hour.

The PRESIDING OFFICER. How much time does the Senator yield?

Mr. WILLIAMS of Delaware. I yield myself 5 minutes.

Mr. President, under existing law, series E bonds are being sold to yield a maximum of 4.15 percent interest. These bonds bear a maturity date of 7 years, and the purchasers of these bonds must hold them the full 7 years in order to get the 4.15 percent interest. If they are cashed in earlier than that they yield varying amounts of interest, from no interest up to 2 percent; but the bonds must be held the full 7 years in order to yield 4.15 percent interest.

A couple of weeks ago the Government sold a 7-year bond with the same 7-year maturity and paid 5.75 percent. The only difference is that the purchaser must have a minimum of $1,000 at a time in order to invest.

Under the proposed amendment the Treasury would have full authority to limit the sales of these series E bonds to $5,000 or less per year. These bonds are the bonds being sold to the Federal workers under the payroll deduction plan and in the schools to the schoolchildren.

Heretofore, this type of savings bond bore an interest rate slightly higher than that which was available to the general purchasers. But today the situation is completely reversed, and it is contrary to all the intentions of this program. I believe this amendment should be adopted in order to direct the Secretary of the Treasury to pay an interest rate comparable with that paid in the general market. Why should these small investors not be paid interest rates equal to that being paid to the banks?

I should like to quote a statement in this connection:

Let us look at the behavior of the Treasury Department under the Administration. During the past few years the Treasury has deliberately jacked up interest on the Government's financing and refinancing all along the line. But this is not all. Generally speaking, it has jacked up most of the types of obligations bought or held by great financial institutions or wealthy individuals, and raised interest rates least on the obligations bought or held by average American families—for example, certain types of savings bonds. Moreover, the Treasury has juggled around its short-term and long-term issues, and its types of issues, so as to rob the ordinary citizen to pay off political obligations to the gigantic financiers. . . .

I am quoting a statement made by former President Harry S. Truman several years ago when he was discussing the need for taking care of those who are buying these savings bonds.

Now I quote the man who is presently in the White House, but who at the time he made this statement was in the Senate. The then Senator Johnson was expressing his views on interest rates under the Eisenhower administration:

For 14 consecutive months, the cost of living has risen steadily. For 14 consecutive months, the value of the dollar has gone down and down for those who spend it.

But this administration has managed to perform an impossible task. While the value of the dollar has gone down and down for those who spend it, it has gone up and up for those who lend it.

And in the course of this process, the taxpayer has been socked with one of the heaviest financial penalties—and it is a penalty—in our history. . .

The penalty has been not only higher taxes but higher interest rates on every form of public and private debt. And it has also meant loss of value of Government bonds in the money markets of our country.

Their value has gone down and down until only yesterday some of them were selling as low as 88 cents on the dollar.

And just recently, our Government offered $4 billion at the highest rate in the past 20 years. And it should bring a blush of shame to the face of every American that we were able to sell only about 75 per cent of them.

Why? Because the lenders knew that if they just waited a little while longer, they could get a better rate for their money.

For the past 6 months, Treasury issue after Treasury issue has been sold only by increasing the bait. That means increasing the interest rate—apparently to whatever the traffic will bear.

Our Government is skating on thin ice financially and unless the trend is halted there can be no end—other than the legal limit on the cost of financing the public debt.

This is the issue which it becomes increasingly apparent the Democratic Congress must join. Some way must be found of halting the constantly rising price of money.

We cannot exist indefinitely as a Nation in which the most profitable activity is lending.

Neither can we exist as a Nation unwilling to face up to the realities of the modern world.

In the domestic field, our greatest issue is the constantly rising prices of everything—including money. . . .

We cannot ignore the growing problems of small business.

Our domestic economy is not strong enough so long as our farmers are caught in a tight economic squeeze—so long as there are not enough jobs for people wanting work—so long as small business enterprises continue to fail at an alarming rate—so long as the cost of living keeps going up and the administration's tight money, high interest rate policy places such a heavy burden on our people.

There is not a Senator in this body, Mr. President, who is not conscious of the need for capital in our small businesses. There is not a Senator who has not devoted time to the study of the problems of small business; and there is not a Senator who is unaware that, despite the efforts of private enterprise, and of the Small Business Administration, small business remains in great need of capital with which to grow, to compete, and even to survive. . . .

Unless we cut high interest rates, loosen up the money markets, refuse to pay high premiums to money lenders, and pass some legislation needed by the whole Nation, we shall find ourselves in a situation perhaps not so bad as in 1932, but better only because of some of the cushions we have provided for the economy.

Mr. President, those wise words were spoken by the then Senator Johnson, who at that time was serving as the Senator from Texas, the same man who is now in the White House. It seems to me that those words are more true today than they were at that time because interest rates in 1957 were 2 percent lower then than they are today.

I cannot help but wonder why the Johnson administration insists that the only people they can borrow money from at 4.15 percent are the school children of America and the wage earners, and yet they gladly pay 5.75 percent to the money lenders.

Mr. President, I think this proposal should be accepted. I note that the Senator from Louisiana [Mr. LONG], the chairman of the Committee on Finance, likewise had some pertinent remarks in 1957 when interest rates reached 4.25 percent. Today the interest rate is 5.75 percent, yet we hear very little being said. I now read from a statement by the present chairman of the Committee on Finance as delivered in the Senate on May 28, 1957, at a time when interest rates were about 2 percent lower than today's high level.

I quote the remarks of the Senator from Louisiana:

Since this inflationary argument was raised, I think it is well that we realize that the cost of interest is one of the elements of the cost of living. It is a strange thing, but it is said by some persons that they want high interest rates because they want to reduce the high cost of living. Interest rates are part of the cost of living.

If anyone does not believe that, let him look at the Federal budget. Look at the Federal Government's cost of doing business. It is the second largest item in the budget. It is bigger than the cost of foreign aid. It is the second largest item, second only to national defense. The first largest cost is national defense. No. 2 is interest. No. 3 is foreign aid. They are the biggest items in the budget.

It is similar with a family. One of the largest items in the cost of living for the average family is housing. What is the largest item in the cost of housing? For a great number of families it is not the cost of labor or lumber or other material; it is interest. For the average workingman, the cost of housing represents 25 percent of his cost of living. When a house is purchased over a long period of time, the cost of the interest charges sometimes exceed the purchase price in principal.

If interest enters so much into the cost of living, why is it being said that the cost of living will be reduced by making home buyers pay more for interest? How is the cost of doing business going to be reduced by raising the interest rates a businessman has to pay? That is a part of the cost of living and doing business. Everybody should be able to understand that.

Furthermore, if anybody is determined to discourage people from expanding their business, let me point out that high interest rates will prevent only the small-business man from expanding; it will not prevent the large-business man from doing it. As a matter of fact, some of the large-business men are planning expansions by using the money they are going to make as a result of high-interest rates.

If we really want to fight the rising cost of living and hold it down, interest rates should be controlled.

Mr. President, those are the words of the chairman of the Committee on Finance, the distinguished Senator from Louisiana.

Much was being said a few years ago, 8 to 10 years ago, by Members on the other side of the aisle about high interest rates, but today they are strangely silent. If there are to be high interest rates, at least let the man who is buying series E bonds, the small investory, participate in profits from the Johnson high interest rate policy.

Mr. LAUCHE. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. LAUSCHE. Mr. President, I wish to ask if it is the purpose of the Senator from Delaware, by his amendment, to give the benefits of high interest rates to the buyers of series E bonds, and other such instruments of Government, so as to put those persons in some semblance of equality with buyers of long-term bonds.

Mr. WILLIAMS of Delaware. The Senator is correct. The Secretary, under this law, has ample authority to limit the amount of series E bonds one can buy in any one year. I think it is $10,000 today. But by all means let the small investor who does not have $1,000 or $10,000 available at one time receive the same interest rate as we pay the bankers and other large investors.

Mr. LAUSCHE. The financial institutions which buy bonds make substantially higher interest than the series E bond buyer who purchases $500 or $1,000 in bonds.

Mr. WILLIAMS of Delaware. The Senator is correct. Why should we not pay the series E bond purchaser the same rates of 5.75 percent interest?

Mr. LAUSCHE. What do we pay them?

Mr. WILLIAMS of Delaware. We pay them 4.15 percent.

Mr. LAUSCHE. There is a difference of nearly 1.60 percent.

Mr. WILLIAMS of Delaware. The Senator is correct. In addition, they are locked in for 7 years in order to get that 4.15 percent.

We are all concerned about high interest rates, but I point out that this amendment will not increase or decrease interest rates because the amount of these series E bonds to be sold will not affect the market rates. It would provide that as long as interest rates are high those persons who are buying series E bonds—and we are selling them in the schools and through payroll deduction plans—would earn as much as the large banking institutions.

As none other than former President Truman so ably stated several years ago when speaking on this same subject:

Generally speaking, it has jacked up most of the types of obligations bought or held by great financial institutions or wealthy individuals, and raised interest rates least on the obligations bought or held by average American families—for example, certain types of savings bonds.

This would be far more true today than it was then. I think this amendment should be unanimously agreed to by the Senate.

Mr. President, I ask for the yeas and nays on the amendment.

The yeas and nays were ordered.

Mr. RIBICOFF. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BYRD of West Virginia. Mr. President, I suggest the absence of a quorum and ask that the time be taken out of the time under the control of the Senator from Louisiana [Mr. LONG].

The PRESIDING OFFICER. Without objection, it is so ordered; and the clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LONG of Louisiana. Mr. President, I yield myself 5 minutes.

This amendment is not relevant to the bill that we have before us. It has nothing to do with public welfare or social security.

As far as I am concerned, I am against higher interest rates on any basis at all. I think a lot of others feel that way. In my judgment, it would tend to prolong the period in which we could hope to bring interest rates down. It would create more of a competitive condition, which might not at all be welcomed, between the banks and the Government.

I have not been importuned by the Secretary of the Treasury or the administration to propose a rise in interest rates on E-bonds. If that were to be done, it would seem to me there should be hearings and there should be a study by the appropriate committee.

On that basis, I hope this amendment to raise interest on Government E bonds will be rejected. It may well be that an appropriate committee should hold hearings on this matter but I see no reason

why the amendment should be added to this bill. This is a social security bill. It is not a bill to raise or reduce the level of interest on Government bonds.

I very much regret that the Federal Reserve Board took the action it did to raise interest rates. I would hope other methods could be found to protect the dollar than raising interest rates and jeopardizing the unfortunate and the many who must borrow money, to the advantage of the relatively few who lend it.

Mr. WILLIAMS of Delaware. Mr. President, I yield myself 5 minutes.

I am just as concerned about high interest rates as is the Senator from Louisiana. However, I point out that adoption or rejection of this amendment will not affect interest rates one iota, but it will affect the amount of interest to be paid to those small investors holding series E bonds. The Government is going to have to finance its debt and pay the going rate of interest. This amendment is applicable only to series E bonds or other bonds which will be sold after January 1, 1968. It has nothing to do with outstanding issues of either E bonds or regular long-term Treasury bonds. This amendment directs the Secretary of the Treasury to pay to the schoolchildren of America, the wage earners, and the workers who are buying series E bonds a rate of interest comparable to the rate of interest which is paid on issues of similar maturity to banking institutions or other investors. Any American citizen who has several thousand dollars to invest can buy a Government bond yielding 5¾ percent interest which will mature in 7 years or in 1974.

Why should the Federal Government insist that it pay only 4.15 interest rate on savings made by wage earners who are purchasing these bonds by a payroll deduction plan or schoolchildren who are buying them under the stamp plan?

I have already quoted what the present President said in 1957 and 1958. I have quoted the Senator from Louisiana [Mr. LONG], when in 1957 he was more concerned over interest rates.

I will repeat what President Truman said about that same time against higher interest rates:

During the past few years the Treasury has deliberately jacked up interest on the Government's financing and refinancing all along the line. But this is not all. Generally speaking, it has jacked up most of the types of obligations bought or held by great financial institutions or wealthy individuals, and raised interest rates least on the obligations bought or held by average American families—for example, certain types of savings bonds. Moreover, the Treasury has juggled around its short-term and long-term issues, and its types of issues, so as to rob the ordinary citizen to pay off political obligations to the gigantic financiers . . . . .

This statement was made several years ago, but how much more appropriate those remarks are today when we have interest rates at a 100-year high.

I hope the amendment will be agreed to. I insist that not only is it germane but that it is appropriate because in this bill we are dealing with retired people who as investors are buying these series E bonds. Savings bonds are to a large extent owned by that type of individual.

In the interest of fairplay, if there are going to be high interest rates—and we have them—let the small investor—the smallest investor in this country—get his share of the high interest rates.

When the interest rates get lower the Secretary under the amendment will be able to lower the interest rates to all lenders. I look forward to the time when they can be lowered, but as long as interest rates as high as 5.75 percent and 6 percent are being paid to banks and wealthy individuals who can afford to buy the larger bonds let us give some of the higher interest to the smallest investor in America.

I urge the adoption of my amendment.

Mr. President, if there is no further debate to be had on the amendment I yield back my time.

Mr. LONG of Louisiana. I yield back my time.

Mr. WILLIAMS of Delaware. Mr. President, I ask unanimous consent that excerpts from a series of speeches by Vice President HUMPHREY, as delivered in 1956 through 1959, be printed at this point in the RECORD.

What has happened to these great advocates of lower interest? Today interest rates are about 50 percent higher than they were under the Eisenhower administration, but for some reason they are strangely silent. Why?

There being no objection, the excerpts were ordered to be printed in the RECORD, as follows:

(CONGRESSIONAL RECORD, p. 10381, June 14, 1956, HUMPHREY)

Mr. President, in the few moments I have today I should like to call to the attention of the Senate the apparent culmination of months of confusion and discouraging lack of foresight in the administration's credit policy.

One gets the impression that the Secretary with his gyrations and reversals has not yet had time to figure out just what a tight money policy means or could mean for many vital segments of our American economy.

(CONGRESSIONAL RECORD, p. 10383)

At the same time let us never forget in these days of increasingly higher interest rates, that the cost for a newly married couple buying a small house and carrying a mortgage on it is increased approximately $225 a year by a 1½-percent increase in rates.

Mr. President, even a casual glance at newspaper headlines would show what the administration's vacillating credit policy has done to many of these sections of our economy.

(CONGRESSIONAL RECORD, p. 10384)

This rise in interest rates not only places an increased burden upon the taxpayers, as such, but, as I shall indicate in my concluding comments today, it is acting as a squeeze upon independent business enterprises. The smaller firms are literally being choked out of existence.

(CONGRESSIONAL RECORD, p. 10384, June 14, 1956, HUMPHREY)

Because of the new interest rate and credit policy of the administration, independent small business enterprise has been choked out of existence and strangled, so to speak; it has been unable to obtain the necessary credit and to maintain its present operations and make expansions.

At the same time we have seen an increase in mergers and a stepping up in the growth of large economic combines and a reduction in the number of new small businesses that are coming into the economic field.

(CONGRESSIONAL RECORD, p. 10385, June 14, 1956)

Attention should be specially directed to these definite symptoms and signs of hardship caused by credit policies in the particular areas which I have mentioned, and I shall mention them again: agriculture, small business, municipal building programs, and the mortgage market generally.

Mr. President, I should like to express my continuing interest and deep concern over all the aspects of this situation and next week I should like to extend today's general, preliminary remarks into a more specific discussion of the situation which we face in the State of Minnesota as a consequence of the administration's tight money and tight credit policy.

I submit it is time for the administration to wake up and to take a frank and honest look at its misguided policies in the field of taxation and credit. A study of the total fiscal policy is long overdue. The American public is being compelled to pay and pay and pay because of these policies. Many areas of American business are suffering from either merger or the inability to expand; or they are suffering because they are being forced to the wall by the Government's fiscal and credit policies.

It is not good enough to equate American prosperity with big business. To be sure, big business is big. To be sure, it is getting bigger. But I think we ought to ask ourselves whether or not this is the kind of economic profile we want for America. I think we must ask ourselves whether the credit policies of this administration have not accelerated the pace of merger and of monopolistic growth; whether the credit policies of this administration are not aggravating, implementing, and encouraging the concentration of economic power at the expense of a free enterprise economy. A free enterprise economy requires that the Government's fiscal, tax, and credit policies be fair and equitable and, I may say, sound. The present policies are not fair, they are not equitable, and they are anything but sound and constructive.

(CONGRESSIONAL RECORD, p. 10459, June 27, 1957, HUMPHREY)

Each day seems to bring new reports of soaring interest rates. This past Wednesday, it was announced that Southern Bell Telephone & Telegraph Co. had to pay 4.91 percent for the $70 million it raised on 29-year debentures. This is the costliest rate this company has had to pay since October 18, 1929, when it sold $32 million of 5-percent bonds at 5.32 percent.

(CONGRESSIONAL RECORD, p. 10460, June 27, 1957, HUMPHREY)

Mr. President, Monday morning's Wall Street Journal reports that interests rates continue to soar. The Dow-Jones municipal index today stands at 3.48 percent. This compares with 3.46 percent last week. It is the sixth straight week in which municipal bonds have dropped in price and it represents the highest interest yield since October 11, 1935.

Last week long-term Treasury bonds hit new lows. At Friday's closing prices, the victory loans yield 3.69 percent, the 3¼s pay 3.70 percent and the 3s give up 3.66 percent. The 1½s of April 1, 1962, closed Friday priced to yield about 4 percent which is reported to be probably the highest return on any Government bond since the 1933 bank holiday.

(CONGRESSIONAL RECORD, p. 10462, June 27, 1957, HUMPHREY)

Finally, I may say, Mr. President, there can be no denial that we are seeing the highest interest rates in a quarter of a century, and most disturbing of all is the fact that interest rates continue to soar, with no

evidence that this increase is going to come to a halt.

I might add, Mr. President, that the voluntary type of action President Eisenhower asked for the other day in his press conference is nothing more than a reiteration of what he previously mentioned in the state of the Union address at the beginning of the year. I think my colleagues will recall that the President then suggested that the leaders of industry and labor should try to hold down inflation and should try to hold down prices and wages.

Mr. President, these pleas, which are made about once every 6 months, are not going to do the job. It is nothing short of incredible that, on the one hand, the leading officers of the Federal Government, and the President himself, can say again and again to the American people that inflation is a great danger to the Nation's economy, and then, on the other hand, proceed forthwith to do nothing about it except to utter unctuous, pious statements which indicate something ought to be done but no willingness to make a decision to get something done.

I wish to point out, Mr. President, that prosperity is generally not equated with or identified by high interest rates. High interest rates generally mean that there is something wrong. High interest rates generally mean that there is a risk involved which is over and beyond what is a normal business venture or investment. Mr. President, on the one hand we continue to hear about the dangers of inflation, and, on the other hand, the Governor does nothing about it except to discuss it—to discuss it politely and quietly.

Secondly, we hear about prosperity at the very time, Mr. President, that the Government's refinancing of debt is becoming more difficult and burdensome than at any time in recent years.

In other words, the situation is going to get worse. Interest rates are going to go up.

By the way, one of the major factors in inflation today is the increased cost of money. This administration talks about curbing inflation, yet permits policies to be designed, developed, and forwarded which add fuel to the inflationary fires. I submit that of all the items in recent months which have gone up, the increase in the cost of the use of money has been the greatest. The rent of money or the cost of the use of money is as much a part of business cost and the consumer's price cost as any other factor in the entire economic system.

(CONGRESSIONAL RECORD, p. 12979, July 8, 1959, HUMPHREY)

So we see the upward spiral of inflated interest, which results in better income for the ultimate holders of debts—the great private financial institutions of the country, taken out of the pockets of homeowners, consumers, and taxpayers.

(CONGRESSIONAL RECORD, p. 9446, June 1, 1959, HUMPHREY)

This increase in the cost of money means that a larger and larger portion of the consumers' dollars will be spent in the form of interest. No single item has increased so much in cost under this administration as has the cost of borrowing money. And yet this administration, which makes a habit of preaching on the importance of holding down costs, says not a word against ever higher interest rates. In fact, this administration has promoted and defended the tight-money policies which are costing the American people untold billions in added costs each year.

The annual interest payments, for example, on the public debt have soared to all-time highs. Interest payments alone this fiscal year are estimated at $7.6 billion on the public debt; and next year they are estimated to shoot even higher, to $8.1 billion.

High interest rates, which largely benefit the bankers and other money lenders, are defended by the GOP on the grounds that the tight-money policy is necessary to hold down inflation. This argument was punched full of holes back in the tight-money period of 1955 to 1957, when prices rose at the fastest rate in the peacetime history of our country.

When one sifts through all the arguments of the administration as to the virtues of tight money and soaring interest rates, he really gets down to the fundamental fact that the administration simply believes it is all right for the bankers to boost their prices and reap a harvest, but that somehow it is not quite proper for wage earners to ask to share in the increased productivity of the economy. What the administration actually believes in is the old trickle-down system, whereby the main course goes to the high and the mighty, and the leftovers to John Q. Public.

If the administration really wants to do something about the cost of living, I suggest that it stop and reexamine its position on monetary policy.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Delaware. The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. BYRD of West Virginia. I announce that the Senator from Nevada [Mr. CANNON], the Senator from Alaska [Mr. GRUENING], the Senator from North Carolina [Mr. JORDAN], the Senator from Maine [Mr. MUSKIE], and the Senator from Alabama [Mr. SPARKMAN] are absent on official business.

I also announce that the Senator from Virginia [Mr. BYRD], the Senator from Connecticut [Mr. DODD], the Senator from Tennessee [Mr. GORE], the Senator from Florida [Mr. HOLLAND], the Senator from Minnesota [Mr. MCCARTHY], the Senator from Wyoming [Mr. MCGEE], the Senator from Wisconsin [Mr. NELSON], the Senator from Georgia [Mr. TALMADGE], and the Senator from Ohio [Mr. YOUNG] are necessarily absent.

On this vote, the Senator from Florida [Mr. HOLLAND] is paired with the Senator from Nevada [Mr. CANNON]. If present and voting, the Senator from Florida would vote "nay," and the Senator from Nevada would vote "yea."

Mr. KUCHEL. I announce that the Senator from Kansas [Mr. CARLSON], the Senator from Hawaii [Mr. FONG], the Senator from Oregon [Mr. HATFIELD], the Senator from California [Mr. MURPHY], and the Senator from Pennsylvania [Mr. SCOTT] are necessarily absent.

The Senator from Kentucky [Mr. COOPER], the Senator from Wyoming [Mr. HANSEN], the Senator from South Dakota [Mr. MUNDT], and the Senator from Texas [Mr. TOWER] are absent on official business.

If present and voting, the Senator from Kansas [Mr. CARLSON] and the Senator from California [Mr. MURPHY], the Senator from Pennsylvania [Mr. SCOTT], and the Senator from Texas [Mr. TOWER] would each vote "yea."

The result was announced—yeas 54, nays 23, as follows:

[No. 333 Leg.]

YEAS—54

Aiken	Fulbright	Pastore
Allott	Hart	Pearson
Baker	Hickenlooper	Pell
Bartlett	Hollings	Percy
Bennett	Hruska	Prouty
Bible	Inouye	Proxmire
Boggs	Jackson	Randolph
Brewster	Javits	Ribicoff
Brooke	Jordan, Idaho	Russell
Burdick	Kennedy, Mass.	Smith
Byrd, W. Va.	Kuchel	Spong
Case	Lausche	Stennis
Church	Mansfield	Symington
Cotton	McClellan	Thurmond
Curtis	McIntyre	Tydings
Dirksen	Miller	Williams, N.J.
Dominick	Montoya	Williams, Del.
Fannin	Morton	Young, N. Dak.

NAYS—23

Anderson	Hartke	Metcalf
Bayh	Hayden	Mondale
Clark	Hill	Monroney
Eastland	Kennedy, N.Y.	Morse
Ellender	Long, Mo.	Moss
Ervin	Long, La.	Smathers
Griffin	Magnuson	Yarborough
Harris	McGovern	

NOT VOTING—23

Byrd, Va.	Hansen	Muskie
Cannon	Hatfield	Nelson
Carlson	Holland	Scott
Cooper	Jordan, N.C.	Sparkman
Dodd	McCarthy	Talmadge
Fong	McGee	Tower
Gore	Mundt	Young, Ohio
Gruening	Murphy	

So the amendment of Mr. WILLIAMS of Delaware was agreed to.

Mr. GRIFFIN. Mr. President, I wish to make it clear that my vote on the Williams amendment was registered as a procedural protest, rather than as a judgment on the merits.

In my view, a bill dealing with interest rates on Government bonds should not be considered as a rider to social security legislation.

The bill before us, H.R. 12080, as reported from the Finance Committee, is 423 pages long, and surely it is complicated enough.

I will concede that, on the surface at least, there appears to be merit to the amendment offered by the Senator from Delaware [Mr. WILLIAMS]. However, his proposal should be the subject of hearings before it is put to a vote on the Senate floor.

Mr. President, it seems to me that precipitate action on matters of this sort should be avoided, particularly in light of the uneasy and uncertain mood which prevails in the wake of Britain's devaluation of the pound sterling.

Mr. WILLIAMS of Delaware. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. MORTON. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

AMENDMENT NO. 442

Mr. MILLER. Mr. President, I have at the desk an amendment which is now the order of business under a previous unanimous-consent agreement. That amendment has previously been modified slightly.

I send to the desk the same amendment with further modifications which I wish to have considered as the amendment now pending before the Senate.

The PRESIDING OFFICER. The amendment, as modified, will be stated.

The legislative clerk read as follows:

At the end of page 132, insert the following:

" 'METHOD OF DETERMINING REASONABLE COST FOR PROVIDERS OF SERVICES

" 'SEC. 142. (a)(1) Strike out the third sentence of section 1861(v)(1) of the Social Security Act and insert in lieu thereof the following: "Such regulations (A) shall provide for the determination of costs of services on a per diem basis, at the option of the provider of services, in all cases where the circumstances under which the services provided so permit, and, otherwise, shall provide for the determination of costs of services on a per unit, per capita, or other basis, insuring the provider of services reasonable cost reimbursement, (B) may provide for the use of estimates of costs of particular items or services, and (C) may provide for the use of charges or a percentage of charges where this method reasonably reflects the costs. With a view to not encouraging inefficiency, in determining a per diem basis for cost of services there shall be taken into account the per diem costs prevailing in a community for comparable quality and levels of services.

" '(2) The fourth sentence of such section 1861(v)(1) is amended by inserting "(except as might happen by reason of the provisions of clause (A) of the preceding sentence)" immediately after "will not".

" '(b) The amendments made by subsection (a) shall be applicable to services provided under title XVIII of the Social Security Act on and after July 1, 1968.' "

On page 321, strike out lines 20 through 23, and insert in lieu thereof the following:

"(D) for payment of the reasonable cost under section 1861(v)(1) of inpatient hospital services, and, effective July 1, 1970, extended care (skilled nursing home and intermediate care facility) services, and home health care services provided under the plan;".

On page 384, strike out lines 4 through 6, and insert in lieu thereof the following: "under section 1861(v)(1)) of inpatient hospital services effective July 1, 1970, extended care (skilled nursing home and intermediate care facility) services, and home health care services, provided under the plan;".

"(c) Renumber the remaining paragraphs of the bill accordingly.

The PRESIDING OFFICER. The amendment is accordingly modified.

SOCIAL SECURITY ACT AMENDMENTS OF 1967

The Senate resumed the consideration of the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

Mr. MILLER. Mr. President, I yield myself 7 minutes on the pending amendment.

The PRESIDING OFFICER. The Senator from Iowa is recognized for 7 minutes.

Mr. MILLER. Mr. President, the pending amendment has been modified in these main respects.

The first point is that at the very beginning, the amendment, as originally printed, would have struck out pages 133 through 139. As now modified, these pages are left in the bill and, instead, my amendment is inserted at the bottom of page 132.

I point out that the pages that originally would have been struck out relate to State planning agencies and the coordination required with those agencies. I know that some members of the Committee on Finance spent a lot of time drafting those pages, and the feeling was that while the House did not have such language in its bill, those pages should be taken to conference with the House. Therefore, I am not striking out those pages. They will be left intact.

At the same time, I point out that if those pages remain in the bill and my amendment is agreed to and stays in the bill, there will be no inconsistency in the conference between either my amendment or those pages relating to State planning agencies.

I do not know what the House will do. Nobody knows what the conferees will do.

The conferees conceivably could leave my amendment in or out of the bill. They could conceivably leave the pages relating to State planning agencies in or out of the bill. In any event, there would be no difficulty with inconsistent language.

The second thing done in modifying my amendment was, on page 2, starting with the sentence on line 12 and running through the period at the end of line 23, to strike out that language. That language related to the use of the fair market value in determining a reasonable cost basis.

I discussed this matter at some length with the manager of the bill, and it was determined that they could not accept this language. In my judgment, deleting the language would not seriously interfere with the main purport of the bill anyhow.

The main purport of the bill is to allow at the option of the provider of the services, be it a hospital or a nursing home, the use of a per diem basis. Or, if the provider of services does not wish to use the per diem approach, then some other basis for reimbursement can be used, such as a per unit, per capita, or "other basis."

I point out that when we use the language "other basis" on page 2, line 5 of the pending amendment, our intention is that the Secretary be given flexibility in issuing regulations and establishing cost reimbursement methods; that he not arbitrarily stick to any particular one. In individual cases one method may work, and if it is working well, that would be continued.

There might be individual problems in a particular State which would indicate one of these approaches. Another State might develop regulations indicating a different approach. The idea behind the amendment is to give flexibility so that a proper cost reimbursement will be made.

Another thing we have done is to delete lines 3 and 4 on page 3 of the bill, and that was so that the present formula for reimbursing nursing homes will be left intact.

That present formula, which was developed in conference last year, is the "net equity" plus reimbursement for depreciation plus reimbursement for interest plus a 2-percent variable factor formula. That stays as it is.

Then, further, we have on page 3 of the bill provided for payment of the reasonable cost of in-patient hospitals, and, effective July 1, 1970, extended care facilities such as care in skilled nursing homes, intermediate care facilities, and home health care service, according to the flexible formulas itemized under section 1861(v)(1), which is what is covered by the first part of the amendment.

Here again, I want to make clear that when July 1, 1970, comes along, it is intended that there be flexibility for the States and the department to issue their regulations to provide for adequate cost reimbursement.

I believe that this flexible approach is going to be very helpful, not only to hospitals, but also to extended-care facilities. I think it will be helpful to them because there is no question that one of the most controversial problems of the medicare and medicaid programs today concerns the cost-reimbursement methods that have been worked out with respect to many hospitals and many extended-care facilities. It is very important that we do something about this.

If we do not do something about it, we will find that many of these facilities are not going to wish to qualify to serve medicare and medicaid patients.

I said the other day that we could well find literally hundreds of thousands of people who are entitled to service but will not receive service because these facilities will not wish to qualify since they will not be properly reimbursed.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. MILLER. Mr. President, I yield myself an additional 2 minutes.

The PRESIDING OFFICER. The Senator from Iowa is recognized for an additional 2 minutes.

Mr. MILLER. Mr. President, it is my understanding that by deleting the matter relating to the fair market value of the facility, lines 12 through 23 on page 2, we have removed an item which was estimated to cost from $200 million to $350 million.

I personally question those estimates, but for the interest of the Senators who are present, they should understand that that much of the cost estimate has been eliminated because of the modification of my amendment.

With respect to the first part of my amendment relating to the per diem and to the flexible approaches, I understand that the estimate has been that this would cost in the neighborhood of $200 million. However, I would point out that this would result in an additional cost factor of .07; and, according to the committee report, on page 117, there is an actuarial balance of 0.11. So that assuming the accuracy of these estimates—and I question that somewhat—there is no need to concern ourselves with the financing of this amendment.

I also point out that in the cost estimates no account was taken of the fact that action by the committee on one of my early amendments, which they considered during the markup of the bill, will save considerable money. That was the amendment to provide for a second level of care in extended-care facilities. I wish that the costing out of the savings to the Federal Government had been furnished us. I am certain they will be substantial.

I have discussed this matter with the able manager of the bill, and I am hopeful that, now that we have worked this matter out—we have spent a great deal of time with the staff, trying to work this into an acceptable amendment—he will see fit to approve it.

I yield to the Senator from Utah.

Mr. MOSS. Mr. President, I thank the Senator from Iowa, and I am happy to join with him in the amendment he offers.

I have pending at the desk amendment No. 443, which deals in part with the same subject. I have conferred with the Senator from Iowa, and I believe that with the modifications that have now been made in his amendment, the purpose I had in my amendment has largely been satisfied.

In particular, my amendment dealt with the reimbursement of the reasonable cost of services for nursing homes, and it so provided. I believe that the language presently used in the amendment of the Senator from Iowa on page 3 covers nursing homes as well as intermediate-care facilities and home health care services, and by referring back to the formula that is set forth on page 2 of his amendment, it does provide a flexible and reasonable method of determining what those costs are.

At the present time, under title 19, the States are charged with working out a reimbursement formula. This, as I understand it, would still permit the States to work out the formula, under the flexibility that he spoke of, for reimbursement to nursing homes for care of patients who are receiving State or Federal aid. I ask the Senator whether my understanding is correct.

Mr. MILLER. I appreciate the Senator's asking that question.

As a matter of legislative history, I believe we should make it clear, with respect to the flexibility, that we understand we have two situations at present. One situation involves States which have developed regulations which provide for adequate reimbursement. We do not have any problem with them. Other States have not yet so developed their regulations, and there is a great deal of concern on the part of the providers of services in those States.

I believe that the flexible approach as given here will enable the Secretary to make sure that in the case of those States which are not doing a job of providing for adequate reimbursement, they will have to do a job. But in the cases of those States which are already doing the job, there is no need for the Secretary to disturb them; and so long as they come within the concepts and the flexible approaches set forth here, we would intend that their methods be continued. The goal here is adequate and fair reimbursement, not overreaching and not underreaching—adequate and fair reimbursement.

In one State, for example, certain special problems may indicate one approach. In another State, certain special problems may indicate another approach. That is why we have these various formulas set forth in this amendment—to provide that flexibility.

Mr. MOSS. Does the Senator understand that a formula for reimbursement of reasonable cost worked out by the State might well include—in fact, it is expected that it would include—the cost of capital in providing for the services?

One of the matters under consideration for some time in the Subcommittee on Long-Time Care of the Special Committee on Aging is that most nursing homes are proprietary institutions. They require the use of capital in order to operate, and capital costs them money. Many States—some States, at least—have excluded any figure for the cost of capital. Yet, such an institution cannot stay in business unless it can pay for its capital. Therefore, that item should be a cost factor in figuring a reasonable reimbursement. Would the Senator's formula include that item?

Mr. MILLER. The flexibility in my amendment would cover that.

Let us consider an extended-care facility which might decide, at its option, to use a per diem basis. The per diem basis would probably originally be costed out to reflect an adequate return of capital, but I do not imagine that the per diem basis would be supported by detailed accounting schedules showing so much return of capital and so on.

They might use it in arriving at the per diem basis, but I do not believe they would be required to itemize it. I believe the provider of services would submit a per diem cost; and if it was a fair per diem cost, that would be it.

However, I invite the Senator's attention to the fact that we go on to say that, if the provider of services does not wish to use the per diem basis, the regulations shall provide for the determination of costs of services on a per unit, per capita, or "other basis." Now, that "other basis" certainly would include something reflecting an adequate return on capital, and very properly so.

As I have pointed out, by deleting lines 3 and 4 on page 3 of my amendment, we leave intact the present provisions for cost reimbursement, using the net equity plus depreciation reimbursement, plus interest reimbursement, plus 2-percent variable factor formula. Net equity does reflect a certain amount of capital. Personally, I do not believe that net equity is the fairest approach, although perhaps a net equity approach, with a depreciation reimbursement and an interest reimbursement, and a variable factor, will achieve approximately the same result as a return on a total fair market value of a facility without the other reimbursements.

I believe that the Senator has made a very important point—that is, if one of these other approaches is not used, when we talk about "other basis," such "other basis" could well include a fair return on capital.

Mr. MOSS. I thank the Senator.

I wonder whether the Senator would state whether, under the pending amendment, a State would be required to apply the principles of reimbursement issued for medicare.

Mr. MILLER. Let me answer the question this way: On page 3 of my amendment, in the case of outpatient hospitals and extended-care facilities, which include skilled nursing home and intermediate care facility services, and home health care services, there is incorporated by reference the flexible approaches contained in section 1861(v) 1, which I have been discussing.

As I have said, if a State has developed an adequate, decent reimbursement formula, it might not fit under a per diem basis or a per unit basis or a per capita basis—it could be some other basis.

And I have pointed out that some other basis can be used. It would be expected, if this is providing for a reasonable return—not overreaching and not underreaching—that the Secretary would recognize this and let is be continued.

Mr. MOSS. The formula would have to be equal to or better than the standards laid down federally. Is that correct?

Mr. MILLER. I would say this. What is fair and decent is fair and decent. If it is underfair and decent it is wrong; if it is overfair and decent it is overreach-

ing and it is wrong, too. We are shooting for fair and decent reimbursement.

If these various providers of services throughout the United States were uniformly receiving a fair and decent return, this amendment would not be offered. There is not a Senator here who does not know that there are providers of services in his State which are threatening to seek not to qualify or to come under medicare and medicaid because they feel they are not going to be reimbursed properly.

If not, they are going to have to go out of business, or say "No medicare business." I think that either case would be tragic.

Nothing in this proposal is intended to overreach. I mention the estimated cost as $200 million that might result from this particular amendment. I point out that it is covered by financing under the bill. However, where is that $200 million coming from now? If it takes $200 million to be fair and decent, reimbursement is coming out of the hides of the hospitals and the nursing homes, and that is wrong. We should face up to what is fair and decent and legislate accordingly. The flexible approach here would do that.

Mr. MOSS. I thank the Senator. I concur with his amendment.

Mr. President, in order to illustrate what I said about the amendment I proposed, and my belief that it is covered, I ask unanimous consent to have printed in the RECORD amendment No. 443, a summary I had prepared to use in connection with that amendment, and a statement prepared by me. I shall not offer my amendment. I support the amendment of the Senator from Iowa.

The PRESIDING OFFICER (Mr. MONDALE in the chair). Without objection, it is so ordered.

Amendment No. 443, the summary thereof, and the statement, ordered to be printed in the RECORD, are as follows:

AMENDMENT No. 443

On page 350, between lines 2 and 3, insert the following:

"PAYMENT OF REASONABLE COST FOR NURSING HOME CARE PROVIDED UNDER PROGRAMS ESTABLISHED PURSUANT TO TITLE XIX OF THE SOCIAL SECURITY ACT

"SEC. 234d. (a) Section 1902(a) of the Social Security Act (as amended by the preceding sections of this Act) is further amended (1) by striking out 'and' at the end of paragraph (27), (2) by striking out the period at the end of paragraph (28) and inserting in lieu of such period a semicolon followed by the word 'and', and (3) by adding at the end of such section 1902(a) the following new paragraph:

"'(29) if care and services of the type specified in section 1905(a)(4) are included in the plan, provide methods and procedures for determining reimbursement and making payments to nursing homes for care of patients under the plan which the Secretary finds give reasonable assurance that payments for such care are equal to the reasonable costs of the services actually rendered such patients.'

"(b) The amendments made by subsection (a) shall be effective with respect to calendar quarters commencing after June 30, 1970."

AMENDMENT No. 443 TO H.R. 12080

(By Mr. Moss)

The amendment would require States which include nursing home care in their Medicaid (Title XIX) programs to develop methods and procedures for determining the costs of nursing home care rendered welfare patients in their States, set forth these methods and procedures in their State plans, reimburse nursing homes *on the basis of reasonable costs* beginning with the first quarter of fiscal year 1971.

The amendment would make the basis of reimbursement to nursing homes under Title XIX consistent with that used in Title XVIII and with the basis now used for hospitals in Title XIX.

The amendment also would help to assure that States develop systematic methods of determining reimbursement, and the necessary administrative and fiscal controls over reimbursement, nursing homes receive a fair price for services rendered, payment methods do not tend to promote poor care as is now often the case, payments are not made for goods and services not actually delivered to patients.

The shortcomings of nursing home reimbursement systems now in use in most States, particularly with reference to laxity in controls, have been reported by the General Accounting Office. These reports also have expressed the view of the Comptroller General that payments should be related directly to the costs of rendering services.

STATEMENT BY SENATOR MOSS

Mr. President, the bill we have before us, the Social Security Amendments of 1967, as reported by the Committee on Finance is a good and well thought out measure. It contains many important provisions which will contribute significantly to the health and well-being of our retired citizens as well as others whose difficult circumstances can be alleviated through programs under the Social Security Act. I am especially pleased that the Committee has adopted amendments to help assure the proper care of public assistance nursing home patients offered by myself and the distinguished senior Senator from Massachusetts (Mr. KENNEDY).

These amendments are the outgrowth of hearings and studies conducted by the Subcommittee on Long-Term Care, of which I am Chairman, of the Special Committee on Aging. These studies showed that deplorable conditions exist in some nursing homes. In many cases patients who are presumably getting skilled nursing home care under our medical assistance programs are actually receiving no more than custodial care. Our public assistance programs are maintaining many patients in homes that are unsafe and endanger their very lives. State licensing and inspection are not as effective as they should be in assuring safety and adequate care.

The senior Senator from Massachusetts, who is a member of my Subcommittee and who has been very active in this work, joined with me, as did a number of other Senators, in introducing a bill designed to correct many of these deficiencies. He also introduced his own bill which will go far toward upgrading and professionalizing the whole field of nursing home administration. It is these measures, reintroduced as amendments to HR 12080, which the Committee on Finance has adopted and included in the bill before us.

However, the Committee has omitted from the bill which it has reported one feature of my amendment which I consider to be highly important; sufficiently so that I now offer it as an amendment and ask that the Senate add it to this bill. That feature is the provision that nursing home serving Title XIX patients be paid the reasonable cost of services provided.

This is not a novel idea. Under Title XVIII, the Medicare program, both hospitals and nursing homes which serve as extended care facilities are reimbursed on the basis of reasonable costs. In Title XIX States are required to reimburse hospitals on the basis of reasonable cost, but *only* hospitals. The Department of Health, Education and Welfare has recognized the validity of this approach to reimbursement of nursing homes. The supplement to the Handbook of Public Assistance Administration issued in June 1966, relating to the medical care programs under Title XIX, includes the statement that fee structures for institutions such as nursing homes should "focus on payment on a reasonable cost basis determined according to commonly used accounting methods on a per diem or relationship of costs to charges basis."

It is my understanding that reasonable cost reimbursement to nursing homes was considered when Title XIX was enacted in 1965 and rejected because of apprehension that it would add too much to the cost of the program. There is a widespread belief that nursing homes are almost universally underpaid and that to pay them properly would be inordinately expensive. Thus, we have in the law today a payment provision which discriminates between the two types of providers of service.

My amendment No. 294 which the Committee on Finance has largely adopted contained among its provisions a requirement that States also reimburse nursing homes on the basis of reasonable costs. When my amendment was before the Committee the Department of Health, Education, and Welfare again came forward with one of its spine chilling cost estimates. Mr. President, I certainly do not criticize the Committee for its concern over the cost factors in the various proposals it considered. It was the Committee's desire to report to the Senate a prudent and fiscally responsible bill. I believe they have done that and I commend them for their long hours of effort and for the results of their work.

I differ with the Committee, however, on the matter of omitting reasonable cost reimbursement to nursing homes on two grounds. First, I do not believe the Department's cost estimate and, second, I believe that payment on the basis of reasonable costs represents one of the best methods of *controlling* nursing home costs.

The amendment I am offering today would simply call upon States to develop methods and procedures for determining the reasonable cost of nursing home care, to set these methods and procedures forth in their State plans, and after June 30, 1970 to pay nursing homes the reasonable costs of caring for Title XIX patients. Not only does this provide a fair and equitable way of paying nursing homes, but it will provide methods of cost control now sorely lacking in our public assistance programs.

Mr. President, my Subcommittee has given major attention in its studies to the methods now used by the States to determine nursing home reimbursement because of the important relationship of these methods to quality of care. Let me describe our findings.

Ten States now pay for nursing home care on the basis of reasonable costs or reasonable charges. Most of the remaining States establish through negotiation or through legislative of administrative action a single rate of reimbursement for the care of public assistance nursing home patients. It seems to me that the single rate system is inherently incapable of producing good results despite the best intentions of its administrators. If an effort is made to relate the rate determination to cost of care, it is likely to be predicated upon a median level of care among the homes in the State, and for some the rate will be inadequate and for others it will be too high. Furthermore, incentives to poor care are built into this system since the home which cuts corners thereby increases its monetary rewards, while the home which gives full measure may just barely get by or may even lose money on publicly assisted patients.

Some States have attempted to refine their systems with some type of classification. Systems of classifying homes according to the level of care provided give a scale of rates

which may roughly approximate the relative differences in costs involved in these levels of care, but at each level of the classification system we again have a single rate applied and the same disincentives to giving full measure are found among homes in each classification. Then we have the added problem of assuring that patients are placed in homes having the appropriate level of care, and of what to do with the resident of an intermediate care home, for example, who develops intensive care needs.

Some States classify patients according to the care they require and establish different rates for patients needing maximum care, intermediate care, and minimum care. Again we have not gotten away from the basic problem associated with a fixed rate and we have created a still worse problem. We have established a monetary inventive to keeping patients in a maximum care state. The home with an active program of rehabilitation and training in self-care may actually be working against its own financial interest. If a nursing home gets a bed bound patient back on his feet the reimbursement rate goes down.

In short, our present approaches to payment for care tend to discourage initiative and promote passivity in patient care, to penalize excellence, and to assure the continuance of marginal and even substandard homes by giving them a relative financial advantage.

Mr. President, I am convinced that we are paying more than we should for some nursing home care. By paying a fixed rate to all, or to all of a certain classification, we are paying some for levels of care or for services not actually delivered. On the other hand, I am equally sure we are paying some nursing homes inadequately. If we paid all the reasonable cost of services actually rendered, how would it balance out? How much impact would it actually have on the budgets of the States and the Federal government? The Department reported to the Committee on Finance that requiring States to pay on the basis of reasonable costs would increase the cost of the program by at least $200 million per year in Federal funds and a like amount in State funds. I regard that estimate with the greatest skepticism.

Public assistance payments are the economic backbone of the nursing home industry. Sixty percent of all patients in nursing homes are paid for by public assistance, and many homes have virtually all public assistance patients. We are currently paying a total of about $600 million per year for the care of these patients. Now the Department tells us that if we pay the actual cost of care we will be paying $400 million more. In other words, the Department is telling us that we are meeting only 60 percent of the cost involved in taking care of these patients. Mr. President, this seems incredible.

If it is true that we are falling this far short of meeting our obligations under laws we have enacted; if it is true that we are imposing on providers of service and imposing on private paying patients to absorb 40 percent of the burden of a public program; then I say it is a shame and we should put a stop to it forthwith. But I don't believe it is true. We have only to look about us at a thriving industry to see that it is not. No business would survive if it discounted the price of its product to 40 percent below cost for a majority of its customers. Yet nursing homes are surviving. The many homes which have 80 and 90 percent of their patients on welfare rates are not going out of business; indeed, they are expanding and building new facilities. I do not offer an alternative figure to the Department's estimate because the information necessary to derive such a figure has never been assembled by the Department or anyone else. But this estimate is outlandish.

Mr. President, the second and major point I would make about the effect of my amendment on costs is that, far from turning loose the flood gates of the treasury, this approach to nursing home reimbursement provides important and heretofore almost nonexistent methods of cost control. The Department's estimate takes no account of the savings to be made from a reimbursement system based on reasonable costs. While the conscientious nursing home administrator may be underpaid for his services, there is ample evidence that we are overpaying others in terms of value actually received and in some cases paying for goods and services not delivered at all.

The findings of my Subcommittee suggest that in some cases nursing home profits, for example, are extraordinary. At our hearing in Boston, a witness who had directed a study by the State legislature in Massachusetts told us ". . . we were satisfied that the nursing homes figured at least $1,000 a year profit per bed and that was on the basis of (welfare rates)"

This statement was disputed, of course, but its credibility is supported by reports from other States. A survey in another State reported an annual profit of over $1,000 per bed in a home where blind patients were sometimes served scrapings from the plates of others. From another State we heard from an authoritative source of a 28 bed home which realized a profit of $32,000 and another of similar size which realized $44,000. In still another State in another region of the country, a local investigator was shown plans for a new home and was told by the owner that he expected to recover the entire construction cost in three years.

Mr. President, all of these homes have welfare patients. Our public assistance programs are paying a considerable part of these outrageous and unwarranted profits. Of course, a nursing home owner expects to realize a return on his investment. This is entirely proper, but we cannot continue to countenance these kinds of profits squeezed out of public funds at the expense of helpless patients.

Nursing home financing provides in some cases another rat hole into which we are pouring public money. My Subcommittee learned of a case in which a nursing home owner borrowed $1,300,000. That is, he executed a note for that amount but actually received $700,000. Thus it cost him $600,000 to obtain his capital and public assistance funds paid a large share. The same situation was found in the case of smaller loans for operating capital. In the State of Maine a nursing home owner borrowed $8,000, she thought, and later discovered she had signed a note for $15,000. In another case we were told by a former nursing home owner that his interest costs *alone* had amounted to one dollar per patient day; and he, as well as others, told us it was not unusual for nursing homes to pay interest rates aggregating 40 percent per annum.

Mr. President, public funds are paying these exhorbitant financing costs while the care we are supposed to be reimbursing must be curtailed in order for the owner to meet his payments.

Are we paying for goods and services not delivered? We almost surely are. The Welfare Federation of Cleveland testifying before the Committee on Ways and Means on the results of its study of nursing homes reported:

"One nursing home administrator has claimed that his particular home, as well as others, normally obtains household supplies under the guise of drugs for patients, paid for as drugs by old age assistance."

Mr. President, I should like to point out at this time that the statement of the Cleveland Welfare Federation before the Committee on Ways and Means is reprinted in volume two of the hearings of the Finance Committee, which is on each of our desks, at page 973. I think Senators will find this statement, as well as the further testimony of the Federation before our Committee on Finance beginning at page 964, worthwhile reading in connection with the amendment I am offering.

Do the improper payments reported here represent an isolated situation? We believe not. A survey was made of all the nursing homes in another large metropolitan area by a well-known and reputable hospital consultant. My Subcommittee staff has had access to his report which shows that in many cases drugs and medicines for which homes had been reimbursed were being recorded as operating expense. Here are some of his other findings:

More than half of the homes were padding billings to welfare agencies.

Several carried fictitious persons on their payrolls.

Inflating of food cost several times over by the device of the owner buying food wholesale and reselling to his own home was common.

Some owners had set up dummy real estate corporations to own the facilities and charge high rents to the nursing home corporations.

Mr. President, public assistance funds, both State and Federal, are pouring through these cracks in the system. Total public assistance expenditures for nursing home care exceed $600 million annually. How much of these funds is lost through unwarranted payments or even fraudulent payments? How much could be saved by a system of reimbursement based on the reasonable costs of services actually rendered; a system under which claims for payment are supported by appropriate records and accounting information which can be verified and audited? I do not know the answers to these questions and neither does the Department of Health, Education, and Welfare, but I suspect the amounts are substantial.

The General Accounting Office reporting in August 1966 on its study of the provision of nursing home care and prescribed drugs in California noted the possible existence of abuses in several areas and emphasized the inadequacy of the controls exercised both by the State and at the Federal level. At my request the General Accounting Office conducted a study in Ohio also. One of the areas of inquiry was to determine whether payments were being made for services or goods not actually needed by recipients or not actually provided to them. The GAO concluded in its report: "because of inadequacies in pertinent policies, procedures and controls, practices . . . of the types described . . . could exist without detection by appropriate authorities . . ."

In the same report GAO also made the following observation which I think is pertinent:

"The amounts allowed by the State do not vary on the basis of the actual costs incurred by individual nursing homes in providing the required care.

"It appears to us that allowing a nursing home a fixed amount of compensation which does not consider the actual costs of the nursing home may generate economic pressure on the nursing home to reduce costs at the sacrifice of the quality or level of care provided or to avoid incurring increased costs necessary to improve the level or quality of care."

A report just issued by the General Accounting Office on its study of reimbursement methods in Massachusetts details in a most convincing way the shortcomings of reimbursement methods which are not related directly to the costs of services provided. The GAO was critical of the Department for not having exerted leadership in encouraging the States to develop sound reimbursement methods, although the Department's authority to do so is not explicit in the present law, and recommended that the Department

(1) Expedite the formulation and issuance of appropriate criteria and requirements to guide the States in establishing payment rates for nursing home care under public assistance programs;

(2) Require that State plans include a description of the methods and procedures to be used in establishing payment rates; and

(3) Institute effective policies and procedures for the review and evaluation of methods and procedures actually being used by the States in determining payment rates.

Mr. President, under the terms of my amendment these recommendations would be carried out by July 1, 1970, and I concur with the Comptroller General's view that they would help ensure that Federal financial participation in the costs of nursing home care is as effective and economical as possible. But one more element is needed, and that is the establishment of the principle that reimbursement must be related to the reasonable costs of services actually provided.

Mr. President, I wish to make absolutely clear that in citing these abuses I am not attacking nursing homes in general. I will not recite the usual caveat that these conditions are true only of a small minority because it is my impression that they are far more prevalent than this kind of statement implies. But it is clear to me that the present leadership of the industry reflects a solid constituency of reputable businessmen who deplore this exploitation of people and of the public purse as much as anyone.

During the preparation and consideration of this legislation the American Nursing Home Association has played a constructive role. ANHA president Ed Walker of Oklahoma, regional vice presidents Harold Smith of Louisiana and David Mosher of Florida, and others in the leadership of the Association made a number of worthwhile contributions to the development of the legislation and supported it before the Finance Committee. The ANHA also supports the requirement that States pay for care on the basis of reasonable costs. They support this method of reimbursement both because it is fair to the reputable nursing home which gives its patients full measure and because it will help put an end to subsidizing the inept and the unscrupulous out of public funds.

Mr. MILLER. Mr. President, I thank the distinguished Senator from Utah very much. There is no Senator who has worked more industriously to handle these problems I have been discussing than my colleague from Utah. We are joining hand in hand to get a decent and fair job done. I appreciate very much the support he has given.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. MILLER. I shall yield to the Senator but first I wish to inquire of the Chair how much time I have remaining.

The PRESIDING OFFICER. The Senator has 5 minutes remaining.

Mr. MILLER. I thank the Chair. I yield to the Senator from Nebraska.

Mr. CURTIS. If the amendment of the Senator were agreed to and if it became law, what factors could be taken into account in determining the hospital costs that cannot be taken into account now?

Mr. MILLER. Actually, Mr. President, I think that the answer is none. I think the Secretary of the Department of Health, Education, and Welfare has the power to take them all into account. The fact is that he has not done so.

Mr. CURTIS. I shall rephrase my question. What additional factors would he have to take into account that he is not taking into account now?

Mr. MILLER. He would have to provide or permit hospitals to use a per diem cost for medicare and medicare patients, if they wish to do so.

I invite the Senator's attention to line 8 on page 2 where we provide:

With a view to not encouraging inefficiency, in determining a per diem basis for cost of services, there shall be taken into account the per diem costs prevailing in a community for comparable quality and levels of service.

If this amendment is agreed to this would be the first time that Congress has put into the law what everybody knows should be in it; namely, some protective feature to prevent administrative inefficiency from paying off.

Mr. CURTIS. Is per diem cost a defined cost?

Mr. MILLER. The per diem cost approach has been used for years, I am told, by Blue Cross and Blue Shield.

Mr. CURTIS. What is the difference between per diem cost and per diem charge?

Mr. MILLER. My offhand reaction would be that there would be no difference. There should be no difference. Colloquially speaking, there may be some difference in per diem cost and per diem charge, but I would say that it would be a distinction without a difference.

Mr. CURTIS. There is a vast difference between reasonable cost and reasonable charge. An inefficient institution might have a reasonable cost that would be a most unreasonable charge.

Mr. MILLER. For the purpose of making clear what we mean by this, if it has unreasonable administrative costs, it is not going to get away with it because it will not be able to meet the per diem basis prevailing in a community for comparable quality and level of services.

Mr. CURTIS. The Senator understands I look kindly toward an amendment that would better enable full reimbursement for the actual costs that these hospitals are out.

Would the Senator's amendment, as rewritten, grant any relief from the standpoint of depreciation allowance?

Mr. MILLER. I would say that insofar as a hospital is concerned, if the hospital uses a per diem approach and it is not out of line with the per diem prevailing in a community, it is going to be well covered on any depreciation that would be taken into account in computing its per diem cost or charge.

Mr. CURTIS. Does the Senator have an estimate of cost of his revised amendment?

Mr. MILLER. Yes. As I read the estimate I received, it shows a cost of $200 million. I point out that that is a 0.07 percent additional cost. The committee report, at page 117, shows an actuarial balance of 0.11 percent, so that as I said earlier this is an amendment covered by the financing provisions of the bill.

I question very much the estimate of $200 million. The Senator knows how difficult it is to come out and disprove that, which is about as difficult as it would be to prove it. The committee report shows that it is covered on the actuarial balance.

Mr. CURTIS. Mr. President, if the Senator will yield further, the Senator from Nebraska does not want the hospitals to have to subsidize medicare patients. Neither do I want a part of the costs of care for medicare patients paid by other patients. I do not regard a just reimbursement to the hospitals as an enlargement of the program or the benefits. The Congress has already acted upon that. This bill provides for a certain number of days in the hospital. I think we have a duty and responsibility to pay the just charge for that.

It is the position of the Senator from Iowa that his amendment will bring this about.

Mr. MILLER. I thoroughly subscribe to the policy statement which the Senator from Nebraska has just made. My amendment was designed to achieve that policy. I deliberately put in this provision to prevent overreaching:

With a view to not encouraging inefficiency, in determining a per diem basis for cost of services there shall be taken into account the per diem costs prevailing in the community for comparable quality and level of services.

Mr. CURTIS. What is a community? I am talking about the rural areas where there might be one hospital, but not another one within 50 miles.

Mr. MILLER. In a case like that, a reasonable interpretation would embrace a county. It might also embrace counties in the western part of the Senator's State. There is no intention that "community" be limited to a geographical area of a fixed size. For instance, Omaha, Nebr., would, I am sure, be considered a community. I can see, out in the Sandhills country, that it might be three or four counties. The idea is flexibility to permit reasonable reimbursement and to prevent overreaching. I think we can trust the department to be reasonable in what it is going to consider a community.

Mr. CURTIS. There is one more factor which I believe to be strongly in the policy of reimbursement. Not only should we not pay hospitals to subsidize medicare patients, I would say that no patients should have to pay the deficiency of a medicare patient. I certainly do not believe that money should be spent either on the part of the Government or on the part of the hospitals with detailed and costly recordkeeping and accounting.

The PRESIDING OFFICER. All time has now expired.

Mr. MILLER. Mr. President, I yield myself 3 minutes under the bill.

The PRESIDING OFFICER. The Senator from Iowa is recognized for 3 additional minutes.

Mr. MILLER. Let me just say that the Senator echoes my sentiments entirely.

During the brief explanation I gave of my amendment on last Friday, I voiced the very same sentiments. I am sure that hospital administrators have contacted him, and my guess is they have contacted many other of our colleagues, telling us of the great difficulties they have encountered in cost accounting and bookkeeping in order to try to comply with the regulations. If they are able to switch to a reasonable per diem basis, a great amount of the accounting and bookkeeping cost will be avoided.

Mr. CURTIS. Would the Senator go so far as to say that the intent in writing

a reasonable per diem cost would include applying a yardstick to similar or comparable communities, even though they were not contiguous?

Let me illustrate what I mean. Suppose a hospital bill is rendered at a certain level, would it be the Senator's intention that in determining the reasonableness of that bill, they could look at another community even though it be a bit removed, if its size and kind of operation were similar?

Mr. MILLER. I have already answered that question, I think, when I pointed out the flexibility of what constitutes a community. Suppose we have a county in the western part of the Senator's State which may have practically no providers of services.

We might say, "Well now, let us go to the next county and see what they have there and we will take that adjacent community." That would be one way of doing it. My thought would be that the Department would say those two countries constitute a "community," and possibly there is not enough in those two counties constituting a community to give much of a guidance; therefore, they might have to go to three or four counties to determine what is a "community" for purposes of enabling them adequately to determine the prevailing rate.

The concept behind this is that the administrative agency has very good flexibility in determining what is a community. I can see where a community in western Nebraska might be a much larger geographical area than a community in, say, New Jersey. There is no intention that the word "community" be restricted to a limited geographical area, but that it be consistent with the idea of enabling the administrative agency to determine what is the per diem cost prevailing in an area. I could just as well have said "area" as "community." I think, either way, the same result would be achieved.

I hope that answers the questions of the distinguished Senator from Nebraska.

Mr. CURTIS. My point is that nearness should not be the test, but a similar situation.

The PRESIDING OFFICER. The time of the Senator from Iowa has expired.

Mr. MILLER. Mr. President, I yield myself an additional 2 minutes under the bill.

The PRESIDING OFFICER. The Senator from Iowa is recognized for 2 additional minutes.

Mr. JORDAN of Idaho. Mr. President, will the Senator from Iowa yield.

Mr. MILLER. I yield.

Mr. JORDAN of Idaho. I want to commend the distinguished Senator from Iowa for his instructive program and explanation of this matter. The Senator is offering to provide flexibility in the administration of this problem. It will certainly give some major equity to our hospitals and nursing homes.

The Senator's amendment is a constructive amendment and I shall support it.

Mr. MILLER. I thank my colleague very much.

Mr. President, one additional comment. In my colloquy with the Senator from Nebraska, we were talking about the prevailing rate. There is no intention by my amendment that the prevailing rate in a community for a comparable quality and level of services be the rate to which some hospital or extended care facility could increase an otherwise reasonable cost; rather, it would provide a guidepost to prevent excessive charges.

Mr. President, my time has now expired on both my amendment and the bill and I would appreciate it very much if my good friend from Louisiana could accept the amendment.

Mr. LONG of Louisiana. Mr. President, I yield myself 5 minutes.

The PRESIDING OFFICER. The Senator from Louisiana is recognized for 5 minutes.

Mr. LONG of Louisiana. Mr. President, this is a subject we discussed last week. I believe the RECORD will reflect my views on the matter.

The Senator has offered some suggestions which the committee did incorporate into the bill, as did the Senator from Utah [Mr. MOSS]. The proposal has merit to it. It also entails a very considerable amount of cost. I think the Senator has modified the amendment, thus greatly reducing the cost of the proposal. It is something that hospital administrators and those handling the administration of nursing homes have requested.

As the amendment has been modified, I believe it is entirely new language which will go to conference between Senate and House. It is an amendment which has a great deal of support among hospital administrators and those managing nursing homes. It has merit to it. I would be willing to vote for the amendment and take it to conference to see what the House would be willing to agree to, in regard to the subject. The Senator has been cooperative in trying to hold down the cost. It is deserving of consideration by the Senate. Personally, I expect to vote for it.

Mr. CHURCH. Mr. President, will the Senator from Louisiana yield?

Mr. LONG of Louisiana. I yield.

Mr. CHURCH. Let me express my appreciation to the distinguished Senator for accepting the amendment. A number of small hospitals in my State, particularly in the mountain areas, have called to my attention the difficulties they have encountered in the bookkeeping and accounting procedures now required.

I think that the needs of these small institutions will be accommodated by the amendment, and I intend to vote for it.

Mr. HARRIS. Mr. President, will the Senator from Louisiana yield?

Mr. LONG of Louisiana. I yield.

Mr. HARRIS. Mr. President, as the distinguished Senator from Louisiana, the chairman of the Finance Committee, knows, this was a matter of great concern to me in committee.

I am glad to know that he feels he can take this amendment to conference and perhaps work out what we did say in the report is a matter of great concern to the committee. Thus, I appreciate what he is doing here. I want to join in support of what he has just said.

Mr. LONG of Louisiana. As the Senator knows, in the committee we went beyond what the House was able to do in providing more liberal treatment with regard to hospitals and nursing homes. But there is no doubt that even with this amendment we will not do what the hospitals and nursing homes feel should be done. At least, we will be taking a step in that direction. Then we will proceed next year to study what additional problems may remain.

With that understanding, I would be willing to take this amendment and vote for it.

Mr. MILLER. Mr. President, I certainly appreciate the Senator's statement. He has been most fair in this kind of problem. Last year he did his best with respect to extended facilities care. This year he has certainly shown the same disposition.

Mr. President, I ask for the yeas and nays.

The yeas and nays were not ordered.

Mr. MILLER. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The Senator from Iowa has no time remaining on his amendment. It would take unanimous consent for him to suggest the absence of a quorum before the Senator from Louisiana has used his time, unless the Senator from Louisiana yields back his time, or yields time for that that purpose.

Does the Senator from Louisiana yield for the purpose of a quorum call?

Mr. LONG of Louisiana. If the Senator from Iowa wants me to do it, I will yield time for that purpose.

I wonder if the Senator would agree to have a voice vote, because I detect no opposition to the amendment.

Mr. MILLER. A number of my colleagues wanted to be on record in support of the amendment.

Mr. President, I will acquiesce in the leader's request, and let the RECORD show that there has been no objection to the amendment.

Mr. LONG of Louisiana. Mr. President, I would be happy to see that the Senator had a rollcall vote in the event there was any doubt about the outcome, but he is going to prevail almost unanimously. In the interest of expediting the business of the Senate, I think it would be well to have a voice vote. I yield back the remainder of my time.

The PRESIDING OFFICER. All time on the amendment has expired or has been yielded back. The question is on agreeing to the amendment of the Senator from Iowa.

The amendment was agreed to.

Mr. MANSFIELD. Mr. President, I wish the RECORD to note that the vote was a unanimous vote for the amendment.

The PRESIDING OFFICER. The RECORD will so note, without any equivocation.

The bill is open to further amendment.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

If there are no further amendments, we will have to try to go to a third reading. We are trying to get through by Wednesday, so Senators can go home for Thanksgiving.

The PRESIDING OFFICER. Will the Senator state out of whose time the quorum call will come?

Mr. MANSFIELD. On the bill.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BYRD of West Virginia. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment of the Senator from West Virginia will be stated.

The assistant legislative clerk proceeded to read the amendment.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with, and that it be printed in the RECORD at this point.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 274, line 2, strike out "435" and all that follows in such line and insert in lieu of the matter stricken "435."

On page 274, between lines 2 and 3, insert the following:

"AGREEMENTS WITH OTHER AGENCIES PROVIDING ASSISTANCE TO FAMILIES OF UNEMPLOYED PARENTS

"SEC. 444. (a) The Secretary is authorized to enter into an agreement (in accordance with the succeeding provisions of this section) with any qualified State agency (as described in subsection (b)) under which the program established by the preceding sections of this part C will (except as otherwise provided in this section) be applicable to individuals referred by such State agency in the same manner, to the same extent, and under the same conditions as such program is applicable with respect to individuals referred to the Secretary by a State agency administering or supervising the administration of a State plan approved by the Secretary of Health, Education, and Welfare under part A of this title.

"(b) A qualified State agency referred to in subsection (a) is a State agency which is charged with the administration of a program—

"(1) the purpose of which is to provide aid or assistance to the families of unemployed parents,

"(2) which is not established pursuant to part A of title IV of the Social Security Act,

"(3) which is financed entirely from funds appropriated by the Congress, and

"(4) none of the financing of which is made available under any program established pursuant to title V of the Economic Opportunity Act.

"(c)(1) Any agreement under this section with a qualified State agency shall provide that such agency will, with respect to all individuals receiving aid or assistance under the program of aid or assistance to families of unemployed parents administered by such agency, comply with the requirements imposed by section 402(a)(15) and section 402(a)(19)(F) in the same manner and to the same extent as if (A) such qualified agency were the agency in such State administering or supervising the administration of a State plan approved under part A of this title, and (B) individuals receiving aid or assistance under the program administered by such qualified agency were recipients of aid under a State plan which is so approved.

"(2) Any agreement entered into under this section shall remain in effect for such period as may be specified in the agreement by the Secretary and the qualified State agency, except that, whenever the Secretary determines, after reasonable notice and opportunity for hearing to the qualified State agency, that such agency has failed substantially to comply with its obligations under such agreement, the Secretary may suspend operation of the agreement until such time as he is satisfied that the State agency will no longer fail substantially to comply with its obligations under such agreement.

"(3) Any such agreement shall further provide that the agreement will be inoperative for any calendar quarter if, for the preceding calendar quarter, the maximum amount of benefits payable under the program of aid or assistance to families of unemployed parents administered by the qualified State agency which is a party to such agreement is lower than the maximum amount of benefits payable under such program for the quarter which ended September 30, 1967.

"(d) The Secretary shall, at the request of any qualified State agency referred to in subsection (a) of this section and upon receipt from it of a list of the names of individuals re-referred to the Secretary, furnish to such agency the names of each individual on such list participating in a special work project under section 433(a)(3) whom the Secretary determines should continue to participate in such project. The Secretary shall not comply with any such request with respect to an individual on such list unless such individual has been referred to the Secretary by such agency under such section 402(a)(15) for a period of at least six months."

Mr. BYRD of West Virginia. Mr. President, I yield myself 5 minutes.

Mr. President, the District of Columbia Department of Public Welfare was given approval by the Department of Health, Education, and Welfare to conduct a demonstration project for work experience and training commencing in fiscal year 1966. This project, entitled the Work Training and Opportunity Center—WTOC—is financed totally from Federal funds under title V of the Economic Opportunity Act and expires in fiscal year 1968, being limited to a 3-year term. This program did not have as its primary goal the reduction of the ever-increasing aid to the families of dependent children—AFDC—category of public assistance. This program had no provision for taking care of the families of unemployed parents living with their children while they were awaiting training or who were temporarily unemployed but employable.

I proposed to the Senate, therefore, in my presentation of the District of Columbia appropriations bill for fiscal year 1966 that a "temporary assistance program for families of unemployed parents" be established to cover this need.

The Senate and Congress approved my plan and the temporary assistance program for families of unemployed parents was established under District funds.

This program usually referred to under its initials—TAFUP—provides for the needs of children when the parents or parent, or other recognized heads of households, are employable but unemployed and are actively seeking employment, or are waiting for acceptance in training under title V of the Economic Opportunity Act or other governmental job training program. Thus there is a close link with the Department of Public Welfare's Work Training and Opportunity Center program—title V. This program—TAFUP—did not overlap the center program in that financial assistance, social, and job placement services are provided for families not receiving public assistance and not reached immediately under the Department's Work Training and Opportunity Center program. Under this temporary assistance program, social workers and job development and placement specialists worked intensively with families and parents to provide positive rehabilitative services.

The major conditions of the TAFUP program are—

First. Temporary assistance provided to a family does not exceed 6 months—26 weeks.

Second. Assistance is not available to families receiving unemployment compensation, public assistance payments, or families participating in the Department's Work Training and Opportunity Center program.

Third. The maximum assistance payment is $200 per month, based on the size of the family, and no family receives a higher payment than would be received by a comparable size family under the AFDC program. Resources and earnings are deducted as is done under current assistance programs.

Fourth. Assistance payments are made on a weekly basis, substantiated by a continuing certification of eligibility.

Fifth. Payments cease when full-time employment is secured or the head of the household is participating in the Department's Work Training and Opportunity Center program.

Sixth. Failure of the head of the household to participate in training offered or to accept bona fide employment makes the family ineligible for this program.

Since the District of Columbia Department of Public Welfare's WTOC program expires in fiscal year 1968, the Committee on Appropriations in the District of Columbia appropriations bill for fiscal year 1968 approved an expanded TAFUP program with emphasis on job finding and placement and included funds to contract for training. The Senate and House approved this plan. A new component of this comprehensive program is to be the temporary employment of recipients at prevailing wage rates. The Senate Committee on Finance, on page 153 of Report No. 744 on the Social Security Amendments of 1967—H.R. 12080, stated:

Finally, it is the understanding of the committee that the administration is going to phase out the work experience and training program under title V of the Economic Opportunity Act. Such action appears highly desirable inasmuch as there is much duplication between that temporary program and the permanent work training program provided by this committee, and the Committee on Ways and Means, under the Social Security Act.

In the same Report No. 744, the Senate Committee on Finance approved the establishment of a work incentive program for individuals in families drawing AFDC

to be administered by the Department of Labor upon referral by the State welfare agency—see pages 26, 27, 147 through 157.

The amendment I have offered provides that the temporary assistance for families of unemployed parents of the District of Columbia Department of Public Welfare will be included in the work incentive program approved by the Senate Committee on Finance. I offer this amendment because I believe in training and in welfare recipients returning to or becoming a part of the productive segment of America.

So, Mr. President, the amendment which I am introducing fills a small but important gap in the work incentive program which would be established under the bill. The work incentive program is, in my opinion, one of the most significant features of the bill before us. It has been very carefully worked out under the leadership and guidance of the distinguished chairman of the Finance Committee. I believe the program has high chances of succeeding in reducing Federal expenditures in the program over the years ahead. Under the work incentive program those adults on the AFDC rolls would be referred to the Labor Department and placed in the work incentive program. Under priority one of the program, the Labor Department would provide testing and counseling and attempt to place the person in a regular job in the regular economy. Under priority two in the program each person who could benefit from training or work experience would be furnished training for jobs available in the area. Under the third priority those who are found not suitable for further training or who cannot be placed in regular employment at the time would be placed in special work projects. Under these special work projects the Labor Department would use the assistance payments which would otherwise be paid to the people in the project to subsidize public service type work for a public agency or a nonprofit agency organized for a public purpose.

As I indicated, Mr. President, the emphasis on restoring people to work in the committee bill is to be lauded. Moreover, the committee has wisely established an earnings exemption in the program so that those who do work will have some benefit for their labor. Moreover, the committee recognized the importance of furnishing adequate day-care services to the AFDC mothers who will be referred to the program.

Mr. President, the work incentive program in the bill applies to the AFDC programs established under title IV of the Social Security Act and is financed in large part by Federal funds. The amendment which I have introduced would also include assistance programs which are financed through Federal appropriations but not through the Social Security Act.

For example, the District of Columbia has a program for temporary assistance to the families of unemployed parents which is not funded through the Social Security Act but which is, of course, financed by funds appropriated by the Congress. My amendment would assure that the recipients of this program will have the advantages which would flow from participation in all phases of the work incentive program. Moreover, my amendment would assure that this program, and the recipients under it, would be treated in exactly the same way as a regular AFDC program financed through the Social Security Act. My amendment would provide that the recipients under the programs covered by my amendment would have the advantage of the earnings exemption provisions under the committee bill. Under those provisions an AFDC recipient who takes a regular job would be able to keep the first $50 of his monthly earnings plus 50 percent of the remainder. Moreover, the provisions requiring the Labor Department, rather than the Welfare Department, to determine when an individual has good cause for not participating in a program would apply as would the provisions which would cut off aid to an individual who refused work or training without good cause but not to his children.

In addition, those recipients of the District of Columbia program which were found suitable would participate in the special work projects. The assistance money which would ordinarily have been paid to these individuals would be turned over to the Labor Department just as in the case of a regular AFDC recipient. When the assistance under the temporary of District of Columbia program would ordinarily be cut off, an individual in a special work project would be dropped from the project unless the Labor Department certied that it was appropriate for him to continue in the program and unless the District of Columbia Welfare Department waived the TAFUP time limitation cutting off the assistance in a particular case so affected by that limitation. In that event the District of Columbia program would continue to turn over the assistance payment to the Labor Department for use in subsidizing the project.

Mr. President, in summary, my amendment would allow the District of Columbia program to participate in the work program under exactly the same conditions as though it were a regular AFDC program, and it is designed to further the purposes of the work incentive programs in the committee bill.

Mr. President, it is my understanding that the chairman of the Finance Committee, [Mr. LONG] and Senators CURTIS and WILLIAMS of Delaware, are in agreement with this amendment—I having previously discussed it with them—and will interpose no objection to it.

Mr. LONG of Louisiana. Mr. President, I yield myself 5 minutes.

In view of the fact that he carries the heavy burden of the appropriations for the District of Columbia, the Senator from West Virginia is always very diligent in analyzing each bill as to the effect it would have, if passed, on the District of Columbia.

The Senator has discussed this matter with members of the committee staff, and also with some of us on the committee. I am convinced that he has a meritorious amendment. We certainly would want the District of Columbia to participate fully in the work program that the bill provides, because we believe it is desirable to see that, insofar as possible, anyone who has a potential for work be encouraged to accept constructive employment, and we believe he would be better off because he did so.

The Senator, in suggesting that the program could be more effective in the District of Columbia, has made a worthwhile suggestion, and I propose to support his amendment.

If any Senator wishes to speak in opposition, I shall be happy to yield him time.

Mr. President, I yield back the remainder of my time.

Mr. BYRD of West Virginia. I yield back any time I may have remaining.

The PRESIDING OFFICER. All remaining time having been yielded back, the question is on agreeing to the amendment of the Senator from West Virginia.

The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. BROOKE. I send to the desk an amendment, and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The ASSISTANT LEGISLATIVE CLERK. The Senator from Massachusetts [Mr. BROOKE] proposes an amendment, as follows:

On page 237, line 19, insert the words "or part-time" after the words "full-time".

Mr. BROOKE. Mr. President, that should be modified to read "or part-time student who is not a full-time employee."

The PRESIDING OFFICER. The amendment will be modified accordingly.

The amendment of Mr. BROOKE, as modified, is as follows:

On page 237, line 19, after the word "student" insert "or part-time student who is not a full-time employee".

Mr. BROOKE. Mr. President, I think we are all agreed that the goal of welfare assistance is to make as many Americans as possible independent of its benefits.

Welfare, as it was originally conceived, was designed to help those who, for one reason or another, could not help themselves. The first recipients of welfare were those for whom the community accepted a legitimate responsibility: the aged, the disabled, the unemployed, and the children of the unemployed.

But in the course of the last decade, we have seen the welfare roles increase at an alarming rate. The number of families receiving aid to families with dependent children has doubled in 10 years. The number of children receiving AFDC now stands at close to 5 million. The unemployment rate, while only 4.3 percent on a national average, reaches 30 percent, 40 percent, even 50 percent in many of our urban slums. Our city schools, which should serve as the key to progress, have all too often stood as barriers to achievement and initiative.

Welfare, in and of itself, is not desirable, as those who are its recipients are generally the first to acknowledge. For those who can work or who could work, given the proper training and opportunities, there is something about relief which cripples the spirit and violates the

recipient's sense of honor and self-respect. Relief has not "work," if by "working" we mean offering some promise for permanent, constructive solutions. It has relieved the desperate pressures, but it has accomplished little toward helping those who receive it to escape from their unfortunate condition.

Those Members of Congress who have worked most intimately with the legislation now before us are well aware of these limitations of our welfare system. The emphasis of the present bill upon job training, earnings incentives, day-care and medical-care facilities, and similar self-help programs, shows an enlightened and essential awareness that welfare must cease to be a dead end. It must become an avenue to a better life.

In keeping with this goal, I am convinced that there is one area in the present legislation where one more step in the right direction would reap returns far in excess of any potential costs. This is in the area of earnings exemptions under the present program of aid to families with dependent children.

Both the House and Senate versions of the bill contain the provision that all earnings of children under 16, and all earnings of children between the ages of 16 and 21 who are full-time students, can be excluded in determining a family's need for assistance. This is a good provision, as far as it goes. But it does not go far enough. Full earnings exemptions should be allowed for part-time students as well.

We are not dealing with an ordinary question of incentives when we talk about the children of the slums. We are talking about children who have been deprived from birth of the necessary exposure to vocabulary and sentence structure, who have never been encouraged to hold a respect for learning, who have had little incentive to exercise their imagination and ambition. We are talking about children who attend school for years in rundown, overcrowded buildings, who use textbooks and materials which do not deal with the world as they know it, and therefore seem irrelevant. We are dealing with children who may never have a place to study, or even to read or to think. These children see, in the defeat of their parents and neighbors, little incentive to try to improve their own lives. Thirty-one percent of the children who complete ninth grade in the schools of our major cities fail to receive their high school diplomas. And the dropout rate for the slum areas of these cities is of course even higher than the citywide average

Those city students who do finish high school find themselves at an immediate disadvantage when they apply for jobs or attempt to further their education. The instruction which they have received has not prepared them to compete with the graduates of advanced suburban schools. Even those who have kept up all through high school may still find that they lack certain basic skills. Youngsters with a high school diploma all too often find themselves washing dishes or driving cabs or working at the variety of part-time jobs which the large urban centers offer.

Many of these youngsters might want to take job training or further their education. But the odds are against them. Vocational and technical schools, and even secretarial schools, are rarely located in the slums. Going to school may mean giving up an opportunity for a part-time job. It may mean hours of travel in addition to hours of classwork. It will certainly mean expenses: tuition, books, transportation, and clothes, often amounting to several hundred dollars a year. And it will inevitably mean being placed in competition with children from more advantaged backgrounds.

Given all of the environmental handicaps, it is a rare young man or woman who will venture forth from the slums for further education. I seriously doubt if many of our most disadvantaged young people will be tempted by a full earnings exemption for full-time students. They cannot afford to be full-time students. In some cases their families are dependent upon the extra wages they can bring in, and will not let them be full-time students. And in all too many cases they could not keep up academically with a full-time educational program.

But a full earnings exemption for part-time students might very well be the program for which we are searching. Many youngsters who would not go back to school full time might be encouraged to enroll for one or two courses in a vocational school or community college if they could be assured that this would not adversely affect the family's income. Students whose jobs might not enable them to attend school full time might find that they could afford the time and expense of a part-time education. The education which they thus received might easily be sufficient to enable them to find a steady job, to improve their earning power, and to at last begin the long trek out of the slums.

I believe this program is worth trying. I urge that my amendment, to provide a full earnings exemption for part-time as well as full-time students, be adopted.

Mr. HARRIS. Mr. President, will the Senator yield?

Mr. BROOKE. I yield to the distinguished Senator from Oklahoma.

The PRESIDING OFFICER. How much time does the Senator yield?

Mr. BROOKE. I yield the Senator 2 minutes.

Mr. HARRIS. Mr. President, I commend the distinguished Senator from Massachusetts for presenting what appears to me to be a needed perfection of the committee language and intent.

I ask unanimous consent that I may be listed as a cosponsor of the amendment.

Mr. BROOKE. Mr. President, I am happy to accept the distinguished junior Senator from Oklahoma as a cosponsor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LONG of Louisiana. Mr. President, I yield myself 5 minutes.

The PRESIDING OFFICER. The Senator from Louisiana is recognized for 5 minutes.

Mr. LONG of Louisiana. Mr. President, as the bill passed the House, it provided that earnings of a student during the time he was in school would not be counted. If a young person attended school for 9 months and was out of school during the summer recess, his earnings during the 3-month period he was not attending school would be counted against the eligibility of the family to receive public welfare assistance.

The Senate Committee on Finance felt that if a young man or young woman were a full-time student, 9 months out of the year, that his earnings should not be counted for eligibility to receive aid to dependent children merely because the child was working during the summer recess. Therefore, we liberalized the House position to exclude from consideration such earnings if the person involved were a full-time student.

The Senator very properly raises this question about a person going to school who is unable to attend school full time, but who does attend school part time.

We would not want to let someone abuse the aid-for-dependent-children program by means of being a full-time employee and holding a job, which would probably disqualify the family from receiving public welfare assistance.

We do believe the Senator's position has merit insofar as it has to do with a person who is a part-time employee and, by virtue of that, is, of course, able to attend school on a part-time basis. For that reason, I have no objection to the amendment as modified. I will be glad to take it to conference.

I believe that it would add to the area of compromise that would exist between the House and the Senate on this issue. During the time that intervenes between now and the time the conference is concluded, we could have the advice of the Department of Health, Education, and Welfare and those who studied the problem to see what abuse they might see that we should deal with, if we felt it necessary to do so.

I believe the amendment deserves consideration, and I will be glad to take it to conference.

Mr. BROOKE. Mr. President, I thank the Senator from Louisiana.

Mr. President, I ask unanimous consent that the names of the senior Senator from New York [Mr. JAVITS] and the junior Senator from Tennessee [Mr. BAKER] be added as cosponsors of my amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LONG of Louisiana. Mr. President, if there is no further request for time, I yield back the remainder of my time.

Mr. BROOKE. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. All time having expired, the question is on agreeing to the amendment of the Senator from Massachusetts.

The amendment was agreed to.

AMENDMENT NO. 456

Mr. LONG of Louisiana. Mr. President, I yield myself 2 minutes on the bill.

The PRESIDING OFFICER. The Senator from Louisiana is recognized for 2 minutes.

Mr. LONG of Louisiana. Mr. President, I submit an amendment and ask that it be printed and lie on the table.

The amendment has to do with the manner in which the Government would pay for drugs under the medicaid and public assistance programs.

The PRESIDING OFFICER. The amendment will be received and printed and will lie on the table.

Mr. LONG of Louisiana. Mr. President, there is at least one other major amendment that will be offered to the bill by the Senator from Delaware [Mr. WILLIAMS]. I do not believe he cares to have a vote on the amendment at the present time. I believe he prefers to offer the amendment tomorrow. I have not had occasion to see the amendment. However, I have some idea of what he plans to offer.

Mr. WILLIAMS of Delaware. Mr. President, I was planning to offer my amendment tonight so that it would be the pending business on tomorow or, in the event I was not here when we adjourned, I thought we could have an understanding that my amendment would be offered at that time.

There may be two other amendments that I know of, but I hope they can be disposed of tomorrow.

Mr. LONG of Louisiana. Mr. President, I hope that all Senators will be ready to offer their amendments and have votes on them.

The amendment I am submitting is a major amendment, and the same thing would be true with respect to the amendment of the Senator from Delaware.

I believe it would be well to have these amendments printed so that Senators can look at them.

I am willing to proceed now with my drug amendment, if the Senator cares to do business that way. He probably prefers that his amendment be printed and considered tomorrow morning.

Mr. WILLIAMS of Delaware. The Senator is correct. There is no reason why we cannot dispose of the amendments one after another.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. MANSFIELD. Mr. President, there are many more amendments than seems to be the case at the moment.

The Senator from Oklahoma [Mr. HARRIS] will offer an amendment first. Then the Senator from Iowa [Mr. MILLER] has another amendment.

I understand from the desk that the Senator from Colorado [Mr. ALLOTT] has two amendments.

My colleague, the junior Senator from Montana [Mr. METCALF], has another amendment.

The junior Senator from New York [Mr. KENNEDY] has seven amendments.

I hope that we will not take things for granted too soon and that, instead of having all these amendments printed tonight, as the Senator from Iowa suggested, he might offer his amendment so that it may be disposed of and we may get out for Thanksgiving.

Mr. LONG of Louisiana. Mr. President, in line with what the distinguished majority leader has said, if Senators have amendments, I want them to keep in mind that if they are not submitted until Wednesday, there will then be a time limitation of one-half hour on each side, and the time will be very short on Wednesday.

If we think an amendment is meritorious, we will be glad to accept it. If we do not think an amendment is meritorious, we will oppose it.

Mr. WILLIAMS of Delaware. Mr. President, if we keep the amendments rolling this afternoon, I see no reason why we cannot dispose of the amendments this afternoon. I have another amendment which I would like to call up, at least one, which can be disposed of without printing. But I think there are several other amendments.

Mr. MANSFIELD. I understand that the Senator from New Jersey [Mr. WILLIAMS] has two amendments. I hope he will present them so that the Senate can keep moving.

I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HARRIS. Mr. President, I offer the amendment which I now send to the desk and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

On page 25 between lines 10 and 11 it is proposed to insert the following: "effective July 1, 1969, provide for assistance to children in need because of the unemployment of their father as provided in section 407."

Mr. HARRIS. Mr. President, the amendment would amend the present law in regard to aid to families with dependent children so as to make mandatory what is now permissive for the States in regard to aid to children of unemployed fathers.

Present law provides for Federal matching funds if a State adopts such a program on a purely permissive basis. The amendment would make the adoption of such a program mandatory in each of the States.

The amendment provides an effective date of July 1, 1969, but I wish to make it clear that it is the intent of myself and the cosponsors of the amendment, who are listed in the amendment, that it should become effective as rapidly as possible, and that this legislative intent is to be governing upon both the Secretary of Health, Education, and Welfare and the States.

The only reason why the delayed effective date is necessary is to give States an opportunity to change their State plans without taking away from them in the meantime the Federal matching funds for aid to families with dependent children, particularly States in which the legislature does not meet every year. They, especially, will need the additional time in order to change their State plans so as to be in compliance with the amendment.

The amendment seeks to correct a present serious defect in the law. The effect of the present law, which in most States denies aid to dependent children whose fathers are unemployed, is to encourage further the breakdown of families, and illegitimacy.

As I have traveled the United States recently, visiting in the slums and ghettos of many of America's cities, I have found that the welfare system, itself, in many States encourages the breakdown of families, because it requires that a father in a family, otherwise entitled to aid to families with dependent children, but who is unemployed, leave his children and his home so that they may be able to receive assistance. I believe that is a terribly detrimental effect of the welfare system which must be corrected immediately.

There is even more reason why the amendment should be adopted now, in light of the work-training provisions in the bill reported by the committee.

I might say, Mr. President, that I offered the same amendment in the Committee on Finance, and it was rejected by voice vote.

In the bill, we presently provide incentives in connection with new work-training programs for those receiving aid to families with dependent children. Since an unemployed father, under the mandatory program provided in the amendment, would immediately become eligible for those work-training programs—as a matter of fact, under other provisions of this bill, he would be required to go into one of those work-training programs within 30 days after he begins to receive assistance—there is no reason now why we should not make this program for unemployed fathers mandatory, uniformly throughout the States.

The Department of Health, Education, and Welfare today estimates that the cost of this program to the Federal Government would be $60 million, and to the States the cost would be between $30 million and $35 million. However, my own judgment is that those figures are probably high, by reason of the work-training provisions which are otherwise in this bill and for which such an unemployed father would immediately become eligible.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. HARRIS. I yield myself 2 additional minutes.

Mr. President, in addition to the terrible effects of the present welfare systems upon the family in most of the States—and I might say that only 22 States to date have adopted some kind of program for unemployed fathers under present permissive provisions of the law—there is another effect, the fact that the lack of uniformity in welfare laws among the various States is a contributing factor to the rural-to-urban migration of our population which has occurred so rapidly within recent years and which has exacerbated the problems of our cities.

In the decade between 1950 and 1960, 11 million Americans moved from rural areas and small towns to the cities, and that movement is still going on at the rate of 500,000 to 600,000 per year. Since 1950, 5,300,000 poor, largely Southern

Negroes have moved from rural areas and small towns to the large cities, and this fact is a part of the present problems we face, of a very deep crisis nature, in most of the cities of America.

While the effect of the welfare system and the lack of uniformity among the various States, particularly with regard to unemployed fathers, may not be a major factor, it is nevertheless a contributing factor in the migration of population; and the adoption of this amendment would tend in the opposite direction.

Therefore, for those reasons—first, in order to help strengthen families rather than tear them down, as present welfare systems do in most States; second, to tend toward slowing down the rural-to-urban migration of population, and, third, to allow these men, under this mandatory system in each State, to thereby become eligible for the new work training provisions of this bill—I urge the adoption of this amendment.

The PRESIDING OFFICER. Who yields time?

Mr. LONG of Louisiana. Mr. President, I yield myself such time as I may require.

Mr. President, the Senator directs his amendment at a point in the law that does not appear logical with regard to a great many States.

In the case of a family with children, where the father is unemployed, the family is not eligible for welfare assistance if the father is less than 65 years of age and able bodied. If the father abandons his family, the mother could seek aid for the dependent children and obtain welfare assistance. It is argued that the welfare law tends to work out, in that regard, as an incentive to break up families and to break up homes.

In 1962 Congress passed a law that provided that families could be eligible for welfare assistance for aid to dependent children where there was an unemployed parent in the home, and 22 States have taken advantage of the law in the 5 years it has been on the statute books. That means that 28 States have not elected to take advantage of it.

Personally, Mr. President, I believe that the 22 States which took advantage of the law did the right thing. I believe that it is logical to support the Senator's argument in that regard, on the merits.

It is fair to ask whether we want to tell the 28 States—a majority of the States of the Union—which did not elect to take advantage of the law that as a condition of having a program of this type, they must do what the Senator from Oklahoma believes they would be wise to do, and what I agree would be a wise course for the States to follow, if they were so disposed.

This matter was considered in the committee. The committee was impressed by the fact that the cost estimate was $60 million, as the Senator has correctly stated. The vote was by a voice vote or by a show of hands, and the overwhelming majority of the committee did not believe that this proposal should be added to the bill.

It is fair to ask whether we want to require a majority of the States to do something they have a right to do and have elected not to do over a period of 5 years. Upon that basis, I would be reluctant to vote for the amendment.

Mr. President, perhaps some Senators feel more strongly about this matter than I do. If any Senator cares to express himself with regard to the matter I would be happy to yield to him at this time.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. CURTIS. What is the position of the Senator from Louisiana?

Mr. LONG of Louisiana. I would personally expect to support the view of the majority of the committee that inasmuch as 28 States have not elected to avail themselves of this right to make aid to dependent children available where there is an unemployed parent in the family, that then, in view of the cost, we should not require States to do it; it would be voluntary with the States. They could do it in their programs. That was the view of the majority of the committee.

I have considerable sympathy for the position of the Senator from Oklahoma on the merits of his argument. I do think that there is a fair question whether we would want to make the majority of the States do something they had a right to do and which they have elected not to do.

Mr. CURTIS. Mr. President, if the distinguished chairman of the committee will yield further, it would be my opinion that we should reject the amendment, for this reason. The program is available. The Federal funds are there. The Federal Government has done its part. Now, with fewer than one-half of the States availing themselves I doubt that we should make it mandatory on all of the States. If we were dealing with a recalcitrant few and the predominant and sizable majority of the States supported this proposal, then we might consider compelling States to comply. However, to do it at this point certainly would be compelling the majority to do that which only the minority has elected to do.

I would support the position of the Committee on Finance.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. WILLIAMS of Delaware. Mr. President, another argument that was made in our committee to reject the amendment at that time was that 28 States which do not have similar programs would be automatically disqualified until their legislatures were back in session to get the matter worked out. If this proposal were going to be considered, it should be considered separately so that States could come in and present plans. If the Senate were to agree to the proposal, it should be with adequate time for States to bring themselves into compliance.

Mr. HARRIS. Mr. President, I yield myself 1 minute.

The PRESIDING OFFICER. The Senator from Oklahoma is recognized.

Mr. HARRIS. Mr. President, I ask unanimous consent that the names of the following Senators who assisted in the preparation and presentation of this amendment be added as cosponsors of the amendment: Senators CLARK, HART, HARTKE, KENNEDY of Massachusetts, KENNEDY of New York, PELL, JAVITS, MONDALE, MORSE, WILLIAMS of New Jersey, and YARBOROUGH.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HARRIS. Mr. President, I yield 5 minutes to the Senator from New York.

Mr. KENNEDY of New York. Mr. President, I rise in support of the amendment of the Senator from Oklahoma.

I think that of all the amendments being considered, and I include the amendments I am recommending, there is not a more important measure than this amendment.

We are all concerned that over the period of the last few years there has been a breakdown of the family unit, the fact that the family unit has meant less and less, that there have been fewer family ties, and fewer ties to the father. The father means less today in the household than he did 20 years ago and this is particularly true insofar as the impoverished and the poor are concerned.

One of the basic problems of the poor has been our welfare program over the last 30 years. We have handed out welfare payments to those who are poor. We thought that would satisfy the problem and that was all we needed to do.

However, a basic part of the problem has been the breakup of the family unit. They were unable to receive the welfare payment unless the father left the house. There were no jobs for the father, so that to receive payments in order that the children might eat and the young members of the family might survive, the father had to leave the house. There was the question of the natural inclinations of the man and woman. Children continue to be born, and it has turned out that a high percentage of the children born in these areas of the United States are illegitimate.

First, the father was unable to get a job because we would not provide sufficient jobs for them in those areas of our urban cities. Second, we made it impossible for the wife and the children to receive money from the welfare program unless the father had left the house. This has been one of the basic reasons that this program has not been as effective and as successful in the past as it should have been.

I think the amendment of the Senator from Oklahoma goes to the heart of the problem by providing the strength of the family unit and by providing the family will be paid if the father stays with the family, and the children will receive money not only when the father leaves the house.

I do not agree with the argument that is sometimes made that we are going to pay only in the case of children who are hungry if they are illegitimate. In the present situation we make it a premium for the father to leave the house. Under our present system in the United States, in the case of the family that is poor, if the children are illegitimate and the father has left the house, the family will do much better. I think that the Senator from Oklahoma has recognized that. His amendment goes to the heart of this problem. It would make programs much

more effective in the future and it would make the family unit mean something. The father would stand for something.

We can all be appalled at statistics which show that last year 50 percent of all children who were born in Harlem Hospital, which has a high rate of welfare patients, were illegitimate. In the Baltimore City Hospital, which also serves the poor primarily, 72 percent of the children born last year were illegitimate.

One of the basic reasons, and the argument that one hears over and over again, is that the father cannot find a job and the children cannot get help from the welfare department unless the father leaves the home. So the child goes out and protects the door to see whether the guard is going to come in so that his father can come home occasionally to see the wife, and then, there are more illegitimate children.

Mr. President, it seems to me that we should make the father responsible and receive the training which is outlined in the program. That is extremely important. Also we should make it possible for the father to stay in the house, to try to find a job, and for the children to receive aid and assistance during that period of time. This proposal goes to the heart of the problem.

In my judgment, one of the basic reasons we have had crime, lawlessness, and disorder in the United States has been the breakdown of the family unit. The only way to deal with that problem is to deal with the problem of welfare and the basic problem of permitting the father to stay in the house and look out for his children. If he is having difficulty receiving employment or training, the children should receive subsistence during that time.

The PRESIDING OFFICER. The time of the Senator has expired. Who yields time?

Mr. HARRIS. Mr. President, I yield 2 minutes to the Senator from New York.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. KENNEDY of New York. I yield.

Mr. CURTIS. I would like to ask the Senator from New York if the State of New York has this program.

Mr. KENNEDY of New York. It is one of the first States to do so. Approximately 28 States do not.

Mr. CURTIS. The Senator cited instances of births in hospitals in New York. The adoption of the amendment of the Senator from Oklahoma would have no bearing on this problem.

Mr. KENNEDY of New York. It would. It is not understood among the welfare recipients and potential recipients in the country. Mitchell Ginsberg, who is the commissioner of welfare in New York, has pointed out that only one-half of the people eligible for welfare in New York apply for it. There is a lack of understanding and a lack of comprehension. Thus, it is generally accepted that if the father lives in the house the family cannot receive welfare payments.

Mr. CURTIS. That is not true in New York.

Mr. KENNEDY of New York. It is not true, but there is a lack of understanding. If we agree to the amendment of the Senator from Oklahoma there will be understanding, not only in New York but across the country, to the effect that the family unit means something and that we expect the father to remain in the house and to support and take care of the children and give the family direction. Those things do not exist under our program at the present time.

The PRESIDING OFFICER. Who yields time?

Mr. HARRIS. Mr. President, I yield myself 3 additional minutes.

The PRESIDING OFFICER. The Senator from Oklahoma is recognized for 3 additional minutes.

Mr. HARRIS. As the Senator from New York has just said, I think this is an extremely serious defect in the present welfare system. We affluent Americans cannot have it both ways. We cannot say that people are to be condemned for the breakdown of their families on the one hand and then, by our vote, continue a system in most of the States which encourages the breakdown of families.

I was in a midwestern city recently, walking through the slums and talking to the inhabitants there, and I came upon a group of young men between the ages of 18 and 25, about 15 in number, out of work, unemployed, but looking for jobs.

I talked to them personally. Their greatest cry was for jobs, and the ability to make a living for themselves and their families. Most of them were fathers. One young man was the father of five, another the father of three. They kept saying to me, "I need a job. Can't you help us get jobs?"

I talked to a young social worker there, as we walked away, and asked him, "How are the families of these young men living?" He told me that they did not live in that area of town, that they came from another area, but that they must stay away from their families and their homes in order for their families to eat, so that their families would not starve.

Mr. President, there is something desperately wrong with an American system which encourages fathers to leave their homes.

I beg of Senators, with this opportunity now at hand, to reform this terrible defect in our welfare laws.

Now is the time to do it.

I can understand the arguments used in the past against making this mandatory on the States, but those arguments no longer have the validity they had, if they ever had much validity—and I think they had very little. Because, having written into this law the work-training provisions, we can now, with this amendment, let the unemployed fathers take advantage of the work-training provisions in the bill. As a matter of fact, under other provisions of the bill, as I said earlier, within 30 days after they go on the assistance rolls, as a result of this amendment, they will have to become a part of the work-training programs of the bill, either on jobs, or training, or other work-training provisions in the bill.

This is a highly important provision that needs to be adopted and needs to be adopted now. In my judgment, the costs will be negligible against the terrible, deleterious effects the present system has on the family.

I hope, therefore, Mr. President, that the amendment will be adopted.

Mr. President, I yield myself 1 additional minute.

The PRESIDING OFFICER. The Senator from Oklahoma is recognized for 1 additional minute.

Mr. HARRIS. Jobs are the most desperate need of the poor in this country, as well as training for the poor—training and jobs where the poor people are located. There are simply not enough jobs to go around. That is why we have to have the work-training provisions of the bill, and the additional provisions are needed in the law for the use of sub-professionals in almost all areas of our public life and also the subsidization of private industry for employment and training of the poor.

I give one illustration. Out in Watts, where, a short time ago, that terribly tragic riot occurred, Aerojet General, a private company, in doing what other private industries must do and, hopefully, will do, started a plant to build military tents.

The company now hires 425 persons. The initial employment was for 75. They advertised to fill 75 jobs. They received applications totaling not 75, but 5,500—from people who wanted to go to work and needed to go to work.

Mr. President, for all these reasons, I think it is imperative that America face this problem squarely today and eliminate this terrible deficiency in the law.

Mr. President, I yield back the remainder of my time.

Mr. LONG of Louisiana. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. All time has now been yielded back. The question is on agreeing to the amendment of the Senator from Oklahoma.

On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. BYRD of West Virginia. I announce that the Senator from Nevada [Mr. CANNON], the Senator from Alaska [Mr. GRUENING], the Senator from Arizona [Mr. HAYDEN], the Senator from North Carolina [Mr. JORDAN], and the Senator from Alabama [Mr. SPARKMAN] are absent on official business.

I also announce that the Senator from Virginia [Mr. BYRD], the Senator from Connecticut [Mr. DODD], the Senator from Tennessee [Mr. GORE], the Senator from Florida [Mr. HOLLAND], the Senator from South Carolina [Mr. HOLLINGS], the Senator from Minnesota [Mr. MCCARTHY], the Senator from Wyoming [Mr. MCGEE], the Senator from Wisconsin [Mr. NELSON], the Senator from Florida [Mr. SMATHERS], the Senator from Georgia [Mr. TALMADGE], and the Senator from Ohio [Mr. YOUNG], are necessarily absent.

On this vote, the Senator from Florida [Mr. HOLLAND] is paired with the Senator from Wyoming [Mr. MCGEE]. If present and voting, the Senator from Florida would vote "nay" and the Senator from Wyoming would vote "yea."

On this vote, the Senator from Nevada [Mr. CANNON] is paired with the Senator from Florida [Mr. SMATHERS]. If present and voting, the Senator from Nevada would vote "yea" and the Senator from Florida would vote "nay."

Mr. KUCHEL. I announce that the Senators from Kansas [Mr. CARLSON], the Senator from Hawaii [Mr. FONG], the Senator from Oregon [Mr. HATFIELD], the Senator from California [Mr. MURPHY], and the Senator from Pennsylvania [Mr. SCOTT] are necessarily absent.

The Senator from Kentucky [Mr. COOPER], the Senator from Wyoming [Mr. HANSEN], the Senator from South Dakota [Mr. MUNDT], and the Senator from Texas [Mr. TOWER] are absent on official business.

If present and voting, the Senator from Texas [Mr. TOWER] would vote "nay."

On this vote, the Senator from Pennsylvania [Mr. SCOTT] is paired with the Senator from Kansas [Mr. CARLSON]. If present and voting, the Senator from Pennsylvania would vote "yea" and the Senator from Kansas would vote "nay."

The result was announced—yeas 39, nays 36, as follows:

[No. 334 Leg.]

YEAS—39

Aiken	Javits	Moss
Baker	Kennedy, Mass.	Muskie
Bayh	Kennedy, N.Y.	Pastore
Brewster	Kuchel	Pell
Brooke	Long, Mo.	Percy
Burdick	Magnuson	Prouty
Case	Mansfield	Proxmire
Clark	McGovern	Randolph
Harris	McIntyre	Ribicoff
Hart	Metcalf	Symington
Hartke	Mondale	Tydings
Inouye	Monroney	Williams, N.J.
Jackson	Morse	Yarborough

NAYS—36

Allott	Eastland	McClellan
Anderson	Ellender	Miller
Bartlett	Ervin	Montoya
Bennett	Fannin	Morton
Bible	Fulbright	Pearson
Boggs	Griffin	Russell
Byrd, W. Va.	Hickenlooper	Smith
Church	Hill	Spong
Cotton	Hruska	Stennis
Curtis	Jordan, Idaho	Thurmond
Dirksen	Lausche	Williams, Del.
Dominick	Long, La.	Young, N. Dak.

NOT VOTING—25

Byrd, Va.	Hatfield	Nelson
Cannon	Hayden	Scott
Carlson	Holland	Smathers
Cooper	Hollings	Sparkman
Dodd	Jordan, N.C.	Talmadge
Fong	McCarthy	Tower
Gore	McGee	Young, Ohio
Gruening	Mundt	
Hansen	Murphy	

So Mr. HARRIS' amendment was agreed to.

Mr. HARRIS. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. KENNEDY of New York. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. DIRKSEN. Mr. President, I yield 2 minutes on the bill to the Senator from Nebraska.

Mr. CURTIS. Mr. President, I have asked for this time to make an announcement that I believe will be of interest to the Senate.

Tomorrow there will be offered an amendment that will give Senators an opportunity to vote for the House bill as it relates to the benefit increase, the tax rate, and the wage base to which it is applied.

The Committee on Ways and Means reported a bill that would give everyone affected a 12½-percent increase. After a great deal of work under the direction of their chairman, Mr. MILLS, they found that that increase could be financed with an ultimate maximum tax per employee of $448.40.

The Senate Committee on Finance not only recommended a higher level of benefits, but financing so arranged that Senators who vote for the Senate Finance Committee bill will be voting for an ultimate maximum employee tax of $626.40, and that maximum will be reached in 1980, while, under the House bill, it will be reached 7 years later.

The House increase in benefits amounts to a substantial raise. On all other matters, such as corrective amendments here and there in the medicare provisions, I do not disturb the provisions of the Senate bill; but I shall give the Senate an opportunity to vote on the level of benefits and the wage base and tax rate provided in the Mills bill.

AMENDMENT NO. 449

Mr. ALLOTT. Mr. President, I call up my amendment No. 449, and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk proceeded to read the amendment.

Mr. ALLOTT. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment (No. 449) of Mr. ALLOTT is as follows:

On page 82, between lines 10 and 11, insert the following:

"BENEFITS FOR CERTAIN ADOPTED CHILDREN

"SEC. 114. (a) Section 202(d)(9) of the Social Security Act is amended—

"(1) by striking out the period at the end of subparagraph (D), and inserting in lieu of such period '; or', and

"(2) by adding after and below subparagraph (D) the following new subparagraph:

"'(E) was legally adopted by such individual—

"'(i) in an adoption which took place under the supervision of a public or private child-placement agency,

"'(ii) in an adoption decreed by a court of competent jurisdiction within the United States,

"'(iii) on a date immediately preceding which such individual had continuously resided for not less than one year within the United States;

"'(iv) at a time prior to the attainment of age 18 by such child.'

"(b) The amendments made by subsection (a) shall apply with respect to monthly benefits payable under title II of the Social Security Act for months after February 1968, but only on the basis of applications filed after the date of enactment of this Act."

On page 213, line 15, insert "114," immediately after "113,".

The PRESIDING OFFICER. How much time does the Senator yield himself?

Mr. ALLOTT. I might say, Mr. President, it is not my intention to ask for the yeas and nays on this amendment. The manager of the bill has indicated some favorable attitude toward it, and I shall make only a very short statement.

Mr. President, as the Senate is aware, the natural children of disabled persons are eligible to receive social security benefits. These children are eligible to receive benefits without regard to the date upon which the disabled person became eligible to receive disability benefits from social security. The law is much more restrictive, however, with regard to the ability of adopted children of disabled persons to receive benefits. At the present time, the Social Security Act prohibits the payment of benefits to a child adopted by a disabled person if the child was adopted more than 2 years after the person became eligible to receive disability benefits from social security. As I understand it, the present provision of the law was originally drafted in this rather unyielding and arbitrary fashion because of a concern that there might otherwise be an effort by disabled persons to abuse the benefit provisions of the law if they were able to adopt children at any time after they became entitled to benefits. Thus, the dependency concept with regard to adoptive children has always been much more limited than it has with regard to natural children of disabled persons. Experience has shown, however, that this concern over the possible abuse of the law with regard to adopted children was never justified, and that this limitation has created undue hardships and difficult circumstances for the bona fide efforts of disabled persons to find some financial assistance from social security after they have adopted children. Arbitrary laws can lead to inequitable and oftentimes absurd results. This has certainly been the experience with this particular provision of the Social Security Act.

This situation seems most unfortunate to me and contrary to good public policy. It is for this reason that I have offered the amendment which is now pending before the Senate. This amendment would provide an exception to the present rule regarding adoption of a child by a person who gets social security disability benefits. Under my amendment, in addition to the provisions of the present law, a child who is adopted by a person receiving disability benefits could qualify for child's benefits if first, the adoption took place under the supervision of a public or private child placement agency; second, the adoption was decreed by a court of competent jurisdiction within the United States; third, the adopting parent had continuously resided within the United States for not less than 1 year; and, fourth, the child was adopted prior to the time he reached the age of 18.

Mr. President, under date of November 20, 1967, I have received a memorandum from Mr. Robert J. Myers, chief actuary of the Social Security Administration, which I ask unanimous consent to have printed in the RECORD at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. ALLOTT. Mr. Myers assures me that the estimated cost factor for the

adoption of this amendment is negligible. There are two reasons why this is true. At present, the average monthly benefit of a child of a disabled social security beneficiary is $32.29. Thus it is clear that the eligibility of certain adopted children to receive social security benefits under the provisions of my amendment will not require the institution of a massive program of extensive increases in social security benefits. We are here concerned with a small, definable group of disabled individuals who need our help. A benefit of $32.29 per month to help support a child is not going to tempt one to abuse the law in order to adopt a child. Surely the cost of raising a child is more than this, particularly for those disabled persons who sustain so much more in the way of hardship and expense.

The second reason why this amendment has a negligible cost factor is due to the limitations which have been imposed by the language of the amendment itself. The amendment would provide assistance only for good faith adoptions by residents of the United States. The amendment is offered with the intent to create a more equitable limitation to the present law with regard to the ability of disabled persons to adopt children after they have become entitled to receive social security benefits. The adoption of this amendment will only help assure, as all Americans have the right to be assured, that Congress is continuously striving to enact reasonable and equitable social security legislation.

I believe that acceptance of this amendment will permit a small number of children to secure the love and affection that goes with the life of a family unit. I ask this body to pause a moment to consider the negligible cost that would be required to provide a certain amount of help and happiness for those children who might otherwise miss this opportunity.

In his letter to me, Mr. President, Mr. Myers makes this statement:

The estimated level-cost would be negligible [i.e., less than .005% of taxable payroll.]

I hope, Mr. President—and I see the distinguished ranking minority member of the committee and the manager of the bill are both present on the floor—that the amendment will be accepted.

EXHIBIT 1

NOVEMBER 20, 1967.

Memorandum from: Robert J. Myers, chief actuary, Social Security Administration.

Subject: Cost estimate for amendment No. 449, submitted by Senator ALLOTT.

This memorandum will give a cost estimate for Amendment No. 449 (which would amend H.R. 12080), submitted by Senator Allott. This amendment would modify the Old-Age, Survivors, and Disability Insurance system by making eligible for child's benefits a child adopted by a disability insurance beneficiary (i.e., a disabled worker) under several restrictive provisions as to the adoption.

This amendment would result in only relatively small additional cost to the system. The estimated level-cost would be negligible (i.e., less than .005% of taxable payroll). The annual cost in the early years of operation would be less than $5 million.

ROBERT J. MYERS.

Mr. ALLOTT. I yield to my colleague from Colorado.

Mr. DOMINICK. Mr. President, I am happy to consponsor the amendment offered by my distinguished colleague from Colorado.

I think it would correct inequities which have been in the section up to date. I can foresee and as a matter of fact know, of certain cases where families with both adopted and natural children under these types of circumstances find that they can get benefits for their natural children and cannot get them for adopted children. It does not seem to me that that is equitable or fair.

For that reason, and because the cost is a negligible amount, I am happy to support the amendment.

Mr. ALLOTT. I thank the Senator.

Mr. COTTON. Mr. President, will the Senator yield?

Mr. ALLOTT. I yield.

Mr. COTTON. Mr. President, I commend the Senator from Colorado for offering the amendment.

It so happens that I know of at least two occasions on which, in all good faith, small children have been adopted and a hardship has been worked.

I join as a cosponsor of the amendment.

Mr. ALLOTT. Mr. President, I ask unanimous consent that the name of the distinguished Senator from New Hampshire may be listed as a cosponsor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. ALLOTT. I yield to the Senator from Nebraska.

Mr. CURTIS. Mr. President, I have had an opportunity to examine the amendment, and I have discussed it with Mr. Robert Myers, whose cost estimate has heretofore been placed in the RECORD by the distinguished Senator from Colorado.

I believe that the amendment will not invite abuses. I believe, on the other hand, that it will take care of some very worthy cases, although they are not very many in number.

I think that Congress can rely on the fact that the adoption of children is not taken lightly by the courts. Neither is the adoption of children taken lightly by public and private child placement agencies. I think those two conditions can only be met when there are other substantial reasons for the adoption.

I do not believe, therefore, that agreement to this amendment would invite abuses in that people would use the adoption route in order to increase their benefits under the program.

It is my hope that we can accept the amendment.

Mr. ALLOTT. Mr. President, I appreciate very much the remarks of the Senator from Nebraska.

Mr. President, if I may have the attention of the manager of the bill for a moment, I ask if he has any disposition with respect to the amendment.

Mr. LONG of Louisiana. Mr. President, I yield myself 2 minutes.

The PRESIDING OFFICER. The Senator from Louisiana is recognized for 2 minutes.

Mr. LONG of Louisiana. Mr. President, I have had occasion to look at the amendment and the members of my staff have undertaken to study it.

The amendment does have merit. It would be worthy of the consideration by the Senate. I personally would have no objection to taking the amendment to conference.

Mr. ALLOTT. Mr. President, I yield myself 2 minutes.

The PRESIDING OFFICER. The Senator from Colorado is recognized for 2 minutes.

Mr. ALLOTT. Mr. President, I thank the Senator from Louisiana very much. I am trying to facilitate and speed up the consideration of the pending bill.

I would not want the fact that a rollcall is not had on the amendment—and I indicated to several of my colleagues that I would not ask for one—to indicate that the Senate treated the matter lightly.

Frankly, this was brought to my attention by the very unfortunate case of a veteran who became disabled in 1957 and was a quadriplegic, meaning that he has no use of either arms or legs.

He was married in 1964. More than 2 years after that, his adopted child is unable to receive these benefits that natural children receive.

I think that the limitation which I have placed on the amendment will keep the amendment from ever being abused. If it were abused, I would be the first to ask for a modification of the amendment.

I appreciate the support of the Senator. If the Senator is ready to yield back the remainder of his time, I am willing to do so.

Mr. LONG of Louisiana. Mr. President, I know of no reason why the amendment should not be agreed to.

As far as I know, of the Senators who are present, I know of no one who is opposed to the amendment. I think the RECORD should indicate that a substantial number of Senators were present at the time of the consideration of the amendment and the general view was that the amendment has merit.

We will be happy to accept the amendment. If the House has some reason to object, we will find out about that when we meet with their conferees, and we will have a further chance to consider it at that time.

I think the amendment is meritorious.

Mr. ALLOTT. I thank the Senator.

Mr. President, I yield back the remainder of my time.

Mr. LONG of Louisiana. I yield back the remainder of my time.

The PRESIDING OFFICER. All time having expired, the question is on agreeing to the amendment of the Senator from Colorado.

The amendment was agreed to.

Mr. TYDINGS. Mr. President, I send an amendment to the desk and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk proceeded to state the amendment.

Mr. TYDINGS. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered, and the amendment will be printed in the RECORD.

The amendment, ordered to be printed in the RECORD, is as follows:

On page 385, line 19, strike out "and".

On page 386, line 4, strike out the period and insert in lieu thereof "; and".

On page 386, between lines 4 and 5, insert the following:

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

On page 390, strike out line 21 and insert the following: "other reasons beyond his control. Acceptance of family planning services provided under a project under this section (and section 512) shall be voluntary on the part of the individual to whom such services are offered and shall not be a prerequisite to the eligibility for or the receipt of any service under such project."

Mr. TYDINGS. Mr. President, this is a technical amendment to the social security bill regarding the voluntary character of family planning programs.

The Senate Finance Committee, in adopting a number of amendments to the social security bill for voluntary family planning programs, intended to include statutory language to insure that family planning services provided under the act would be wholly voluntary and would not be made a prerequisite to receipt of any other services or financial assistance. Due to a drafting error, this statutory language was included only in the public welfare amendments, but was not repeated in the maternal and child health provisions in title V of the Social Security Act. Since it was clearly the intent of the committee that all family planning services made available under the act—whether under public welfare or maternal and child health programs—would be wholly voluntary, it is necessary to repeat this statutory language in two additional places in the present bill. That is the purpose of the amendment being offered today.

I ask the distinguished chairman of the committee, the junior Senator from Louisiana, whether he will accept the amendment.

Mr. LONG of Louisiana. Mr. President, the purpose of the committee was that family planning should be offered on a voluntary basis. On page 227 of the committee bill, with regard to the public welfare program, we do include that affirmative statement.

The Senator feels this should also be included in the part of the bill that deals with maternal and child health care. We do so state in the committee report. If the Senator thinks it should also be in the bill, I have no objection.

Mr. TYDINGS. Mr. President, I yield back the remainder of my time on the amendment.

Mr. LONG of Louisiana. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. All time having expired, the question is on agreeing to the amendment of the Senator from Maryland.

The amendment was agreed to.

The PRESIDING OFFICER. Who yields time?

Mr. LONG of Louisiana. Mr. President, I yield 10 minutes to the Senator from Maryland.

The PRESIDING OFFICER. The Senator from Maryland is recognized.

Mr. TYDINGS. Mr. President, the social security bill now before the Senate contains provisions which, in my judgment, are among the most important measures which this Congress can enact for waging the war against poverty. These provisions will, when enacted by the Congress, mark the first significant involvement of the Federal Government in the provision of voluntary family planning services to poor persons who want, but cannot now afford to obtain, such services.

This historic step is due, in great measure, to the foresight of the distinguished chairman of the Senate Finance Committee, Senator RUSSELL LONG, who took the leadership in his committee for the adoption of these provisions which I proposed as amendments to the bill. The family planning services made possible by these provisions will bring incalculably great benefits both to the families who participate in the programs and to our society generally, and the expense of the program will be many times less than the tax dollars we will save in welfare costs and the other vast social costs of unwanted children of poverty.

Let me briefly summarize the amendments which the committee adopted. First, the bill now provides that family planning services must be wholly voluntary, and may not be a prerequisite to eligibility for or receipt of any other service or financial assistance. This principle is of vital importance and accordingly it is proper that it be spelled out specifically in the statute. Second, the bill now earmarks funds for family planning services, so that these funds cannot be transferred to other programs but must be spent on these services alone. This will insure that the mandate of Congress to establish family planning programs will be carried out. Third, the bill substantially expands the funds which will be available for family planning services. In fiscal year 1969, $15 million will be earmarked for this program. This sum will rise in fiscal 1970 to $46.5 million, in fiscal 1971 to $72 million, in fiscal 1972 to $77 million, and in fiscal 1973 to $22 million.

This substantial expansion of funds means that money will be available, for the first time, to meet the needs for family planning services among those who now want but cannot afford them. According to estimates which have been endorsed by the Department of Health, Education, and Welfare, there are presently approximately 5-million women of child-bearing age who want, but cannot afford, family planning services. To provide a woman with family planning services costs approximately $20 each year, both for provision of information, medical supervision and medical supplies. Thus, it will cost about $100 million each year to reach those who need the services. With contributions from State and local governments and from private sources, the funds which these amendments to the social security bill makes available should be able, in a relatively brief time, to reach virtually all those in need.

It is vitally important that this job be done. It is now indisputably clear that a major factor among the causes of poverty is family size beyond that which the family desires or can afford. The importance of this factor was recognized by both the Senate and the House in establishing a family planning program as one of the special national emphasis programs conducted by the Office of Economic Opportunity. Thus the problem has been recognized. Now we must provide the funds to meet this problem.

By the action we are about to take under the social security bill, the challenge now clearly falls primarily to the Secretary of the Department of Health, Education, and Welfare. Under this bill, he will have the funds to make a significant advance against poverty in this country. This challenge must be met.

In the past, I have been critical of HEW for failing to give this program the priority which it requires. Just 2 weeks ago, a report by an HEW consultant, Dr. Oscar Harkavy of the Ford Foundation, was made public. Dr. Harkavy's report concluded that HEW had failed to give clear or strong leadership to the family planning program, and that the program suffered from lack of funds nad personnel. Publication of this report, and the approval of my family planning amendments by the Senate Finance Committee, came at virtually the same time. In effect, an executive agency acknowledgment of the problem and the solution to that problem have now coincided. Dr. Harkavy's report gives a blueprint for action, and action will now be possible when the Congress approves my amendments as adopted by the Senate Finance Committee.

Officials of HEW have informed me that the Department supported approval of my amendments in the executive sessions of the Finance Committee, and I am delighted to learn of this. Their support demonstrates, I believe, that the mandate of Congress to expand family planning services to reach all those in need will be fully and sympathetically met. We shall expect nothing less.

Mr. President, before I yield to the distinguished Senator from Utah, I wish to point out that we will never make a dent in the welfare program of this country until we provide family planning services and medical supplies to the poor people in this country who want to plan and have a reasonably planned family and cannot. With illegitimacy on the rise throughout the country, I believe that the action of the distinguished chairman of the Committee on Finance and the Committee on Finance came not a moment too soon. Perhaps in years to come we will note that the amendments which were adopted by the Committee on Finance may be more important to curb the spiraling costs of welfare than the hundreds of millions and literally billions of dollars voted and appropriated under welfare costs for the last 5 years, since aid to dependent children was originally established.

I congratulate the distinguished Senator from Louisiana for his leadership in this field.

Mr. MOSS. Mr. President, will the Senator yield?

Mr. TYDINGS. I yield.

Mr. MOSS. Mr. President, I join with the distinguished junior Senator from Maryland [Mr. TYDINGS] in hailing the adoption by the Committee on Finance of his amendment requiring States to offer family planning services to welfare recipients, and making matching Federal funds available to finance this work.

This is an enlightened and far reaching move. Family planning is one of the most pressing needs of our times. There is no question in my mind about the desirability of making family planning information available to all persons who wish to have it. People at all financial levels of our society should have the right to plan the size of their family.

Family planning information is available to people in the middle and higher income brackets, but all too often people in the lower income brackets do not have it and do not know where to get it, or if they do, planning aid is priced beyond their means. Unwanted children result in poverty, delinquency, and other deplorable moral and social consequences.

The language of the amendment has been carefully drawn—no one would be coerced in any way to plan family size—no one would be given birth control information which was at variance to personal moral convictions. The individual would have to seek the information.

We talk a great deal about the population explosion all around the world, and the dangers it heralds for civilization. By the adoption of the amendment offered by the Senator from Maryland, which embraces the language of his bill which I was happy to cosponsor, we take a giant step forward toward meeting the population explosion in our own country. I think this is one of the most significant amendments adopted by the Finance Committee, and I commend them and ask that the Senate accept it.

I commend the Senator from Maryland for his leadership in this matter, and I also commend the chairman of the Committee on Finance for accepting the amendment and steering it through the committee and bringing it to us in the bill. I agree that this is a great step forward.

Mr. TYDINGS. I thank the Senator.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. TYDINGS. I yield.

Mr. LONG of Louisiana. Mr. President, the Senator from Maryland was very kind in commenting on the part that the Senator from Louisiana played in pressing for the favorable consideration of the amendments to which the Senator has referred.

Of course, my action in the committee largely resulted from hearing the speeches delivered by the Senator from Maryland and hearing his testimony before the committee. He made a compelling case with respect to poor, ignorant people who have many children but are in no position to care for them. The situation requires that those people be given family planning services and appropriate attention.

I believe the Senator has met every reasonable and logical argument that has been made against his position, and I have no doubt that in the future the welfare rolls will be tremendously reduced as a result of responsible parenthood and appropriate family planning services for poor and, in many instances, illiterate people who never have had available the type of advice and help that is available to people who are in a better financial position.

Mr. TYDINGS. I thank the Senator. I yield to the Senator from Minnesota.

Mr. MONDALE. Mr. President, I wish to congratulate and commend the distinguished Junior Senator from Maryland [Mr. TYDINGS] for his leadership in providing a strong program for family planning for recipients of aid to families with dependent children. This bill, S. 1503, of which I was a cosponsor has been incorporated into the Finance Committee's recommendations for amendments to the public assistance programs.

Family planning is an area where our State, Federal and local governments have been remiss. I know of instances where social workers were prohibited from informing welfare recipients of family planning services, even when the recipient asked for this information. Family planning is a necessary complement to the war on poverty effort; it is a program which provides the individual with the information necessary for her to make a choice as to whether she wishes to have more children and when she wishes to have them.

Social workers have told me the sad tales of women who have come to them in despair because they have just discovered they are about to have another child. The mother does not want this child and it will merely act as a burden on her and the rest of her family. Mr. President, there must be some program made available to these women to give them access to information regarding family planning and let them make up their own mind as to whether they want more children.

While I never would advocate a program of forced or even "suggested" planned parenthood, I certainly feel every person has a right to know what services are available, and what family planning is. This bill provides a maximum amount of protection to the individual woman who is a welfare recipient. There is statutory language protecting the woman from any coercion on the part of the welfare agency.

Mr. President, again I wish to congratulate the Senator from Maryland and the Finance Committee for their concern about this problem and the legislation that they included in this bill.

Mr. TYDINGS. I thank the distinguished Senator.

SOCIAL SECURITY ACT AMENDMENTS OF 1967

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the unfinished business be laid before the Senate.

The PRESIDING OFFICER. Without objection, the Chair lays before the Senate the unfiinished business, which will be stated by title.

The ASSISTANT LEGISLATIVE CLERK. A bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

The Senate resumed the consideration of the bill.

AMENDMENT NO. 453

Mr. WILLIAMS of Delaware. Mr. President, I call up amendment No. 453.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk proceeded to state the amendment.

Mr. WILLIAMS of Delaware. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered, and the amendment will be printed in the RECORD.

The amendment, ordered to be printed in the RECORD, is as follows:

On page 73, beginning on line 21 with "and", strike out all through "1971," on page 74, line 1, and insert in lieu thereof "and before January 1, 1972".

On page 74, line 5, strike "1970" and insert in lieu thereof "1971", and on lines 4 and 8, renumber paragraphs (3) and (4) as paragraphs (2) and (3), respectively.

On page 74, strike out lines 18 and 19, and on line 20, strike out "1969 and 1970" and insert in lieu thereof "1968, 1969, 1970, and 1971".

On page 74, line 23, strike out "years 1971 and 1972" and insert in lieu thereof "year 1972".

On page 74, on lines 22 and 25, and on page 75, on line 3, renumber paragraphs (3), (4), and (5) as paragraphs (2), (3), and (4), respectively.

On page 75, strike out lines 11 and 12, and on line 13 insert in lieu of the words "1969 and 1970" the words "1968, 1969, 1970, and 1971".

On page 75, line 15, strike out "years 1971 and 1972" and insert in lieu thereof "year 1972".

On page 75, on lines 14, 16, and 19 renumber paragraphs (3), (4), and (5) as paragraphs (2), (3), and (4), respectively.

Mr. WILLIAMS of Delaware. Mr. President, I ask for the yeas and nays on the pending amendment.

Mr. LONG of Louisiana. The yeas and nays, Mr. President.

The yeas and nays were ordered.

Mr. WILLIAMS of Delaware. Mr. President, this amendment is very simple. Under the bill there will be paid out in the calendar year 1968 some $3.5 billion in benefits. The bill would raise $1.6 billion in taxes with the effective date of the major part of the tax increase deferred until 1969, or 60 days after the election.

The purpose of the amendment is merely to advance the date so that the effective date for increased taxes would be the same as the date of the increased benefits under the pending bill.

The Senate bill delays those benefits until March while the House bill provided for an effective date in January. This proposal would make the date for both the benefits and the taxes January 1, 1968.

Under this proposal, instead of having a bill that would be described as a fly-now-and-pay-later plan, it would provide that we pay as we go. This is in line with what the President said he wanted; namely, fiscal responsibility.

Here is a chance for the Senate and the administration to approve the principle of sound financing.

In his discussion with congressional leaders yesterday the Budget Director placed great emphasis upon the fact that it is obligatory upon the Government to make payments out of the trust fund as a result of action by the Congress.

I call attention to the fact that Congress has not taken final action on this bill. It is before us today. If we agree to this amendment it would mean that we would be financing substantially all the benefits that would be paid out in calendar year 1968. If we do not agree to the amendment the net effect of the bill as reported by the committee is that, in the calendar year 1968, $1.9 billion more in benefits would be paid out than would be collected through additional taxes; in 1969, $3.2 billion more in benefits would be paid out than would be collected in taxes; in 1970, under the bill, $3.1 billion more would be paid out than would be collected in taxes; or, altogether, in that 3-year period, $8.2 billion more would be paid out in new benefits than would be collected in new taxes.

Certainly at a time when we are confronted with the threat of inflation and at a time when we are considering a surtax of 10 percent or more to combat inflation Congress and the administration would not advocate or support a proposal which would pour this $8 billion of new spending into the economy during the next 3-year period.

This proposal is the same as the one first adopted in committee by a vote of 10 to 6, although I regret to say that the vote was later rescinded.

The adoption of the amendment will not raise any additional taxes over the long run, because under the pending bill, while taxes are deferred for the calendar year 1968, leaving the payroll tax at 4.4 percent, nevertheless the rate is advanced from 4.8 percent, which would be the prevailing rate in 1971, to 5.2 percent. So the extra 0.4 of 1 percent will be picked up in 1971.

The amendment would kick off the increase in 1971 and if adopted would make the rate of 4.8 percent applicable beginning January 1, 1968. It would prevail all the way through to 1972 without the additional increase provided in the committee bill. So the long-range effect would be the same, but it would put Congress in the position of being more fiscally responsible by voting a tax increase to take effect the same day that the benefits would become effective.

It seems to me that it is political hypocrisy for Congress to approve a $5 billion or a $6 billion bill that provides for benefits to go into effect 8 months before an election but for the tax to pay for them to go into effect 60 days after the election. As the President himself has said, we want some fiscal responsibility and some truth in Government. Congress is the place to get it. I hope the administration means what it says, if so it will support the amendment.

I reserve the remainder of my time.

Mr. LONG of Louisiana. Mr. President, when the House of Representatives voted additional benefits it took into account the fact that the surplus flowing into the social security funds would be about $4.1 billion. The original estimate was slightly higher, but the adjusted figure now is about $4.1 billion.

The additional benefits which the House proposed reduced the surplus going into the funds from $4.1 billion to about $2.1 billion, a reduction of approximately $2 billion. The Senate committee voted to raise the wage base and thus increase the tax money coming in by an amount adequate to pay for all the additional benefits for which the Senate had voted.

Now the Senator's amendment would seek to raise taxes to pay for most of the benefits which the House voted. That means we would be asking the workingman to pay this additional tax of $32 a year. The additional tax in the first year would be, instead of $62 extra, it would be $94 extra for a workingman, in 1968.

Mr. President, this amendment would result in a very regressive tax. It would impose a tax that is not needed because the surplus flowing into the fund would be about $2.2 billion under the bill reported by the committee.

In my judgment—and this is also the judgment of the majority of the Democrats on the Finance Committee, in fact all the Democrats, we thought that the social security tax should not be used to balance the budget or for general fiscal purposes. We thought that the social security tax should be used only to carry the social security program, that the social security funds should be kept sound, and used only to pay social security benefits.

If we want to have a tax for fiscal purposes, in order to try to balance the budget or to fight inflation, then it should be one of the less regressive and more progressive taxes, which have more regard for the ability of a person to pay taxes.

This particular tax does not take into account the individual needs of the people. The amendment will hit the poor harder than any tax the Government has ever levied.

Therefore, if Senators want to vote an additional tax based on the argument so ably made by the Senator from Delaware, I want the senators to know that I think that to boost the tax in 1968, beginning in January, another $32, to make it a $94 increase in the tax on the workingman's salary, is both unwise and unnecessary.

Therefore, Mr. President, I urge that the Senate vote the amendment down.

Mr. WILLIAMS of Delaware. Mr. President, I yield myself 5 minutes.

The PRESIDENT OFFICER. The Senator from Delaware is recognized for 5 minutes.

Mr. WILLIAMS of Delaware. The Senator from Louisiana has expressed his great concern for the workingman. He refers to this wage tax as being regressive and as an obnoxious tax and uses all the adjectives he can think of to express his great concern for the workingman.

I point out that his sympathy for these wage earners extends only until after the votes have been counted next November, and then in January 1969, 60 days after the election, this same tax which he has described will go into effect along with additional taxes under this bill to make up for the deficiency created before the election.

Let us face it. The Senator is correct that a majority of the Members rejected this pay-as-you-go plan but they accepted it first. Then some of them said, "Next year is election year. We have got to face the voters. We cannot face them with a tax increase." Therefore the effective tax increase was postponed until after the election.

They want to face the voters with boasts of all the benefits they have voted for and then lay on the taxes after the election to pay for those benefits.

I say, let us have fiscal responsibility. Let us make the tax and the benefits both effective the same date.

If we do not have the nerve to vote for the tax, which we know is in the bill, if we are not willing to put the tax on and face the voters with that tax before election day then do not brag so much about the benefits. Such action is political hypocracy.

I have said so many times that the same Senators who stand on platforms and brag to their constituents about what they have given them should also say to their constituents, "Look at the taxes I have put on you to pay for all these benefits."

Under the committee bill, even if we reject this amendment, that tax is still there; it is only being delayed until after election. Under the Hartke-Long proposal the tax goes up rapidly after the 1968 election. Eventually it shows an increase of over $300 per man by 1980. In some cases there will be a 115-percent increase in the payroll tax under the Hartke-Long plan, but they have been very careful that the increased tax does not go into effect until after the election next year.

The argument is made that the House did not have such an effective date, so why should we. That reminds me of what I used to tell my father when I was a little boy and got into trouble. I always said it was the other child's fault. He told me to answer for my own responsibility, and he would take care of the others.

I point out that we are not in the House of Representatives. We are voting on a bill which is before the Senate and which includes the House bill as amended by the Senate. This bill provides for $3½ billion in additional benefits in 9 months of 1968 as compared to existing law with the most of the tax to pay for these benefits being deferred.

The suggestion is made that the Senate bill is not much more expensive than the House bill for the first year. That is true only by comparing 9 months benefits under the Senate bill after with the cost of the 12 months' benefits under the House bill.

This is juggling the dates and the figures in order to arrive at an answer. When all is said and done, if the bill which is before the Senate is passed, it will pump $8 billion more into the economy than would be pumped in if there were no bill at all. There is no man on the floor of the Senate who can contradict that statement. That is in the committee report. It is there. The tax to pay for the extra benefits is, likewise, in

the committee bill, but the effective tax is deferred. Voters should have an opportunity to vote in 1968, an election year, for various Senators and for President, with full knowledge of the impact of the tax. To do otherwise is political cowardice.

If Senators do not have the nerve to put on the tax the same day as the benefits become effective then they should not go out and brag so much about what they are doing.

All the adjectives which are being used about this being a regressive tax, an unfair tax, an extra burden on the poor workingman are equally applicable when the tax goes into effect after the election. I have seen so many crocodile tears being shed that I am beginning to think I should get my overshoes to wade around on the floor of the Senate. Fortunately, they are evaporating as fast as they fall because they are so fictitious.

If the advocates of this tax program are so concerned about the workingman the way to show it is to stop spending. They are not benefiting the workingman by making him pay later. He is not as big a fool as they think he is. He is going to realize the truth.

Since so much has been said by the chairman of the committee about sympathy for the poor workingman. I ask unanimous consent to have printed at this point in the RECORD a chart showing the advance in tax rates under the Hartke-Long plan as it would be under the bill as reported by the committee. I ask that the chart for 1967 on through 1968 be printed.

There being no objection, the chart was ordered to be printed in the RECORD, as follows:

OLD-AGE, SURVIVOR , AND DISABILITY INSURANCE AND BASIC HOSPITAL INSURANCE TAX RATES, BASE, AND LIABILITY APPLICABLE TO EMPLOYEES; SELECTED LEVELS OF WAGE OR SALARY INCOME; 1937–80 AND AFTER[1]

Years	Rate (percent)	Base[2]	Wage or salary income						
			$3,000	$4,000	$5,000	$6,000	$8,000	$10,000	$12,000
Roosevelt administration: 1937–45	1	$3,000	$30.00	$30	$30.00	$30.00	$30.00	$30.00	$30.00
Truman administration:									
1945–49	1	3,000	30.00	30	30.00	30.00	30.00	30.00	30.00
1950	1.5	3,000	45.00	45	45.00	45.00	45.00	45.00	45.00
1951–52	1.5	3,600	45.00	54	54.00	54.00	54.00	54.00	54.00
Eisenhower administration:									
1953	1.5	3,600	45.00	54	54.00	54.00	54.00	54.00	54.00
1954	2	3,600	60.00	72	72.00	72.00	72.00	72.00	72.00
1955–56	2	4,200	60.00	80	84.00	84.00	84.00	84.00	84.00
1957–58	2.25	4,200	67.50	90	94.50	94.50	94.50	94.50	94.50
1959	2.5	4,800	75.00	100	120.00	120.00	120.00	120.00	120.00
1960	3	4,800	90.00	120	144.00	144.00	144.00	144.00	144.00
Kennedy administration:									
1961	3	4,800	90.00	120	144.00	144.00	144.00	144.00	144.00
1962	3.125	4,800	93.75	125	150.00	150.00	150.00	150.00	150.00
1963	3.625	4,800	103.75	145	174.00	174.00	174.00	174.00	174.00
Joh nson administration:									
1964–65	3.625	4,800	108.75	145	174.00	174.00	174.00	174.00	174.00
1966	4.2	6,600	126.00	168	210.00	252.00	277.20	277.20	277.20
1967	4.4	6,600	132.00	176	220.00	264.00	290.40	290.40	290.40
Hartke-Long tax plan:									
1968	4.4	8,000	132.00	176	220.00	264.00	352.00	352.00	352.00
1969–70	4.8	8,800	144.00	192	240.00	288.00	384.00	422.40	422.40
1971	5.2	8,800	156.00	208	260.00	312.00	416.00	457.60	457.60
1972	5.2	10,800	156.00	208	260.00	312.00	416.00	520.00	561.60
1973–75	5.65	10,800	169.50	226	282.50	339.00	452.00	565.00	610.20
1976–79	5.7	10,800	171.00	228	285.00	342.00	456.00	570.00	615.60
1980 and after	5.8	10,800	174.00	232	290.00	348.00	464.00	580.00	626.40

[1] 1937–67, actual; 1968 and after, as adopted by Senate Finance Committee.
[2] Maximum earnings subject to tax.

Source: Statistics furnished by the Joint Committee on Internal Revenue Taxation, Nov. 13, 1967.

Mr. WILLIAMS of Delaware. Mr. President, that chart shows that under the committee plan, while the lower bracket workingman, with whom they are sympathizing, would not pay increased taxes in 1968, after 1968 he will be hit with substantially increased wage taxes.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. WILLIAMS of Delaware. I yield myself 2 additional minutes.

Let the Senate be fiscally responsible. Certainly at a time when we are going to be asked for a tax increase of 10 percent or more, we cannot afford to be approving a measure which will put out an additional $2 billion in the economy in 1968—that is what this bill does—without providing the tax for it at the same time.

This amendment would move the tax date forward to raise approximately $1.4 billion to $1.5 billion of the $1.9 billion extra benefits, or practically put it in balance for the first calendar year.

If there is any concern on the part of Congress about inflation, and surely there must be some concern in the light of what happened over the weekend in Great Britain, certainly it is time for us to start exercising some degree of fiscal responsibility and put these measures on a pay-as-you-go basis. By all means let us not display our cowardice by providing benefits as close to election as we can and then projecting the tax to 60 days after the votes are counted.

Mr. LONG of Louisiana. Mr. President, the best argument for what the Senator contends is "fiscal responsibility" is in terms of wanting to use the social security program to balance the Federal budget by putting more funds in it than are needed for paying out the benefits without a regressive tax. The Senator's amendment would be a step in that direction. It might set the stage for turning down the President on a tax increase that would be proposed by the President with respect to the income tax, if the House takes up such a bill.

If one wants to look at social security in terms of a system which pays its way, then here is the report, on which both the Republicans and the Democrats base their recommendations. This is a long-range cost study which was updated to January 1 of this year. What it says is that no matter how one estimates the cost, the trust fund is projected to increase continuously, reaching a level of $250 billion under the high cost estimate, and even higher levels under the intermediate and lower cost estimates.

Looking at it in any way, the fund ends up with a surplus of more than $250 billion in the year 2000, which is not so far away when we think in terms of actuarial studies. The study says, in effect, that 32 years from now, at the rate we are going and at the same tax levels, we will have $250 billion in that fund.

We could have been paying those funds out in benefits—if we had not wanted to keep them in the trust fund—for benefits that the people need to remove some from poverty, and to help others meet their living expenses.

Based on that report, the ranking Republican member on the Committee on Ways and Means, Representative JOHN BYRNES, of Wisconsin, the counterpart of the Senator from Delaware [Mr. WILLIAMS] on this side, in the last session of Congress offered a proposal, nominally with the support of all Members on his side, recommending that there be an 8-percent across-the-board increase in social benefits with no tax increase whatever because, as stated, in the study, "These studies show that, on actuarial balance, the fund is overfinanced."

So, we could vote an 8-percent increase in benefits and do it responsibly without a raise in taxes if we are just looking at the ability of the fund to pay for the benefits.

The House sent us a bill on the assumption—which is correct—that the present program is overfinanced, and it proceeds to use the overfinancing to pay for increased benefits. Therefore, when they sent the bill to us, we could not say it was overfinanced, because the House had used the surplus funds to furnish their benefits. The Senator from Delaware wants to overfinance the trust fund in the bill again by increasing the taxes by about $1.4 billion starting in January 1968.

The best argument for the Senator's proposal might be that it might help balance the Federal budget in other respects, but it certainly is not needed for the social security trust funds. It is my thought and judgment that, if we want to vote a tax increase to balance the budget, we ought to do it in a fiscally proper manner, and not let the social security taxes bear the burden of carrying out general fiscal policy.

The only other purpose would be to make the program unpopular by making the tax higher in the hope that we will lose support among the rank and file of the people who will have to pay more out of their salaries.

Under the bill as we reported it, the cost has been increased somewhat; but the way we report the bill, there will be a surplus of $2.2 billion from taxes collected over and above benefits paid out. We think that is enough of an increase in the funds.

Mr. WILLIAMS of Delaware. Mr. President, I yield myself 5 minutes.

The Senator from Louisiana just referred to the fact that there is a surplus in the fund, and therefore he questions the need to raise taxes. There is each year some surplus added to the fund in that the annual benefits paid out normally are less than the amount of taxes collected. That is necessary and proper because there are many wage earners who are from 25 to 45 or 50 who are paying into that fund on the basis that the trust fund is building up so that when they reach retirement age they will have some security for their retirement or old age.

The principle, the Senate is talking about, is that we can take what the wage earners are paying into the fund today and use it to defray the cost of today's benefit payments. On that basis, when they reach 65 there would be nothing in the fund. The moment we arrive at that principle they had better strike out the word "security" and just call it a social program.

The argument that this is a substitute for the President's tax increase is a whitewash. It has no connection whatsoever because the payments of wage taxes go into the trust fund, and they do not reduce or increase the Federal deficit one iota. They would have some effect, naturally, on the question of inflation, whether the money is to be taken out of the economy or whether the trust fund surplus should be used to prime the pump in the 1968 election year.

I point out again to the Senator from Louisiana that this amendment does not raise any additional money in the long run; it merely puts the tax increase into effect the same day as the increase in benefits. It places the increase on a bona fide pay-as-you-go basis, and there is nothing wrong with that, except the so-called political consequences of telling constituents before the election that we have raised the tax.

I call attention to the long-range statistics the Senator has put in the RECORD about this anticipated big buildup after the year 2000.

That is the maximum that could happen and is based upon two false premises: First, that there would be full employment continuously from now until the year 2008, with no unemployment; and, second, that between now and the year 2008—or for the next 40 years—there would be no further social security benefit increases at all.

We know that those two assumptions are utterly ridiculous, so there is no use considering any conclusions based upon them. If we were to proceed on those assumptions we could accept the Senator's figures, but nobody believes the assumptions are valid.

I say again, my amendment would merely put the social security benefit increase on a pay-as-you-go basis, and in response to all that has been said about how regressive this tax is, I merely reply that it is just as regressive after the election, after the voters have cast their ballots. It is just as regressive, just as unfair, just as obnoxious then as it would be to tell them about it before the election.

If it is such a regressive, obnoxious, and unfair tax then why is my good friend the Senator from Louisiana not willing to let the American people, who will pay the tax, know just what kind of tax is being put on them? Why does he not want them to know it before the election by making both provisions effective the same day? Certainly there is nothing wrong with adopting here the principle of making benefits and taxes both effective the same day.

The best argument I can make to show that this proposal has no connection whatsoever with the proposed 10 percent surtax and that it is not a substitute for it, is that for the last year or more I have repeatedly, on the floor of the Senate, advocated this principle. I urged it in January when the social security benefit increase was first proposed and recommended that by all means we make the benefits and the tax effective the same day. That speech and recommendation occurred before President Johnson recommended the surtax on incomes in his economic message. So it has no connection whatsoever. But I do say that if the administration wishes to have a tax increase considered later by this Congress it will have some explaining to do if it supports the position of deferring this tax until after the election for purely political reasons—and there is no other logical reason.

The PRESIDING OFFICER (Mr. BIBLE in the chair). The Senator's time has expired.

Mr. WILLIAMS of Delaware. I yield myself 2 additional minutes.

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield to the Senator from Ohio.

Mr. LAUSCHE. If the House bill is passed, when thereafter will payment of benefits begin?

Mr. WILLIAMS of Delaware. Under the House bill the benefits would go into effect on January 1, 1968. Under the Senate bill they would go into effect March 1, but the first increase would be included in the check for April 1.

Mr. LAUSCHE. The Senator has stated when the benefits will go into effect. When will the tax imposition go into effect?

Mr. WILLIAMS of Delaware. Under the committee bill, the additional wage tax would become effective January 1, 1969. My amendment would move that effective date up to January 1, 1968.

By doing that there would be a tax increase of four-tenths of 1 percent in 1968, but the suggested four-tenths of 1 percent tax increase in 1971 would be eliminated when under the committee bill they would pick up the first year's deficiency.

So the long-range difference in effect is negligible.

Mr. LAUSCHE. The Senator from Delaware has been repeatedly talking about picking up a deficiency at a later date, rather than making up that deficiency at the present time.

Mr. WILLIAMS of Delaware. That is correct.

Mr. LAUSCHE. What is the deficiency, in terms of percentage or dollars?

Mr. WILLIAMS of Delaware. Roughly, each 0.1 percent tax on payroll involves about $350 million annually. So when we move this date forward to January 1, 1968, it would mean an additional $1.4 billion to $1.5 billion in 1968.

Mr. LAUSCHE. The Senator from Delaware has argued that there is a certain burden of taxation that must be imposed, and that, under the committee bill, that burden has not been assessed; but, because it has not been assessed, it will have to be picked up at a later date, when the committee's tax rate goes into effect.

Am I correct in that understanding?

Mr. WILLIAMS of Delaware. That is correct; and, as the Senator from Louisiana very properly pointed out, the committee bill, with its projected long-range tax increases, as nearly as we could determine does finance the program over a long-range term; but it does its extra financing primarily beginning after the 1968 election.

The point I am making is, Why do we not make the benefits and the tax both effective the same day? That is just sound economics, and I believe it is a principle that ought always to be followed regardless of whether there is a tax increase or a tax reduction proposed. As I stated before, we cannot minimize or entirely remove from our minds the fact that as we increase social security benefits it does have, to some extent, an inflationary impact, because this additional $3.5 billion is additional spendable money; but if we increase taxes it has a dampening effect.

What I am trying to do by my amendment is to neutralize that effect from either the inflationary or the deflationary standpoint. If my amendment is adopted it would practically neutralize any effect so far as the economy is concerned in calendar year 1968 because it would provide approximately $3.6 billion in revenue in 1968 whereas the committee bill would provide about $3.9 billion in benefits. So the two figures are reasonably close.

Mr. LAUSCHE. Does the amendment of the Senator from Delaware, as it imposes the tax as of the date of the increase in the benefits, make possible a reduction of the taxes before the date when the committee bill recommended?

Mr. WILLIAMS of Delaware. Yes; that is correct.

Mr. LAUSCHE. The Senator from Delaware proposes that we impose the tax now and not wait until the date recommended in the committee bill?

Mr. WILLIAMS of Delaware. That is correct.

The PRESIDING OFFICER. The time of the Senator from Delaware has expired.

Mr. WILLIAMS of Delaware. I yield myself an additional 5 minutes.

The Senator is correct. Under the committee bill the wage tax would be 4.4 percent in 1968, 4.8 percent in 1969 and 1970, and in 1971 would be 5.2 percent, or another increase of four-tenths of 1 percent.

Under this proposal the tax for each of those 4 years would be 4.8 percent.

Mr. LAUSCHE. If that is true, it is a tacit admission by those who oppose the

committee amendment that the forgiveness of the tax now requires an increase in the tax at a later date.

Mr. WILLIAMS of Delaware. There is no question about that.

Mr. LAUSCHE. Is there any question about that, may I ask the Senator from Louisiana?

Mr. LONG of Louisiana. I will discuss that on my time later.

Mr. WILLIAMS of Delaware. There is no question about that. The rates are found on page 8 of the bill. These are the official rates. There is no question about it.

Mr. LAUSCHE. Is it not true that when it is admitted that it will be necessary to increase the rate at a later date because no tax is imposed as of the present date, the ultimate result is the same with respect to the amount that the worker will have to pay into the fund?

Mr. WILLIAMS of Delaware. The Senator is correct. The adoption of this amendment over the 4-year period will not increase taxes nor will it decrease taxes one iota for the working men and women of America. It will not increase taxes one iota over the long range.

A higher tax would become effective in 1968, but a lower tax in later years would offset it. It would merely give the citizen when he goes into the booth to vote in 1968 a chance to be aware of both the tax in the bill and the benefit, as well.

This administration has been seeking laws for truth in lending and truth in packaging. Let us give it an opportunity to have a little truth in Government.

The people are going to have to pay the tax under any bill, whether under the pending bill or otherwise. Let them know at the time they receive the benefits that they are paying for them, too. Then when I or any other Member of Congress stands on the platform and boasts about the additional benefits we provided for the voter under the bill let us also say, "Here is the amount of additional taxes required to pay for the benefits."

Mr. LAUSCHE. It has always been my concept of government that when spending is necessary and taxing is needed to finance the spending, the taxes ought to be imposed promptly. I have rebelled against the idea of making grants or conferring benefits and delaying the imposition of taxes to some future date. Those two acts ought to be concomitant. Through that course of conduct, the citizenry knows that while we are providing benefits today, we are also taxing for them. The other policy means that we tell the citizen, "We are giving you these benefits today, but we will not tax you until the future. In the future, however, we will have to tax more."

I do not subscribe to that technique of operating the Government. I will support the amendment of the Senator from Delaware.

Mr. WILLIAMS of Delaware. Mr. President, I thank the Senator. I do not think we can excuse ourselves from our responsibility by pointing out the difference in the method of financing in the House bill. We as Senators are voting on the bill as it is before us, and in its present version the Senate bill would provide $3.5 billion extra benefits in the last 9 months of 1968.

The Senate bill would, in 1968, provide but $1.6 billion in additional revenue, or so that $1.9 billion more would be paid out in 1968 than would be collected in taxes.

Agreeing to the amendment would merely move forward the taxes that, under the committee bill, would be collected after the election. Benefits and taxes as far as the calendar year 1968 is concerned would then be practically even.

Mr. LONG of Louisiana. Mr. President, on page 124 of the report—and this has been checked with the actuaries—it states:

> Accordingly, the old-age and survivors insurance program, as it would be changed by the committee-approved bill, is in close actuarial balance, and thus remains actuarially sound.

Mr. President, most of what we have added in the bill has been needed, because of the cost-of-living increase, to put the people who draw social security benefits where they would be if the value of the currency had not depreciated.

Let us analyze a reasonable and fair way to do that. If a man were earning $400 a month and paying the social security tax on everything he earned, at a time when the dollar would buy twice what it does now, and if this man retires later and other people are then paying into the fund, the most logical way to see that the man who at the present time is making twice as much as the retired man made because of the depreciation in the value of the currency would receive the same benefits—and he would have to receive twice the amount of benefits that the man who has retired is receiving in order to receive the same benefit from the price he paid—would be to simply apply the same rate to the higher base. Therefore, instead of taxing $400, we would tax $800 without advancing the rate at all. That is basically how the committee proposed that we proceed this next year.

We started out, this year, with a fund that was overfinanced. I applaud primarily the House Ways and Means Committee which is responsible for putting on more taxes than necessary to pay for the benefits this year and next year. So that if the programs are overfinanced, they proceed then to provide some of the necessary increases in benefits to take care of the increased cost of living through using some of the surplus. I am not talking about the long-range surplus fund. I am talking about surplus income in the money collected over the money spent in that year.

They would use some of the surplus income out of that amount which is overfinanced. Then, Mr. President, having done that, they would raise the wage base so that in the future the cost would be met by those who are receiving more income and thus have more of it subject to tax. We go along with that and where we provide additional outgo, we provide additional income.

I understand there will be another amendment to hold the benefits at the House level. And having moved in the Williams direction, we will then be asked to move in the other direction and say: "We will propose to do it the way the House proposed and reduce the surplus flowing into the fund below the amount the committee established."

So, having had a chance to tax a lot more than need be, we would then have a chance to vote the other way and collect less in taxes.

Mr. PROUTY. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield 3 minutes to the Senator from Vermont.

The PRESIDING OFFICER. The Senator from Vermont is recognized for 3 minutes.

Mr. PROUTY. Mr. President, the Senator is making very much the same argument advanced by the distinguished senior Senator from New Hampshire [Mr. COTTON] and me last week. At that time we proposed an amendment which would make it unnecessary to raise taxes beyond existing levels at the present time.

I have a chart here—and I have checked this rather thoroughly. I understand that as of December 31, 1966, there was a surplus in the trust fund—that is, the combined OASI and DI fund—of $22,307 million. In addition to the existing surplus, this bill will create more than a $6.8 billion surplus between now and 1972. In other words, Mr. President, under the Senate bill, there will be a surplus of $29,107 million by 1972. Under the House bill, there would be a surplus of $52,707 million. That in my mind is completely unjustified.

Certainly we are on solid ground insofar as the financing is concerned. As a matter of fact, it is a little too solid because we are tying up large sums of money via a regressive tax.

While I can understand my distinguished friend, the senior Senator from Delaware, expressing some concern over the fact that rates were not increased at the same time the new benefits went into effect, it is difficult to favor additional overfinancing. We do not need a nickel more than we will get certainly under the bill because there will be a surplus of $29,107,000,000 in 1972.

I refer also to page 179, part one, of the hearings before the Ways and Means Committee in which it was pointed out that in the year 2000, using intermediate cost assumption, the Social Security Administration has estimated a surplus of $344 billion. That is just about 32 years from now.

I thank the Senator.

Mr. LONG of Louisiana. Mr. President, unless other Senators desire to discuss the matter, I am prepared to yield back the remainder of my time.

Mr. WILLIAMS of Delaware. Mr. President, I do not know of anyone else who wants to speak.

I shall take only 1 minute at this time to state that there is no argument with the statement of the Senator from Louisiana concerning the actuarial soundness of the program under the financing method of the committee bill—none whatever. However, the pending amendment does not change one iota the actuarial soundness of the program.

It merely states that the tax increase on wages will go into effect the same day

as the benefit increases. The net long-range effect of the adoption of this amendment would be exactly the same so far as the actuarial soundness of the committee bill is concerned.

This is not a revenue producing measure, nor would it reduce revenue. It merely provides a little truth so far as financing this program is concerned because it would spread it out from the same day that benefits begin. Certainly, the Senate would desire that the benefits and the tax be effective the same day. The long-range financing would be exactly the same under this proposal.

Mr. President, unless someone else wishes to speak, I am willing to yield back the remainder of my time, but I suggest that we have a brief quorum call.

Mr. LONG of Louisiana. Mr. President, I yield myself 1 minute.

Mr. President, the Senator is seeking to impress upon people, by hitting them between the eyes, how much this program will cost in the future. Of course, that is sometimes a worthwhile purpose, especially if you do not like a program to begin with. If that is what he wants to do, it would seem to me to make better sense to impress upon people that in 1987, which is 20 years down the road, the tax would be 5.8 percent of the payroll.

I would say that if you want to make somebody understand—whether they want to admit it or not—that this will cost a great deal of money, the logic of the Senator's argument calls for moving the rate ahead to 5.8 and increasing it much more than you need. If you were to do that, you would not even need the President's tax bill. You would balance the national income account by taxing all the surplus money in America—not the surplus, but the money of hard-working people, in the social security program, where the Government could borrow it on any terms it wanted. In short order, you would be able to wipe out the entire national debt by use of the social security fund.

If you want to do it, you could impress the people by how much the program would cost in 1987. Of course, in 1987, hopefully, the fund would receive more money, because more people would be employed and they would be making more wages, and we would have greater productivity. We could go all out with the Williams doctrine and show how much the program could cost. We could balance the budget and keep it there for a while, and tax enough money into the social security fund to retire the entire national debt.

Mr. WILLIAMS of Delaware. Mr. President, we could continue all day on a ridiculous plane. I would not say that the Senator's remarks are ridiculous, and I will substitute another adjective if I can think of a more appropriate one.

This proposal has nothing to do with financing the public debt. It has nothing to do with the actuarial soundness of the program, as the Senator knows. It has nothing to do with whether we are for or against the social security program.

Lest there be any misunderstanding, as I have stated repeatedly, I believe one of the greatest achievements of the New Deal administration was the initiation of the social security program. I believe it was a good, sound program, and had it not been started then I would welcome the opportunity to help start one today.

On the other hand, it must be a sound program, soundly financed, so that the people who put their money into it will have some semblance of security when they reach the day of retirement.

As I stated in the committee, I welcome the opportunity to support increased benefits at this time.

The PRESIDING OFFICER. The time of the Senator on this amendment has expired.

Mr. WILLIAMS of Delaware. I yield myself 5 minutes on the bill.

All that the Senator from Louisiana is proposing is to postpone this tax until after the election. What difference would it make if the tax became effective before the election, the same day as the benefits? No one can dispute that over a 4-year period there is not a dime's difference between the pending amendment and the committee bill, the only difference being with respect to the effective date. Under this amendment the tax would become effective in 1968, and it would raise more money in 1968. It would strike out the increase in 1971 which is in the committee bill when they would make up the insufficiency created in the 1968 election year.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. CURTIS. It should be understood that this is a fight for principle. I believe that a substantial majority of the people of the United States, when given the facts about how social security is financed—that an individual's benefit is not paid by his own payments but is carried by the payments of others—if asked, "Do you believe that when payments are increased, taxes should be increased at the same time?" would overwhelmingly answer "Yes."

It must be fair on both sides of the ledger. I would hope that we would never have to increase taxes, unless it became necessary in order to take care of a very grievous matter, without allowing additional benefits. It is a matter of sound legislative policy. It is a matter of fairness to those who receive and to those who pay.

Now, we get on dangerous ground when we say, "Well, next year they really won't need it." The fact remains that the reserve has gone down and down all the time. It is now down to a point sufficient to carry the program for only 12 months. When we started to pay benefits, it was enough to carry the program for 591 months. The table shows that it has gone down steadily.

I also wish to call attention to the fact that in 1966, outgo exceeded expenditures. So if now and then income exceeds expenditure a little, it tends to be balanced out. It does not mean that you should discard principle. When benefits are increased, an appropriate tax increase should be applied.

Mr. WILLIAMS of Delaware. I thank the Senator from Nebraska.

As I stated earlier, I believe that an increase in social security benefits is justified. I intend to vote for an increase if it is properly financed, and I am perfectly willing to vote for the tax to pay for it—both effective on the same day.

But I do object to going through the political hypocrisy of having the benefits becoming effective before the election and the tax becoming effective later so that the people will not know about it.

The program must be soundly and properly financed, but let us make them both effective the same day. I am willing to vote for the necessary tax increase to finance the benefits for which I vote. If I, as a Senator, and if other Senators are not willing to vote for the tax at the same time then we should not vote for the benefits.

Mr. President, I ask unanimous consent that the table appearing on page 336 of the committee report, referred to by the Senator from Nebraska, be printed at this point in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

COMPARISON OF OASDI TRUST FUND BALANCES AND BENEFIT OUTGO

[Balance in fund and benefit outgo in millions]

Calendar year	Balance in fund at beginning of year	Benefit outgo in year	Ratio of fund to benefit outgo	
			In years	In months
1940	$1,724	$35	49.3	591.6
1941	2,031	88	23.1	277.2
1942	2,762	131	21.1	253.2
1943	3,688	166	22.2	266.4
1944	4,820	209	23.1	277.2
1945	6,005	274	21.9	262.8
1964	7,121	378	18.8	225.6
1947	8,150	466	17.5	210.0
1948	9,360	556	16.8	201.6
1949	10,722	667	16.1	193.2
1950	11,816	961	12.3	147.6
1951	13,721	1,885	7.3	87.6
1952	15,540	2,194	7.1	85.2
1953	17,442	3,006	5.8	69.6
1954	18,707	3,670	5.1	61.2
1955	20,576	4,968	4.1	49.2
1956	21,663	5,715	3.8	45.6
1957	22,519	7,404	3.0	36.0
1958	23,042	8,576	2.7	32.4
1959	23,243	10,299	2.3	27.6
1960	21,966	11,245	2.0	24.0
1961	22,613	12,749	1.8	21.6
1962	22,162	14,461	1.5	18.0
1963	20,705	15,427	1.3	15.6
1964	20,715	16,223	1.3	15.6
1965	21,172	18,310	1.2	14.4
1966	19,841	20,048	1.0	12.0
1967	22,309	[1]21,549	1.0	12.0

[1] Estimated.

Mr. WILLIAMS of Delaware. The table shows the ratio of the trust fund to benefit outgo, which has been declining over the years so that now it is down to approximately a 1-year reserve. This reserve is necessary because if you run into a recession or a depression—and we could have one; we have had them before—you would have increased payments going out under the program and substantially reduced income as unemployment increased.

I believe this reserve is necessary. We are told by the actuaries that this reserve is at the minimum of what we can afford to carry in order for it to be secure so far as payments are concerned. Certainly, the one thing that those who draw social security benefits want most is the security and the knowledge that

the benefits will be paid as long as they live so that they need not wonder whether the benefits will be paid in later years. To the extent that Congress increases benefits, taxes must be increased.

The committee bill recognizes that fact. This amendment merely deals with timing, giving truth in Government, and making both dates effective at the same time so that when we go home both the recipients of benefits and those who pay the tax will know they are paying this tax for these benefits, and they will know that the same Members of the Senate who voted for the benefits voted for the tax.

I am willing to vote that both be effective the same day.

Mr. LONG of Louisiana. Mr. President, how much time do I have remaining on the amendment?

The PRESIDING OFFICER (Mr. RIBICOFF in the chair). The Senator has 12 minutes remaining on the amendment.

Mr. LONG of Louisiana. I shall not require that much time.

Mr. President, the amendment of the Senator would not help the Government fiscally one way or the other. It would increase the tax sooner and it would raise more money by taxing the people more than we need to tax them in 1968 for social security purposes, and then reduce the tax to a lower level in subsequent years, and lose what it would save in the years following.

As a practical matter, the only purpose of the amendment is a desire to really shock the public by highlighting how much the social security program costs when the benefits are brought up to offset the increase in the cost of living, which is the main benefit we are financing with the bill.

If one wants to shock the public, I would say that the amendment of the Senator tends to achieve that purpose. If Senators want to leave the shock treatment out and talk about whether we are actuarially sound and whether the House bill is actuarially sound, all of the actuaries will state that both are.

Mr. President, the difference is that the House committee worked out the matter so that the fund was being overfinanced, and used some of that surplus in overfinancing to pay for some of the benefits, while the Senate committee voted additional taxes by raising the wage base to tax more money and more people to bring in $100 million more than we voted for in additional benefits. We are actuarially sound and the Senator does not deny that.

As a practical matter the only purpose of the amendment is political. The Senator said that we had political facts in mind, and maybe we did. When a bill is reported with every Democrat voting for it and every Republican voting against it, I guess that people think of politics. I am sure that Republicans voted against the bill, relying on it being unpopular, and that Democrats voted for the bill, relying on it being popular.

The Republicans would like to put a shock treatment in here by throwing up their hands and saying, "Oh, my goodness. Look what this is costing." The amendment of the Senator would serve that purpose. It would shock the public and impress on them how much the program is costing. If Senators wish to overimpress the public, they should vote for the Senator's amendment. I think that his amendment takes an active step in that direction.

However, as the Senator from Vermont [Mr. PROUTY] pointed out so well, we have a large surplus, a huge fund of about $29 billion, that will grow every year and take in a lot more than it pays out in benefits. All of the actuaries look at this fund and say that it is fiscally sound. This is a necessary increase in benefits if we are to meet the increase in the cost of living.

I hope we do not vote a lot more taxes than we need at a time when we are faced with a deficit in balance of payments and a request for a surcharge tax.

I would hope that the Senate will support the committee, at least the majority of the committee, in that respect.

Mr. President, unless someone wishes to speak, I am prepared to yield back the time.

Mr. WILLIAMS of Delaware. Mr. President, I ask unanimous consent that I may proceed for 1 minute on the bill.

Mr. LONG of Louisiana. Mr. President, the Senator may have 1 minute of my time.

Mr. WILLIAMS of Delaware. The Senator said that this new wage tax would shock the American public. If it will shock them after the election why are they not told what it will cost before the election? It will be just as shocking an increase in 1969. Why not let them know about this shocking tax before they vote next November. That is all that is involved in the amendment.

The amendment would not change actuarily soundness because it merely advances the date of this shock so that they will know the true cost of the program at the same time they get the benefits. It should be so.

I suggest to the Senator from Louisiana that if we go to a store to buy an article and if the price is apt to be shocking we ask the storekeeper and ascertain the price then. If we feel we cannot afford it that is the time to find out. One does not minimize the shock by buying the article, closing his eyes as to what it will cost, getting the article home, and receiving the bill the first of the month and then have a delayed shock.

Mr. LONG of Louisiana. Mr. President, I yield myself 30 seconds.

The PRESIDING OFFICER. The Senator from Louisiana is recognized.

Mr. LONG of Louisiana. Mr. President, there is a surplus flowing into the fund and it is overfinanced. That is why the ranking member of the House Ways and Means Committee last year was pressing for an 8-percent increase in benefits with no increase in taxes. If that measure could have been passed as the Byrnes bill under Republican leadership, my guess is that there would be no complaint on that side of the aisle to pay for additional increases in the cost of living. That is what Representative BYRNES recommended on the House side. I imagine that the Republicans over there would have voted unanimously for it, with no increase at all, if that proposal had been voted on last year.

Some Senators might want to impress on people how much the program would cost, but if it were the Byrnes bill rather than the Mills bill I do not believe they would be driving that point home today.

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. LAUSCHE. Mr. President, based on the discussion that has taken place between the Senator from Louisiana and the Senator from Delaware, it is thoroughly clear to me that there has to be an increase in tax to finance the increase in benefits. The dispute between the two measures deals with the date on which that increase should be imposed. Whichever date it is imposed, it means that the worker will have to pay. The fact that it is being delayed for 1 or 2 years does not mean that the worker will be permanently exempted from paying it.

Inasmuch as it has to be paid by the worker and inasmuch as it is not a fact to claim he will not have to pay it, the only question in my mind is: How shall we proceed? Shall it be delayed until after the election; and if it is, why is it delayed until after the election? If it is in greater conformity with actual facts to impose it today rather than after the election, why should it not be imposed today?

No reason can be given dealing with the proposed delay of the effective date of the tax until after election other than political motive. That is the only reason that can be given, and I am not going to join in that type operation.

The PRESIDING OFFICER. Does the Senator from Louisiana yield back the remainder of his time?

Mr. LONG of Louisiana. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. All time has been yielded back. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. MANSFIELD (after having voted in the negative). On this vote I have a pair with the distinguished minority leader, the Senator from Illinois [Mr. DIRKSEN]. If he were present and voting, he would vote "yea"; if I were at liberty to vote, I would vote "nay." I withdraw my vote.

Mr. BYRD of West Virginia (after having voted in the negative). On this vote I have a pair with the distinguished Senator from Rhode Island [Mr. PASTORE]. If he were present and voting, he would vote "nay"; if I were at liberty to vote, I would vote "yea." I withdraw my vote.

Mr. SMATHERS (after having voted in the affirmative). On this vote I have a pair with my distinguished colleague from Florida [Mr. HOLLAND]. If he were present and voting he would vote "nay"; if I were at liberty to vote, I would vote "yea." I withdraw my vote.

Mr. BYRD of West Virginia. I announce that the Senator from Nevada [Mr. CANNON], the Senator from North Carolina [Mr. JORDAN], the Senator from

Rhode Island [Mr. PASTORE], the Senator from West Virginia [Mr. RANDOLPH], and the Senator from Alabama [Mr. SPARKMAN] are absent on official business.

I also announce that the Senator from Connecticut [Mr. DODD], the Senator from Florida [Mr. HOLLAND], the Senator from Minnesota [Mr. MCCARTHY], the Senator from Wyoming [Mr. MCGEE], the Senators from Georgia [Mr. RUSSELL] and [Mr. TALMADGE] are necessarily absent.

I further announce that, if present and voting, the Senator from Nevada [Mr. CANNON], the Senator from Wyoming [Mr. MCGEE] and the Senator from West Virginia [Mr. RANDOLPH] would each vote "nay."

Mr. KUCHEL. I announce that the Senator from Kansas [Mr. CARLSON], the Senator from Illinois [Mr. DIRKSEN], the Senator from Hawaii [Mr. FONG], the Senator from California [Mr. MURPHY], and the Senator from Pennsylvania [Mr. SCOTT] are necessarily absent.

The Senator from Kentucky [Mr. COOPER], the Senator from Wyoming [Mr. HANSEN], the Senator from South Dakota [Mr. MUNDT], and the Senator from Texas [Mr. TOWER] are absent on official business.

The Senator from Massachusetts [Mr. BROOKE] is detained on official business.

If present and voting, the Senator from Kansas [Mr. CARLSON], the Senator from California [Mr. MURPHY], the Senator from Pennsylvania [Mr. SCOTT], and the Senator from Texas [Mr. TOWER] would each vote "yea."

The pair of the Senator from Illinois [Mr. DIRKSEN] has been previously announced.

The result was announced—yeas 27, nays 49, as follows:

[No. 335 Leg.]

YEAS—27

Aiken	Dominick	Hruska
Allott	Eastland	Jordan, Idaho
Baker	Ervin	Kuchel
Bennett	Fannin	Lausche
Boggs	Griffin	McClellan
Cotton	Hatfield	Miller
Curtis	Hickenlooper	Morton
Pearson	Stennis	Williams, Del.
Percy	Thurmond	Young, N. Dak.

NAYS—49

Anderson	Hayden	Morse
Bartlett	Hill	Moss
Bayh	Hollings	Muskie
Bible	Inouye	Nelson
Brewster	Jackson	Pell
Burdick	Javits	Prouty
Byrd, Va.	Kennedy, Mass.	Proxmire
Case	Kennedy, N.Y.	Ribicoff
Church	Long, Mo.	Smith
Clark	Long, La.	Spong
Ellender	Magnuson	Symington
Fulbright	McGovern	Tydings
Gore	McIntyre	Williams, N.J.
Gruening	Metcalf	Yarborough
Harris	Mondale	Young, Ohio
Hart	Monroney	
Hartke	Montoya	

NOT VOTING—24

Brooke	Hansen	Pastore
Byrd, W. Va.	Holland	Randolph
Cannon	Jordan, N.C.	Russell
Carlson	Mansfield	Scott
Cooper	McCarthy	Smathers
Dirksen	McGee	Sparkman
Dodd	Mundt	Talmadge
Fong	Murphy	Tower

So the amendment of the Senator from Delaware (Mr. WILLIAMS) was rejected.

SOCIAL SECURITY ACT AMENDMENTS OF 1967

The Senate resumed the consideration of the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

Mr. CURTIS. Mr. President, I send an amendment to the desk and ask that it be considered. I offer the amendment for myself and the Senator from Delaware [Mr. WILLIAMS].

The PRESIDING OFFICER. The amendment offered by the Senator from Nebraska will be stated.

The LEGISLATIVE CLERK. The Senator from Nebraska, for himself and the Senator from Delaware [Mr. WILLIAMS], proposes amendment No. 464, as follows——

Mr. CURTIS. Mr. President, may the record show that this amendment is offered in behalf of the Senator from Delaware [Mr. WILLIAMS] and myself?

The PRESIDING OFFICER. Without objection, the record will so show.

Mr. CURTIS. Mr. President, I wish to modify the amendment to correct an error that appears in the printing of it. The correction is to strike out lines 17 and 18 on page 4.

I ask unanimous consent that the amendment as corrected may appear at this point in the RECORD without its being read.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment, as modified, is as follows:

Beginning on page 13 with the table (the first part of which begins on such page) strike all through the table on page 16 and insert in lieu thereof the following:

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

"I (Primary insurance benefit under 1939 act, as modified)		II (Primary insurance amount under 1965 act)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
	$13.48	$44.00	----------	$67	$50.00	$75.00
$13.49	14.00	45.00	$68	69	50.70	76.10
14.01	14.48	46.00	70	70	51.80	77.70
14.49	15.00	47.00	71	72	52.90	79.40
15.01	15.60	48.00	73	74	54.00	81.00
15.61	16.20	49.00	75	76	55.20	82.80
16.21	16.84	50.00	77	78	56.30	84.50
16.85	17.60	51.00	79	80	57.40	86.10
17.61	18.40	52.00	81	81	58.50	87.80
18.41	19.24	53.00	82	83	59.70	89.60
19.25	20.00	54.00	84	85	60.80	91.20

"I (Primary insurance benefit under 1939 act, as modified)		II (Primary insurance amount under 1965 act)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
$20.01	$20.64	$55.00	$86	$87	$61.90	$92.90
20.65	21.28	56.00	88	89	63.00	94.50
21.29	21.88	57.00	90	90	64.20	96.30
21.89	22.28	58.00	91	92	65.30	98.00
22.29	22.68	59.00	93	94	66.40	99.60
22.69	23.08	60.00	95	96	67.50	101.30
23.09	23.44	61.00	97	97	68.70	103.10
23.45	23.76	62.10	98	99	69.90	104.90
23.77	24.20	63.20	100	101	71.10	106.70
24.21	24.60	64.20	102	102	72.30	108.50
24.61	25.00	65.30	103	104	73.50	110.30

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

"I (Primary insurance benefit under 1939 act, as modified)		II (Primary insurance amount under 1965 act)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
$25.01	$25.48	$66.40	$105	$106	$74.70	$112.10
25.49	25.92	67.50	107	107	76.00	114.00
25.93	26.40	68.50	108	109	77.10	115.70
26.41	26.94	69.60	110	113	78.30	117.50
26.95	27.46	70.70	114	118	79.60	119.40
27.47	28.00	71.70	119	122	80.70	121.10
28.01	28.68	72.80	123	127	81.90	122.90
28.69	29.25	73.90	128	132	83.20	124.80
29.26	29.68	74.90	133	136	84.30	126.50
29.69	30.36	76.00	137	141	85.50	128.30
30.37	30.92	77.10	142	146	86.80	130.20
30.93	31.36	78.20	147	150	88.00	132.00
31.37	32.00	79.20	151	155	89.10	133.70
32.01	32.60	80.30	156	160	90.40	135.60
32.61	33.20	81.40	161	164	91.60	137.40
33.21	33.88	82.40	165	169	92.70	139.10
33.89	34.50	83.50	170	174	94.00	141.00
34.51	35.00	84.60	175	178	95.20	142.80
35.01	35.80	85.60	179	183	96.30	146.40
35.81	36.40	86.70	184	188	97.60	150.40
36.41	37.08	87.80	189	193	98.80	154.40
37.09	37.60	88.90	194	197	100.10	157.60
37.61	38.20	89.90	198	202	101.20	161.60
38.21	39.12	91.00	203	207	102.40	165.60
39.13	39.68	92.10	208	211	103.70	168.80
39.69	40.33	93.10	212	216	104.80	172.80
40.34	41.12	94.20	217	221	106.00	176.80
41.13	41.76	95.30	222	225	107.30	180.00
41.77	42.44	96.30	226	230	108.40	184.00
42.45	43.20	97.40	231	235	109.60	188.00
43.21	43.76	98.50	236	239	110.90	191.20
43.77	44.44	99.60	240	244	112.10	195.20
44.45	44.88	100.60	245	249	113.20	199.20
44.89	45.60	101.70	250	253	114.50	202.40
		102.80	254	258	115.70	206.40
		103.80	259	263	116.80	210.40
		104.90	264	267	118.10	213.60
		106.00	268	272	119.30	217.60
		107.00	273	277	120.40	221.60
		108.10	278	281	121.70	224.80
		109.20	282	286	122.90	228.80
		110.30	287	291	124.10	232.80
		111.30	292	295	125.30	236.00
		112.40	296	300	126.50	240.00
		113.50	301	305	127.70	244.00
		114.50	306	309	128.90	247.20
		115.60	310	314	130.10	251.20
		116.70	315	319	131.30	255.20
		117.70	320	323	132.50	258.40
		118.80	324	328	133.70	262.40
		119.90	329	333	134.90	266.40
		121.00	334	337	136.20	269.60
		122.00	338	342	137.30	273.60
		123.10	343	347	138.50	277.60
		124.20	348	351	139.80	280.80
		125.20	352	356	140.90	284.80
		126.30	357	361	142.10	288.80
		127.40	362	365	143.40	292.00
		128.40	366	370	144.50	296.00
		129.50	371	375	145.70	300.00
		130.60	376	379	147.00	303.20

"I (Primary insurance benefit under 1939 act, as modified)		II (Primary insurance amount under 1965 act)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
		$131.70	$380	$384	$148.20	$307.20
		132.70	385	389	149.30	311.20
		133.80	390	393	150.60	314.40
		134.90	394	398	151.80	318.40
		135.90	399	403	152.90	322.40
		137.00	404	407	154.20	325.60
		138.00	408	412	155.30	329.60
		139.00	413	417	156.40	333.60
		140.00	418	421	157.50	326.80
		141.00	422	426	158.70	340.80
		142.00	427	431	159.80	342.80
		143.00	432	436	160.90	344.80
		144.00	437	440	162.00	346.40
		145.00	441	445	163.20	348.40
		146.00	446	450	164.30	350.40
		147.00	451	454	165.40	352.00
		148.00	455	459	166.50	354.00
		149.00	460	464	167.70	356.00
		150.00	465	468	168.80	357.60
		151.00	469	473	169.90	359.60
		152.00	474	478	171.00	361.60
		153.00	479	482	172.20	363.20
		154.00	483	487	173.30	365.20
		155.00	488	492	174.40	367.20
		156.00	493	496	175.50	368.80
		157.00	497	501	176.70	370.80
		158.00	502	506	177.80	372.80
		159.00	507	510	178.90	374.40
		160.00	511	515	180.00	376.40
		161.00	516	520	181.20	378.40
		162.00	521	524	182.30	380.00
		163.00	525	529	183.40	382.00
		164.00	530	534	184.50	384.00
		165.00	535	538	185.70	385.60
		166.00	539	543	186.08	387.60
		167.00	544	548	187.90	389.60
		168.00	549	552	189.00	391.20
			553	556	190.00	392.80
			557	559	191.00	394.00
			560	563	192.00	395.00
			564	566	193.00	396.80
			567	569	194.00	398.00
			570	573	195.00	399.60
			574	576	196.00	400.80
			577	580	197.00	402.40
			581	583	198.00	403.60
			584	587	199.00	405.20
			588	590	200.00	406.40
			591	594	201.00	408.00
			595	597	202.00	409.20
			598	601	203.00	410.80
			602	604	204.00	412.00
			605	608	205.00	413.60
			609	611	206.00	414.80
			612	615	207.00	416.40
			616	618	208.00	417.60
			619	622	209.00	419.20
			623	625	210.00	420.40
			626	628	211.00	421.60
			629	633	212.00	423.60"

On page 17, line 8, strike "115" and insert in lieu thereof "112.5".

On page 20, line 7, strike "$50" and insert in lieu thereof "$40".

On page 20, line 8, strike "$25" and insert in lieu thereof "$20".

On page 20, line 11, strike "$50" and insert in lieu thereof "$40".

On page 20, line 13, strike "$50" and insert in lieu thereof "$40".

On page 20, line 15, strike "$50" and insert in lieu thereof "$40".

On page 20, line 17, strike "$25" and insert in lieu thereof "$20".

On page 20, line 20, strike "$25" and insert in lieu thereof "$20".

On page 20, line 22, strike "$50" and insert in lieu thereof "$40".

On page 20, line 25, strike "$25" and insert in lieu thereof "$20".

Beginning on page 62, line 3, strike all through line 15 on page 77 and insert in lieu thereof the following:

"INCREASE OF EARNINGS COUNTED FOR BENEFIT AND TAX PURPOSES

"SEC. 108. (a) (1) (A) Section 209(a)(4) of the Social Security Act is amended by inserting 'and prior to 1968' after '1965'.

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

"'(5) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $7,600 with respect to employment has been paid to an individual during any calendar year after 1967, is paid to such individual during such calendar year;'.

"(2) (A) Section 211(b)(1)(D) of such Act is amended by inserting 'and prior to 1968' after '1965', and by striking out '; or' and inserting in lieu thereof '; and'.

"(B) Section 211(b)(1) of such Act is further amended by adding at the end thereof the following new subparagraph:

"'(E) For any taxable year ending after 1967, (i) $7,600, minus (ii) the amount of the wages paid to such individual during the taxable year; or'.

"(3) (A) Section 213(a)(2)(ii) of such Act is amended by striking out 'after 1965' and inserting in lieu thereof 'after 1965 and before 1968, or $7,600 in the case of a calendar year after 1967'.

"(B) Section 213(a)(2)(iii) of such Act is amended by striking out 'after 1965' and inserting in lieu thereof 'after 1965 and be-

fore 1968, or $7,600 in the case of a taxable year ending after 1967'.

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

"(b)(1)(A) Section 1402(b)(1)(D) of the Internal Revenue Code of 1954 (relating to definition of self-employment income) is amended by inserting 'and before 1968' after '1965', and by striking out '; or' and inserting in lieu thereof '; and'.

"(B) Section 1402(b)(1) of such Code is further amended by adding at the end thereof the following new subparagraph:

"'(E) for any taxable year ending after 1967, (i) $7,600, minus (ii) the amount of the wages paid to such individual during the taxable year; or'.

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

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

"(4) Section 3125 of such Code (relating to returns in the case of governmental employees in Guam, American Samoa, and the District of Columbia) is amended by striking out '$6,600' each place it appears and inserting in lieu thereof '$7,600'.

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

"(A) by inserting 'and prior to the calendar year 1968' after 'the calendar year 1965';

"(B) by inserting after 'exceed $6,600,' the following: 'or (D) during any calendar year after the calendar year 1967, the wages received by him during such year exceed $7,600,'; and

"(C) by inserting before the period at the end thereof the following: 'and before 1968, or which exceeds the tax with respect to the first $7,600 of such wages received in such calendar year after 1967'.

"(6) Section 6413(c)(2)(A) of such Code (relating to refunds of employment taxes in the case of Federal employees) is amended by striking out 'or $6,600 for any calendar year after 1965' and inserting in lieu thereof '$6,600 for the calendar year 1966 or 1967, or $7,600 for any calendar year after 1967'.

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

"CHANGES IN TAX SCHEDULES

"SEC. 109. (a)(1) Section 1401(a) of the Internal Revenue Code of 1954 (relating to rate of tax on self-employment income for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1), (2), (3), and (4) and inserting in lieu thereof the following:

"'(1) in the case of any taxable year beginning after December 31, 1966, and before January 1, 1969, the tax shall be equal to 5.9 percent of the amount of the self-employment income for such taxable year;

"'(2) in the case of any taxable year; beginning after December 31, 1968, and before January 1, 1971, the tax shall be equal to 6.3 percent of the amount of the self-employment income for such taxable year;

"'(3) in the case of any taxable year beginning after December 31, 1970, and before January 1, 1973, the tax shall be equal to 6.9 percent of the amount of the self-employment income for such taxable year; and

"'(4) in the case of any taxable year beginning after December 31, 1972, the tax shall be equal to 7.0 percent of the amount of the self-employment income for such taxable year.'

"(2) Section 3101(a) of such Code (relating to rate of tax on employees for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1), (2), (3), and (4) and inserting in lieu thereof the following:

"'(1) with respect to wages received during the calendar years 1967 and 1968, the rate shall be 3.9 percent;

"'(2) with respect to wages received during the calendar years 1969 and 1970, the rate shall be 4.2 percent;

"'(3) with respect to wages received during the calendar years 1971 and 1972, the rate shall be 4.6 percent; and

"'(4) with respect to wages received after December 31, 1972, the rate shall be 5.0 percent.'

"(3) Section 3111(a) of such Code (relating to rate of tax on employers for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1), (2), (3), and (4) and inserting in lieu thereof the following:

"'(1) with respect to wages paid during the calendar years 1967 and 1968, the rate shall be 3.9 percent;

"'(2) with respect to wages paid during the calendar years 1969 and 1970, the rate shall be 4.2 percent;

"'(3) with respect to wages paid during the calendar years 1971 and 1972, the rate shall be 4.6 percent; and

"'(4) with respect to wages paid after December 31, 1972, the rate shall be 5.0 percent.'

"(b)(1) Section 1401(b) of such Code (relating to rate of tax on self-employment income for purposes of hospital insurance) is amended by striking out paragraphs (1) through (6) and inserting in lieu thereof the following:

"'(1) in the case of any taxable year beginning after December 31, 1966, and before January 1, 1969, the tax shall be equal to 0.50 percent of the amount of the self-employment income for such taxable year;

"'(2) in the case of any taxable year beginning after December 31, 1968, and before January 1, 1973, the tax shall be equal to 0.60 percent of the amount of the self-employment income for such taxable year;

"'(3) in the case of any taxable year beginning after December 31, 1972, and before January 1, 1976, the tax shall be equal to 0.65 percent of the amount of the self-employment income for such taxable year;

"'(4) in the case of any taxable year beginning after December 31, 1975, and before January 1, 1980, the tax shall be equal to 0.70 percent of the amount of the self-employment income for such taxable year;

"'(5) in the case of any taxable year beginning after December 31, 1979, and before January 1, 1987, the tax shall be equal to 0.80 percent of the amount of the self-employment income for such taxable year; and

"'(6) in the case of any taxable year beginning after December 31, 1986, the tax shall be equal to 0.90 percent of the self-employment income for such taxable year.'

"(2) Section 3101(b) of such Code (relating to rate of tax on employees for purposes of hospital insurance) is amended by striking out paragraphs (1) through (6) and inserting in lieu thereof the following:

"'(1) with respect to wages received during the calendar years 1967 and 1968, the rate shall be 0.50 percent;

"'(2) with respect to wages received during the calendar years 1969, 1970, 1971, and 1972, the rate shall be 0.60 percent;

"'(3) with respect to wages received during the calendar years 1973, 1974, and 1975, the rate shall be 0.65 percent;

"'(4) with respect to wages received during the calendar years 1976, 1977, 1978, and 1979, the rate shall be 0.70 percent;

"'(5) with respect to wages received during the calendar years 1980, 1981, 1982, 1983, 1984, 1985, and 1986, the rate shall be 0.80 percent; and

"'(6) with respect to wages received after December 31, 1986, the rate shall be 0.90 percent.'

"(3) Section 3111(b) of such Code (relating to rate of tax on employers for purposes of hospital insurance) is amended by striking out paragraphs (1) through (6) and inserting in lieu thereof the following:

"'(1) with respect to wages paid during the calendar years 1967 and 1968, the rate shall be 0.50 percent;

"'(2) with respect to wages paid during the calendar years 1969, 1970, 1971, and 1972, the rate shall be 0.60 percent;

"'(3) with respect to wages paid during the calender years 1973, 1974, and 1975, the rate shall be 0.65 percent;

"'(4) with respect to wages paid during the calendar years 1976, 1977, 1978, and 1979, the rate shall be 0.70 percent;

"'(5) with respect to wages paid during the calendar years 1980, 1981, 1982, 1983, 1984, 1985, and 1986, the rate shall be 0.80 percent; and

"'(6) with respect to wages paid after December 31, 1986, the rate shall be 0.90 percent.'

"(c) The amendments made by subsections (a)(1) and (b)(1) shall apply only with respect to taxable years beginning after December 31, 1967. The remaining amendments made by this section shall apply only with respect to remuneration paid after December 31, 1967."

On page 16, lines 8 and 9, strike "the month of March 1968" and insert in lieu thereof "the second month following the month in which the Social Security Amendments of 1967 are enacted".

On page 17, line 7, strike "March 1968" and insert in lieu thereof "such second month".

On page 17, line 8, strike "March 1968" and insert in lieu thereof "such second month".

On page 17, lines 16 and 17, strike "the month of March 1968" and insert in lieu thereof "such second month".

On page 17, lines 21 and 22, strike "March 1968" and insert in lieu thereof "such second month".

On page 18, lines 5 and 6, strike out "entitled, after February 1968" and insert in lieu thereof "entitled, in or after the second month following the month in which the Social Security Amendments of 1967 are enacted".

On page 18, lines 8 and 9, strike "after February 1968" and insert in lieu thereof "in or after such second month".

On page 19, lines 2 and 3, strike "month of March 1968 or who died before such month" and insert in lieu thereof "second month following the month in which the Social Security Amendments of 1967 are enacted or who died before such second month".

On page 19, lines 7 and 8, strike "months after February 1968" and insert in lieu thereof "and after the second month following the month in which this Act is enacted".

On page 19, line 10, strike "after February 1968" and insert in lieu thereof "in or after such second month".

On page 19, line 14, strike "of February 1968" and insert in lieu thereof "following the month in which this Act is enacted".

On page 19, lines 17 and 18, strike "month of March 1968, or who died in such month" and insert in lieu thereof "second month fol-

lowing the month in which this Act is enacted, or he died in such second month".

On page 21, lines 4 and 5, strike "months after February 1968" and insert in lieu thereof "and after the second month following the month in which this Act is enacted".

On page 22, line 18, strike "months after February 1968" and insert in lieu thereof "and after the second month following the month in which this Act is enacted".

On page 55, line 21, strike "months after February 1968" and insert in lieu thereof "and after the second month following the month in which this act is enacted".

The PRESIDING OFFICER. How much time does the Senator from Nebraska yield himself?

Mr. CURTIS. I yield myself 10 minutes.

Mr. President, I favor an increase in benefits for social security recipients. I do not think that it is in dispute anywhere. What Senator WILLIAMS and I seek to do by this amendment is to give the Senate an opportunity to vote on the benefit increase provided by the House of Representatives, with the House of Representatives proposed financing, versus the increase in benefits and the financing proposed by the majority of the Senate Committee on Finance.

May I say at the outset that I cherish the opportunity to serve on the Committee on Finance. It has been through the years, and is still, a distinguished and able committee. I believe, however, that in the deliberations of the Committee on Finance and of the Senate, we should at times take special note of what the Committee on Ways and Means of the House of Representatives has done. Because of the size of the House of Representatives, a Member is called upon to serve on only one committee. Representatives do not have to scatter their attention and activity as we must do here in the Senate. Consequently, I believe there are times when we should give considerable weight to the House of Representatives version of a particular piece of legislation because of the greater attention an House Member can give to a proposal; and I believe that this is one of those times.

Here is what is involved in the financing: A vote cast in favor of my amendment to increase benefits as provided by the House of Representatives, and to finance those increases as provided by the House, will be a vote to impose upon the American worker a maximum employee tax of $448.40, which will be reached by the year 1987. A similar amount is imposed upon each employer for each employee paying the maximum. The self-employment tax would be roughly 1½ times the employee tax.

We are increasing benefits. If we accept the increase of the House of Representatives, the maximum employee tax will, as I say, not be reached until 1987, and will go up to $448.40. However, if we accept the bill as reported by the majority members of the Senate Committee on Finance, the maximum employee tax will increase to $626.40, and it will reach that level by 1980, with a similar tax on the employer.

What does that mean? That means that mean? That means that the small businessman, who employs 10 people upon whom he has to pay the maximum tax, if we take the House bill, by 1987 will have to pay $4,484; but if we accept the Senate Finance Committee bill, 7 years earlier that employer of 10 employees who are covered by the maximum tax will have to pay $6,264.

Mr. President, when we consider the financial implications of all the actions of government and the financial implications of all the happenings in the free world, I think that we can say without equivocation that the real friend of Social Security is he who practices restraint.

Now, what is the difference in benefits? Under the House bill, all beneficiaries will receive a 12.5-percent increase. What does the majority of the Senate Finance Committee offer? It offers an increase of 15 percent, with a minimum benefit that shall be at least $70 a month. That is the immediate effect of it. Over the long range, there will be some other raises that I shall come to, but so far as present beneficiaries are concerned or those who will retire in the immediate future, it is 15 percent versus 12.5 percent.

What does that amount to? What is the average social security benefit being paid now? It is $85 and some cents. What does a 2.5-percent difference mean to that recipient? About $2.12. But it is brought about with much sounder financing than the Senate Finance Committee bill, which will give him just a little dribble more; but the disadvantages are illustrated by how high the proposed taxes would be.

The real factor in increasing the cost upon the American economy, upon our young people and upon the middle class, by the Senate Finance Committee bill, as contrasted to the Mills bill, is brought about not by the increase in the tax rate, but by the increase in the wage base.

Benefits are paid on the basis of an average monthly wage. So if we resort to financing by raising the wage base up to $10,800, as contrasted to the Mills bill base of $7,600, we do not raise the benefits for anybody who is receiving retirement benefits now, or in any noticeable degree for those who will retire in the next 3 to 6 years. But in the long run, the individual who pays on that higher base will have, over his lifetime, a substantially higher average monthly wage on which to figure the benefits formula, and that is what projects these very severe and high costs, under the Hartke-Long proposal, which are not found in the Mills bill.

If the Senate committee bill is enacted, the money benefit for a retiree, with an annual wage base of $10,800, will be based on the monthly wage, as follows: 72.42 percent of the first $110; 26.34 percent of the next $290; 24.61 percent of the next $150; 28.06 percent of the next $150; and 26.34 percent of the next $200. The total proposed benefit would eventually be substantial.

But to our present generation of old people, that means nothing, because their average monthly wage is already established, or so nearly established that raising the wage base will make no significant change. The issue that we have to face here is, are we going to vote in a level of benefits that will raise the maximum tax $448, under the Mills plan, or $624, under the Hartke-Long plan?

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. CURTIS. Mr. President, I yield myself an additional 10 minutes.

The PRESIDING OFFICER. The Senator from Nebraska is recognized for an additional 10 minutes.

Mr. CURTIS. Mr. President, the only advantage most people will derive from the committee version is only an additional 2.5-percent increase in benefits. Who is there to say that a 15-percent increase is the right balance between payers and receivers and that 12.5 percent is totally wrong? I do not believe it can be said. I believe that the House increase is a reasonable increase. I know that their method of financing the increase is far superior.

I do not want to be misunderstood. It is not my contention that a 12.5-percent increase in social security benefits is not inflationary and that a 15-percent increase is inflationary. I make no such contention.

There are some factors involved in social security that are definitely inflationary. One of them is the long-range commitment for higher and higher benefits that creates a situation in which the only way the program can be carried on is by an ever-increasing amount of inflation in our economy.

The Senate committee bill does that, not through the extra 2.5 percent, but in the raising of the wage base. The House bill does not do that.

The other factor that becomes inflationary is the very size of the tax.

I mentioned a while ago the employer with 10 employees on which the maximum tax is paid. Suppose that maximum tax is figured under the Mills bill at $448.40. That employer would have to raise $4,484. However, under the Hartke-Long bill, that employer would have to raise $6,264.

In either case, where is that employer going to get the money? He will get it from his customers. Many of the self-employed, when they can, will pass on this huge increase to their customers.

When wage negotiations take place, workers must think in terms of takehome pay. If they have $626.40 taken out of their paycheck for social security instead of $448.40, they will ask for more pay.

So, it does have an effect upon wage negotiations and wage contracts. The impact of the size of the tax does make for inflation.

I say for the record here and now that our present social security beneficiaries have not had their position worsened because the number of dollars they reecive in benefits has been lessened. They have had their position damaged because the number of dollars they receive buys less and less. And the Hartke-Long proposal would accentuate that inflationary trend.

What we really need here is a policy of government in all things that will halt runaway inflation. The older citizen is entitled not only to be paid in dollars that have real purchasing power, but he is also entitled to receive real purchasing power from the dollars he has saved. His widow is entitled to be paid life insurance money in a stable currency.

I say again that the real friend of social security, the real friend of the aged, is he who practices restraint.

The fixing of benefit increases should never be an auction contesting which candidate or which politician can bid the highest.

We should take into account the effect of inflation on our economy. We should take into account the needs of the elderly. We should take into account the needs of the young and the middle aged who will have to pay the bill.

I remind the Senate that it may be later than we think. The present financial situation of the Government is disturbing to the most optimistic persons.

It is true that social security for the most part is not paid from the general fund, is a separate tax put in a separate fund and paid out for a special purpose. However, I remind the Senate that the same people that carry the burden of social security also carry the burden of all other taxes.

The same consumers who, in the last analysis, pay all other taxes, in the last analysis pay the social security taxes. So, this greatly increased tax burden imposed by the Hartke-Long proposal will have to be borne by the rank and file citizens.

And what else do they have to do? The rank and file of the people of America have to carry the expenses of the war, care for our veterans, pay off the national debt, and pay the carrying charges on the national debt.

Mr. President, Congress this year had to appropriate $14.2 billion to pay the interest on the national debt. If we did not have to pay that amount of money, what could we have done with that $14.2 billion?

Here is what we could do. $14.2 billion is enough money to pay all veterans' benefits, the system of highways included in the Interstate System, the Hill-Burton hospital construction program, the civil works program of the Army Engineers, the entire cost of the Bureau of Reclamation, and the entire cost of running Congress and the Federal courts. All of this could be done with the amount of money we have had to pay in interest alone.

Mr. President, here is something else that these same taxpayers have to pay. As of June 1967, there was in the military retirement program an estimated $71,370,000,000 deficit in the fund. That deficit is increasing by $2.240 billion a year. The same American people that have to pay that will have to pay these huge Hartke-Long taxes that are proposed.

Here is something else: As of the same year, there is a $48 billion deficit in the civil service retirement fund. It lacks that much of being funded.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. CURTIS. I yield myself 2 additional minutes.

These are the burdens on the American people. If the burdens go on and on, inflation, devaluation, destruction of savings, destruction of the value of social security benefits—all these results are a possibility.

Again I remind you that more is involved here than the difference between a 12½-percent and a 15-percent increase in benefits. The House financing is sound. It calls for a lower schedule of taxes. My amendment is so drawn that it is intended to retain every amendment the Senate has approved, dealing with various corrections and changes in medicare and AFDC and all the other items. It merely takes the Mills increase in benefits of 12½ percent together with the Mills method of financing, instead of that proposed by a majority of the Senate Committee on Finance.

Mr. President, the pending amendment should be supported, because we are for the aged of the country. You cannot be for them and not practice restraint in everything that touches upon the financial condition of this country, unless you are totally blind to current happenings.

I yield the floor and reserve the remainder of my time.

The PRESIDING OFFICER. Who yields time?

Mr. LONG of Louisiana. Mr. President, the bill before the Senate undertakes to provide what the Finance Committee believes is an essential increase in social security payments to bring social security benefits up to where they would have been had not the depreciation in currency lessened the purchasing power of those benefits, and also to provide a meager increase in benefits beyond.

I ask that the chart indicating the changes since 1954 be displayed.

Mr. President, the chart indicates how earnings have increased since the cost-of-living increase in 1954. That is shown by the blue line. The brown line shows what has happened to prices, and the green line shows the step increases that have taken place with our social security bills since 1954.

Senators will note that, generally speaking, the brown line, which indicates prices, has advanced ahead of the social security increases as we have voted those increases. So that now, as a practical matter, knowing that we will not vote a big social security bill every year—our experience has been that if we do it once during each Congress, that is as much as we can expect—we should finance the social security benefits, even if on a cost-of-living basis, by enough so that as the cost of living continues to increase—and it is certainly projected to do so next year—the cost of living will not immediately wipe out the increased benefits voted to offset the cost-of-living increase.

Furthermore, Mr. President, a majority of the Senate committee, the Democrats on the committee, are aware of the fact that in this program the benefits have never been added.

At the present time, notwithstanding a social security program intended to keep people out of poverty, we have in this great Nation 5 million people in poverty, approximately half of them receiving public welfare.

The bill before the Senate would reduce the number of people in poverty by 2.1 million. This would mean that the number of people taken out of poverty would be 1.3 million beyond the number which the House bill would take out of poverty. So if it is said that the social security program should be such that people are no longer welfare charges and are no longer on poverty, the bill moves in that direction. The economy sought by those on the Republican side of the aisle is to economize at the expense of the poor, the needy, the unfortunate, the orphan children. In my judgment, that is the one area in which we can least afford to economize.

It should be borne in mind that we are talking about a bill which pays its own way.

We have heard a Senator say that we cannot afford to tax—this is the argument—a man who makes more than $600 a month on an additional $100 a month earnings, in order to take care of the most pitiful cases, people who have paid their money into the social security program and who are to be protected by the program, but have found themselves wards of private or public charity.

Mr. President, in my judgment, we can afford it. We can afford it, whether we have to pay for it by social security tax or any other way. It seems to me that this tends to draw the traditional distinction between the Democratic and the Republican side of the aisle—one side saying that we cannot afford to have beggary, wretchedness; we cannot afford to have people pay for social security benefits which will insure them against poverty, against wretchedness, against homelessness, against starvation, against nakedness. These are people who have paid into the social security fund, and when their day of retirement comes, they find that they are not cared for in sickness, that they starve, that they must apply to private charity or to public welware for their existence.

As the committee bill has been reported, 200,000 people could be taken from the public welfare rolls whom the Republican amendment would continue on the public welfare rolls, and the pending amendment would require that an additional 1,300,000 people be left in poverty.

In addition, I point out that insofar as people would pay taxes on a higher wage base, they would receive greater benefits when they retire, because their retirement benefits would be measured by the higher base.

Let us consider the person for whom the sponsors of the pending amendment are so solicitous.

This man is making $750, $800, or $1,000 a month, and the sponsors of this amendment fear he would be unable to pay the additional tax. Let us look at the situation when this man retires, assuming he is in the maximum category. When he has paid enough for the maximum, when he retires instead of having maximum retirement benefits of $212 a month provided by the House bill, his maximum retirement benefit would be $288. If he were married, it would be 50 percent above that figure of $288. His income would be $70 a month more. It is certainly something well worth paying in order to have the additional benefit.

Look at the maximum provided for a family based on a single earnings record. The maximum provided by having the person pay more in order to draw retirement benefits on more income would rise from $368, payable under the present law, to $423.60, payable under the bill as reported by the Committee on Finance of the Senate. The House bill would have placed that figure at $523.60. There is a difference of $100 a month a family would receive above the House bill if they were paying the higher tax. Yes, they would pay a higher tax and receive much higher benefits for it.

Mr. President, this committee has not been afraid to bring to the Senate a program to reduce beggary, to reduce poverty, and to help people who must rely on public welfare. It would move in the direction of providing a more dignified basis for support to people who must rely on public welfare.

Furthermore, the amendment would seek to strike out a number of liberalizations and improvements of the program voted by the committee of the Senate, some of which were sponsored by Republicans and some of which were sponsored by Democrats.

I would assume that if the Curtis-Williams amendment is agreed to, other amendments will be introduced to strike out other benefits in the bill which take care of the aged and which take care of people who rely on the social security system for their existence.

Mr. President, as the amendment stands at this moment, having heard all of the statements about fiscal responsibility in connection with the previous amendment, here is an amendment that would be actuarially out of balance. It would not bring in as much money as it would pay out, and it would put the fund actuarially out of balance by minus 0.5 percent of payroll.

Mr. President, if the Chair will bear with me for one moment, I wish to get these figures straight. In dollars, this amendment would place the system $450 million out of balance in 1969. In terms of payroll, it would place it out of balance by 0.1 percent of payroll.

Having had a lecture in connection with the previous amendment by the Senator from Delaware about fiscal responsibility, soundness in the fund, and preservation of the fund, we now have an amendment sponsored by the distinguished Senator from Nebraska and the distinguished Senator from Delaware proposing to put the fund out of balance by $450 million compared with the sound approach adopted by the committee in voting to pay for the benefits for which the committee voted.

For those reasons, I do not think the amendment should be agreed to.

Mr. WILLIAMS of Delaware. Mr. President, how much time do we have remaining on the amendment? This is one of the 2-hour amendments.

The PRESIDING OFFICER. The Senator has 38 minutes remaining.

Mr. WILLIAMS of Delaware. Mr. President, I yield myself 10 minutes.

The PRESIDING OFFICER. The Senator from Delaware is recognized.

Mr. WILLIAMS of Delaware. Mr. President, I listened with great interest and amusement to the Senator from Louisiana. I always enjoy listening to him make a speech. It was a wonderful political speech as he pointed out the Republican position. Unfortunately, the speech was wasted because there was not a Louisiana voter here to be converted.

However, inasmuch as the Senator from Louisiana has pointed out how hardhearted the position is which is taken by the Senator from Nebraska and myself in sponsoring this amendment, I wish to point out what the amendment does.

The amendment would increase social security benefits by 12.5 percent across the board, raise the minimum from $44 to $50, and raise the earning limitation from $1,500 to $1,680.

Let there be no misunderstanding about how worthy this proposal is. I call attention to the fact that every Democratic Representative in the other body voted for this same formula of increases. Every Democratic Representative from the State of Louisiana, the State of my chairman, voted for this same proposal, and that list includes: Representatives EDWARD HÉBERT, HALE BOGGS, JOE WAGGONNER, OTTO PASSMAN, JOHN RARICK, EDWIN EDWARDS, and "SPEEDY" LONG, all of whom are Democratic Representatives from the State of Louisiana. Every Louisana Congressman over there voted for the position which is now before the Senate is the Curtis-Williams amendment.

Mr. LONG of Louisiana. Mr. President, will the Senator yield for a question?

Mr. WILLIAMS of Delaware. I shall yield in a moment.

The Representative from Arkansas [Mr. MILLS] also voted for it. This proposal would substitute the benefit increases of the House bill for those in the Senate bill and at the same time substitute the lower tax rates of the House bill for the higher rates in the Senate bill. The wage base would be kept at $7,600.

Mr. LONG of Louisiana. Is not the Senator aware of the fact that those people did not have the opportunity to vote for the Senate Finance Committee measure? They were faced with a closed rule where one must take it or leave it. They could not vote for something better. They had to take it or leave it.

Mr. WILLIAMS of Delaware. Not necessarily. The Representative from Louisiana [Mr. BOGGS] is a ranking member of the Ways and Means Committee in the other body, and he helped to write the bill in committee. He is one of the ranking members of the committee which reported the bill. They had a right to express themselves.

There is no difference in benefits of our proposal and their bill. The bill, as it was passed by the House of Representatives with a 12.5-percent increase in benefits, provides additional benefits of about $3.5 billion once it gets into the first full year of operation.

The bill reported by the Committee on Finance of the Senate increased those benefits by another $3.2 billion, which is about double. But in doubling the benefits under the two bills it also doubles the tax.

Under the proposal before us we would go back to the House provisions on benefits—to the same level of benefits as supported by every Democratic Representative from the State of Louisiana as well as by every Representative from the State of my good friend from Indiana. They all supported the same proposal we now offer.

I doubt we will find these Senators denouncing their colleagues back in their States for having voted for the sound Republican position we are proposing here today. They had on their minds that this proposal would have increased benefits by 12.5 percent. Increased benefits are justified as a result of inflation, an inflation over which these retired citizens have no control.

At the same time, one does not cure that situation by raising benefits and fanning further the fires of inflation, so that in a year or two the inflation will have eroded all of the benefits that the recipients will have received.

With respect to the change in the tax rate, the House bill has the same payroll tax rates as are shown under the Senate bill. That is true. However, the wage base under the House bill was $7,600, and stayed at $7,600. Under the Hartke-Long proposal in the Senate it goes to $8,000 in 1968, $8,800 in 1969, $10,800 in 1972. This proposal would strike out those increases and retain the same level of increases as in the House bill.

The Senator from Louisiana points out that this bill is not as fiscally responsibly balanced as I have said I would like to have it. That is true.

I made an effort in the amendment offered earlier today to advance the date. I wish that my good friend from Louisiana, the chairman of the committee, had made the same speech when I had that amendment pending, because if he had I might have persuaded him to vote for my amendment. But he voted against it. Now, however, after it has been defeated he is speaking in favor of it. I wish we could get together on this. I want to get his votes where his speeches are.

I see no need to labor further the pending amendment. It is very simple. I think that everyone understands the issue. This amendment would stand by the benefit provisions of the bill as they were approved by a 415-to-3 vote in the House of Representatives and this amendment stands by the payroll tax increase as it was approved by the same 415-to-3 vote in the House of Representatives.

There are those of us who feel that this 12½-percent increase is as far as the wage earners, who pay the tax, can afford to go at this time. We must take into consideration not only the needs of those who will be receiving the benefits but also the manner in which it will affect the wage earners who have to pay the taxes. The fact that under the Senate bill the full impact of the tax will not hit them until after election does not lessen their burden. That does not make it any less painful. It only means that they are being lulled into a false sense of security until after they have cast their ballots. The Senator from Louisiana admits they will receive a shocking awakening when they find out what this increased tax will be under the Hartke-Long proposal.

I hope that the amendment will be agreed to.

Mr. President, I reserve the remainder of my time.

Mr. HARTKE. Mr. President, I yield myself 5 minutes.

The PRESIDING OFFICER. The Senator from Indiana is recognized for 5 minutes.

Mr. HARTKE. Mr. President, there is no question that there is a fundamental difference between the Republican position, the position taken by the Finance Committee, and the administration position. Basically, the bill before the Senate at this moment provides for those items recommended by the President in his message to Congress. The House of Representatives, however, did not see fit to go ahead and follow those recommendations. Therefore, they had the opportunity to vote only on the committee bill which was presented to them.

This bill, very honestly and simply, does, in some ways rectify some of the inequities which have occurred over the years for the 20 million elderly persons in this country, in a situation in which they cannot go to their employers and demand a pay increase. The only place they can look to for any help in their social security benefits is to Congress. That is what has been done.

The President of the United States recommended to Congress that we allow a 15-percent increase for these people, plus an increase in the minimum payment from $44 to $70 a month. However, if we look at it, really, what does the $44 mean? It is sad to have to say to the American people that we have really been that stingy with them, that we have been that hardhearted with our older people, to say to a man or woman over the age 65, who has made his contribution through the years to the social security fund, that so far as he is concerned, he will be expected to buy his food and clothing, and find a place in which to live, for $528 a year.

That, in and of itself, should be an indictment about which I think any thinking Republican, Democrat—all Americans—would certainly say that we can do better than that.

The Finance Committee says we can do better than that. We can do better than that without increasing the burden of taxes on the people who are working in any sufficient amount to be unsatisfactory.

What the House passed was, I think, rather meager. They said that they were going to increase the $44 up to $50 a month. That means that the same persons will be asked to live on $600 a year.

Now, honestly, if I had my way, I would say that the least Congress should give to any person over the age of 65, during those years in which he can look forward only to meeting his Creator shortly, is $1,200 a year.

After all, we recognize today that we are the most affluent Nation on earth. We have said to the American people that if they are over the age of 65, and they earn only $1,600 a year, then they are in poverty. What does Congress say, in effect, today, not in defense of the bill but almost in criticism of it being too shallow and too narrow in its approach?

We are saying to the people, "We are going to ask you to be three-quarters poor. That is all we will allow you. We are not even going to make you poverty free."

Yet, by passing the bill recommending the $70, the benefits will be only $840 a year.

I say that any person who has one ounce of Thanksgiving spirit in his heart, who looks forward to the Christmas spirit of Christian charity, should realize that we can do something to make the last years of the lives of our elderly people on an actuarially sound basis, and make their lives somewhat better than they were before. That is the responsibility of thinking people. That is what the bill is all about. We shall be exercising the power of government in a responsible fashion. The chairman of the Finance Committee has stated, that 1.6 million individuals in this country, as a result of this bill are no longer going to have to live in the status of poverty any longer.

The PRESIDING OFFICER. The time of the Senator from Indiana has expired.

Mr. HARTKE. Mr. President, I yield myself 5 additional minutes.

The PRESIDING OFFICER. The Senator from Indiana is recognized for 5 additional minutes.

Mr. HARTKE. Mr. President, as the Senator from Louisiana, the chairman of the committee, has indicated, there are 2 million elderly people presently drawing welfare. One of the things most obnoxious to those drawing welfare is the fact that they do not like snoopers. There is no other way to determine, of course, whether a person needs welfare, without an investigation being made of their need. I am not against welfare programs, but if I had my choice I would take the people off the welfare rolls and put them in the position of being in a program on an actuarily sound basis. If that could be done, so that they could live in dignity, that would be much more desirable.

Now we have some figures here which have been submitted by the distinguished, articulate, and hard-headed Senator from Delaware [Mr. WILLIAMS], in which he took some liberty to define some of the amendments and some of the results of what has been done in the Finance Committee. He calls it the Hartke proposal. I am willing to accept that. But, there is one great difference between the Senator from Delaware and myself. We are basically in common agreement on the facts, but we certainly have a different philosophy of life. He thinks we should give as little to the poor as we can, while I think we should give as much to the poor as we can, on an actuarily sound basis, with the decency and legitimacy of providing a fair system of government.

In the figures which the distinguished Senator from Delaware has had printed, if one were to read them without careful consideration of the benefits involved and the nature of a national group insurance plan, one might become needlessly concerned about the fairness of the social security system. That is why I wish to take a close look at what we might call the maximally taxed man—he always gets taxed at what would appear to be the worst possible level under what the Senator from Delaware [Mr. WILLIAMS] refers as to as the Hartke proposal.

In fact, let us assume that he worked for 45 years under the social security system from the age of 20 in 1968 until the age of 65 in the year 2013.

Would that I could live that long, Mr. President, I would be so glad to be in this world and alive to see what will be happening in 2013. It would be so interesting.

His earnings always equaled no more than the maximum possible base so that all his income got taxed at the highest rates beginning in 1968. After 45 years of working, he had paid in $26,579. After that assume that he and his wife live only 6 years before he dies. In those 6 years, barring any benefit increase in the next 50 years—which is an extremely pessimistic and unrealistic assumption—he receives $28,296, over $1,000 more than he put in. But then his wife lives another 4 years, so that she receives another $11,404 in widows benefits. He is also protected against disability during any of those last 40 working years, and his wife and children are eligible for survivors benefits, which run into thousands of dollars in the event he dies before the 45 years are up. We have made no provision for possible benefit increases in the next 45 years from a plan which will, by 1972, be producing, by the figures of the Senator from Delaware, a surplus of $8.5 billion yearly.

That is a pretty good system. But, when we look at it, we begin to wonder why the Republicans are opposed to such a sound business proposal whenever it comes to doing for these older people what has not been accomplished by any other proposal.

But what about interest? As I shall show later, we are taking out our interest now in the form of lower rates rather than creating a slush fund for the Treasury to borrow.

That is, in effect, what we are doing. The Republicans would like to have a slush fund to dip into. I am not in favor of it. I am opposed to the Republicans having a slush fund. I am opposed to the Democrats having a slush fund. In fact, I am opposed to slush funds. I do not especially want to see a $8 billion slush fund so the Republicans will be able to criticize the Democrats for having taxed the poor people.

The interest could be figured in, of course, but we would also want to consider the average man since some men collect retirement benefits, others disability, others survivors' benefits, and so on. We would want to deal with the average man, not just some extreme case.

The PRESIDING OFFICER (Mr. HOLLINGS in the chair). The time of the Senator has expired.

Mr. HARTKE. I yield myself 5 additional minutes.

Mr. President, how much time do I have left?

The PRESIDING OFFICER. The Senator has 33 minutes remaining.

Mr. HARTKE. I yield myself 5 minutes.

We do not want to deal with this extraordinarily high taxable man that the Senator from Delaware would like to put his finger on, which he documents so

well and with great expertise. We want to take the average man. If we did so, what would be in fact shown is that the average worker today contributes, including interest on his contribution, only 80 to 85 percent of the total value of the benefit protection he will probably receive. The average young worker could not possibly buy a private annuity like that. But what of the employers' contribution? Indeed, this is a group insurance plan—a big group of nearly all Americans, and we have a lot of older workers in the system who may not have contributed as much as the young ones. The employer is contributing to the security of all his workers and to that of some of our elderly who have already retired. Is this fair? Of course it is when everyone is paying into the system, because the result is that those who retire are not left dependent and destitute.

Every argument made against the increased benefits was the same argument made against the medicare program. Even the doctors are now saying that the medicare program is not as bad as they thought it would be. As a matter of fact, they are trying to find out how to collect more. Doctors are trying to figure how to save—but maybe we had better leave that alone for now.

Those who are retired do not fall on the relief rolls, which are paid by taxes, too. They used to say "Over the hill to the poorhouse." One thing about the social security system, no one contends it is a handout. A beneficiary pays for the things he is getting. It is a contribution system. This is not a handout. I am not in favor of putting more people on welfare. I am not in favor of slush funds that the Republicans advocate.

The fact is that under social security older people do not become a difficult burden on those young people who are conscientious; enough to provide for their own parents, and they do not need public assistance when their children are not so conscientious or when misfortune strikes. Furthermore, every businessman in the Nation is thereby contributing to a large and stable demand for his own products.

I would ask any Senator to go back to his own community and ask where the biggest paycheck comes from. As a result of the contribution system, he will find that the biggest single paycheck, which keeps the employers and stores in that community going, come from those people who are receiving these checks. These people do not save it. They spend every dollar. Much of it goes into the grocers and the little hardware stores of the community. So they are making a large contribution to a large and stable demand for his own products, and frankly, may keep us from having a recession or a severe depression one of these days.

It is always possible to show the case of those who lose money under a system, such as the social security system, as under any system of insurance. A person may take out an insurance policy one day and die the next and his family appears to collect a big bonus, because that family outplayed the system. A person may have bought insurance the day before he died. If no investigation is held, the family collects. Other people pay into an insurance system and pay far beyond what they can expect to collect. As a matter of fact, this will happen under any system of insurance.

The Senator from Delaware is seeking to show that for a given individual some alternative investment may have been a better one for him. But we are not concerned about just a few but, rather, we are seeking to provide an adequate minimum coverage for all our citizens and a coverage somewhat commensurate with what they have contributed and somewhat in tune with the rising production and wage rates of today. We shall continue to try to keep the system as fair as possible, but one of the things we must remember is the advantage of seeing that all our citizens are covered up to a point where after retirement they can maintain a standard of living somewhat similar to what they are accustomed to do, and in pace with the rising cost of living.

Mr. President, I yield myself 5 additional minutes.

Some people have a misunderstanding about the nature of the social security system. Its soundness rests on the prosperity of the Nation, just as a private system rests on the prosperity of the company which also rests on the prosperity of the Nation. As wages and product increase, more income is available to finance the system under present law without an increase in taxes.

If nothing were done, if the base were not increased or the rates were not increased, social security benefits amounting to an increase of 8½ percent could be paid, without changing a thing.

It is not necessary to tuck away a large amount under the covers somewhere in reserve, although there are over 28 billion dollars now in the trust funds. Instead, the money is left in the hands of the American people to invest in our Nation's future as they decide is best, until it is needed. That is what is behind the so-called postponing of the rate increase. It is not some political gimmick, as some would have us believe. Rather, it is based on the belief that Americans can decide best how to utilize their own money.

We do not want anyone figuring out a way to dip their fingers into it. Rather, a better way to look at it might be to consider that we are taking our interest in terms of present purchasing and investment power, and paying out only what needs to be paid for the present year, rather than create a larger trust fund of billions of dollars for Government borrowing. We keep the working capital instead of borrowing it back from a Government insurance company at higher interest.

Furthermore, as a result of our continually expanding national product, we will find our future national income increased sufficiently so that under the rates already in the law we can finance all the benefits written into the law with extensive surpluses yearly.

Frankly, if there is anything wrong with the bill, it is that the benefits are not big enough and the taxes are too much. The chairman of the Committee on Finance may disagree with me, but I say that it is the only real complaint to be made about the bill. I do not expect the Republicans to agree with that, but that is my opinion.

In summary, what is in it for the average wage earner? A better deal than he can get with a private annuity.

What is in it for the employer? A better deal for all his employees, including those who will shortly retire and those who have already retired—plus a better demand for his product, reduced welfare rolls, and retention of part of the working capital in his own hands.

I have been rather candid today in hopes that by showing the total picture about the benefits of social security and how it all fits together in an actuarily sound package, it would provide some understanding of the system so that it would be less easy for those who wish to take the example of the man who seems to be taxed the most without also examining the full benefits he will in fact receive.

Mr. President, I reserve the rest of my time.

Mr. WILLIAMS of Delaware. Mr. President, I yield myself 3 minutes.

First, I wish to congratulate my good friend from Indiana on one point he mentioned in his colloquy. He referred to the term "high interest rates," and that is the first time in 12 months I have heard a Democratic Senator even refer to that nasty term "high interest rates."

Considering that the Johnson administration has achieved the highest interest rates in 100 years I think it is appropriate that Democratic Senators begin to take note of them, and I congratulate the Senator on mentioning the matter. At a later time, we shall get around to discussing that issue and I hope the Senator from Indiana and others will be interested.

Mr. HARTKE. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. Well, I do not wish to use up my time.

Mr. HARTKE. I shall not take long.

Mr. WILLIAMS of Delaware. I yield.

Mr. HARTKE. I say to the distinguished Senator from Delaware that if he wants to bring interest rates down, I shall be on his side in the effort.

Mr. WILLIAMS of Delaware. I am sure the Senator will be on my side, and,

frankly, I think he will be on my side on this bill when he realizes the financial soundness of my position.

But seriously speaking on this proposal, I remind my good friend that the proposal we are making is not so radical. After all, it was supported by every Democratic Representative from the great State of Indiana, and I venture to say that the Senator from Indiana will congratulate each of them on his showing in next year's election.

However, I do regret one thing, and that is that the Senator referred to the social security trust fund as a slush fund. This is not a slush fund. The money in the social security trust fund represents hard-earned dollars of the wage earners of America, supplemented by the contributions of their employers. They are hard-earned dollars, and I do not think we should refer to them as slush funds. I repeat, they are hard-earned dollars, earned by wage earners, who have deposited their money in this trust fund on the premise that when they reach the retirement age they will have security. I think we all agree that is important and we want to maintain the fund and keep it solvent.

As to my reference to the higher tax formula as the Hartke-Long tax formula and how it would raise the tax rates 115 percent above the existing law and substantially higher in terms of dollars than under the present law, if my so referring to that great tax increase—the largest tax increase in the history of the social security system, I might say—has in any way embarrassed either the Senator from Indiana or the Senator from Louisiana I would ask that my reference using their names as the sponsors of this tax be removed from the RECORD, because I do not wish to embarrass either the Senator from Louisiana or the Senator from Indiana. Really now, I did not think the fact that they have sponsored the highest payroll tax increase in the history of America, a tax increase to be added to the burden of the wage earners of America, should furnish the occasion for embarrassing references. I repeat, I do not wish to embarrass them at all, but they must admit it is quite a tax increase.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. WILLIAMS of Delaware. I yield myself 2 additional minutes.

Mr. President, I conclude my remarks by asking unanimous consent to have printed in the RECORD a series of charts which show the tax rates under the present law, under the House bill, and under the bill which is before us. I shall refer to the latter hereafter as the Senate bill rather than the Hartke-Long formula because I do not wish to embarrass the Senators by using their names in connection with references to that tax; but how can I do otherwise when they did sponsor it? It is their tax increase plan.

There being no objection, the charts were ordered to be printed in the RECORD, as follows:

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE AND BASIC HOSPITAL INSURANCE TAX LIABILITY OF EMPLOYEES, UNDER PRESENT LAW AND UNDER HOUSE VERSION AND SENATE FINANCE COMMITTEE VERSION OF H.R. 12080, 1968–87 AND AFTER; SELECTED LEVELS OF WAGE OR SALARY INCOME

Wage or salary income	Year	Present law	House bill	Hartke-Long tax plan
$8,000	1968	$290.40	$334.40	$352.00
	1969–70	323.40	364.80	384.00
	1971	323.40	395.20	416.00
	1972	323.40	395.20	416.00
	1973–75	356.40	429.40	452.00
	1976–79	359.70	433.20	456.00
	1980–86	366.30	440.80	464.00
	1987 and after	372.90	448.40	464.00
$9,000	1968	290.40	334.40	352.00
	1969–70	323.40	364.80	422.40
	1971	323.40	395.20	457.60
	1972	323.40	395.20	468.00
	1973–75	356.40	429.40	508.50
	1976–79	359.70	433.20	513.00
	1980–86	366.30	440.80	522.00
	1987 and after	372.90	448.40	522.00
$10,000	1968	290.40	334.40	352.00
	1969–70	323.40	364.80	422.40
	1971	323.40	395.20	457.60
	1972	323.40	395.20	520.00
	1973–75	356.40	429.40	565.00
	1976–79	359.70	433.20	570.00
	1980–86	366.30	440.80	580.00
	1987 and after	372.90	448.40	580.00
$11,000	1968	290.40	334.40	352.00
	1969–70	323.40	364.80	422.40
	1971	323.40	395.20	457.60
	1972	323.40	395.20	561.60
	1973–75	356.40	429.40	610.20
	1976–79	359.70	433.20	615.60
	1980–86	366.30	440.80	626.40
	1987 and after	372.90	448.40	626.40

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE AND BASIC HOSPITAL INSURANCE TAX LIABILITY OF EMPLOYEES UNDER 1967 LAW[1] AND UNDER HARTKE PROPOSAL IN 1968[2]—SELECTED LEVELS OF WAGE OR SALARY INCOME

Wage or salary income	OASDI and hospital insurance taxliability			
	Under 1967 law	Under Hartke proposal	Increase: Proposal over 1967 law	
			Amount	Percent
$1,000	$44.00	$44.00		
$2,000	88.00	88.00		
$4,000	176.00	176.00		
$5,000	220.00	220.00		
$6,000	264.00	264.00		
$6,600	290.40	290.40		
$7,500	290.40	330.00	$39.60	13.6
$8,000 and over	290.40	352.00	61.60	21.2

[1] A tax rate of 4.4 percent and maximum earnings subject to tax of $6,600.
[2] A tax rate of 4.4 percent and maximum earnings subject to tax of $8,000.

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE AND BASIC HOSPITAL INSURANCE TAX LIABILITY OF EMPLOYEES UNDER 1967 LAW[1] AND UNDER HARTKE PROPOSAL IN 1969[2]—SELECTED LEVELS OF WAGE OR SALARY INCOME

Wage or salary income	OASDI and hospital insurance tax liability			
	Under 1967 law	Under Hartke proposal	Increase: Proposal over 1967 law	
			Amount	Percent
$1,000	$44.00	$48.00	$4.00	9.1
$2,000	88.00	96.00	8.00	9.1
$4,000	176.00	192.00	16.00	9.1
$5,000	220.00	240.00	20.00	9.1
$6,000	264.00	288.00	24.00	9.1
$6,600	290.40	316.80	26.40	9.1
$7,500	290.40	360.00	69.60	24.0
$8,000	290.40	384.00	93.60	32.2
$8,800 and over	290.40	422.40	132.00	45.5

[1] A tax rate of 4.4 percent and maximum earnings subject to tax of $6,600.
[2] A tax rate of 4.8 percent and maximum earnings subject to tax of $8,800.

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE AND BASIC HOSPITAL INSURANCE TAX LIABILITY OF EMPLOYEES UNDER 1967 LAW[1] AND UNDER HARTKE PROPOSAL IN 1972[2]—SELECTED LEVELS OF WAGE OR SALARY INCOME

Wage or salary income	OASDI and hospital insurance tax liability			
	Under 1967 law	Under Hartke proposal	Increase: Proposal over 1967 law	
			Amount	Percent
$1,000	$44.00	$52.00	$8.00	18.2
$2,000	88.00	104.00	16.00	18.2
$4,000	176.00	208.00	32.00	18.2
$5,000	220.00	260.00	40.00	18.2
$6,000	264.00	312.00	48.00	18.2
$6,600	290.40	343.20	52.80	18.2
$7,500	290.40	390.00	99.60	34.3
$8,000	290.40	416.00	125.60	43.3
$10,000	290.40	520.00	229.60	79.1
$10,800 and over	290.40	561.60	271.20	93.4

[1] A tax rate of 4.4 percent and maximum earnings subject to tax of $6,600.
[2] A tax rate of 5.2 percent and maximum earnings subject to tax of $10,800.

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE AND BASIC HOSPITAL INSURANCE TAX LIABILITY OF EMPLOYEES UNDER 1967 LAW [1] AND UNDER HARTKE PROPOSAL IN 1987 [2]—SELECTED LEVELS OF WAGE OR SALARY INCOME

Wage or salary income	OASDI and hospital insurance tax liability			
	Under 1967 law	Under Hartke proposal	Increase: Proposal over 1967 law	
			Amount	Percent
$1,000	$44.00	$58.00	$14.00	31.8
$2,000	88.00	116.00	28.00	31.8
$4,000	176.00	232.00	56.00	31.8
$5,000	220.00	290.00	70.00	31.8
$6,000	264.00	348.00	84.00	31.8
$6,600	290.40	382.80	92.40	31.8
$7,500	290.40	435.00	144.60	49.8
$8,000	290.40	464.00	173.60	59.8
$10,000	290.40	580.00	289.60	99.7
$10,800 and over	290.40	626.40	336.00	115.7

[1] A tax rate of 4.4 percent and maximum earnings subject to tax of $6,600.
[2] A tax rate of 5.8 percent and maximum earnings subject to tax of $10,800.

Mr. HARTKE. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. HARTKE. I realize this is a technicality, but I am not sure that I understood all the implications of the amendment of the Senator from Nebraska and the Senator from Delaware. I ask unanimous consent to have printed in the RECORD a statement concerning a cost estimate for amendment No. 464, the amendment of the Senator from Nebraska and the Senator from Delaware, prepared by Mr. Robert J. Myers, the Chief Actuary for the Social Security Administration.

There being no objection, the memorandum was ordered to be printed in the RECORD, as follows:

NOVEMBER 21, 1967.

Memorandum from Robert J. Myers, Chief Actuary, Social Security Administration.

Subject: Cost Estimate for amendment No. 464, submitted by Senator WILLIAMS of Delaware.

This memorandum will give a cost estimate for Amendment No. 464 (which would amend H.R. 12080), submitted by Senator Williams of Delaware. This amendment would modify the Finance Committee Bill by substituting the House provisions as to the OASDI benefit increases and as to the financing provisions for both OASDI and HI.

The cost effect of this amendment for 1968 is to decrease OASDHI contribution income by $400 million and to decrease OASDHI benefit outgo by $800 million (assuming enactment in December 1967 and first increased benefits to be for February 1968). The cost effect for 1969 is to decrease contributions by $1.4 billion and to decrease benefit outgo by $450 million.

The long-range cost effect on the OASDI system would be to result in an actuarial balance of −.19% of taxable payroll (because the liberalizations made by the Committee on Finance would not be financed—namely, the liberalization of the earnings test, the special benefits for the blind, and the liberalization in the disabled widow's benefits). The actuarial balance of the HI system (after considering the effect of the Miller Amendment adopted yesterday) would be −.07% of taxable payroll.

ROBERT J. MYERS.

Mr. HARTKE. The memorandum reads as follows:

This memorandum will give a cost estimate for Amendment No. 464 (which would amend H.R. 12080), submitted by Senator Williams of Delaware. This amendment would modify the Finance Committee Bill by substituting the House provisions as to the OASDI benefit increases and as to the financing provisions for both OASDI and HI.

I think that is correct, is it not?

Mr. Myers continues:

The cost effect of this amendment for 1968 is to decrease OASDHI contribution income by $400 million and to decrease OASDHI benefit outgo by $800 million (assuming enactment in December 1967 and first increased benefits to be for February 1968). The cost effect for 1969 is to decrease contributions by $1.4 billion and to decrease benefit outgo by $450 million.

The long-range cost effect on the OASDI system would be to result in an actuarial balance of −.19% of taxable payroll (because the liberalizations made by the Committee on Finance would not be financed—namely, the liberalization of the earnings test—

Which, I must admit, I am responsible for—

the special benefits for the blind, and the liberalization in the disabled widow's benefits). The actuarial balance of the HI system (after considering the effect of the Miller Amendment adopted yesterday) would be −.07% of taxable payroll.

Mr. WILLIAMS of Delaware. Mr. President, I thank the Senator from Indiana for putting that memorandum in the RECORD. I frankly admit that this amendment does not finance the program to the extent I should like to have it done. That is the reason why I offered heretofore my amendment which would have advanced the effective date of the wage tax increase to January 1, 1968.

While I appreciate the Senator's making a speech in favor of my earlier amendment, I regret that he voted against it; the speech does not help it all all.

If the Senator has had second thoughts about the matter I can only say that I will give him and the Senator from Louisiana a chance to vote for it by offering the amendment again and thus seek to accomplish the objective for which the Senator from Indiana just spoke.

Would the Senator from Indiana vote with me on that proposal?

Mr. HARTKE. Oh, no. I just put this memorandum in the RECORD. My position is quite clear, and I think the Senator from Delaware understands it: I stand by the Finance Committee recommendations on both benefits and contributions. I think in both cases, if there is an error, it is not in the direction in which the Senator from Delaware would take us.

Mr. President, I say that any person over the age of 65 who is required to live at a status less than the poverty level, when he is entitled to social security benefits, is being mistreated by Congress.

Instead of raising the minimum to $70 a month, I sought to increase it to $100. I could not achieve that in the committee, so I retreated to the $70 minimum. If I thought we could achieve it in the Senate, I would offer such an amendment here. Moreover, I would vote for a 20-percent minimum percentage instead of 15 percent.

But I think it is ridiculous for us to go in and build up a slush fund, and defeat the real purpose of the social security trust fund. This is the first time such an effort has been made in the history of Congress, to take social security trust fund contributions from employers and employees, which are supposed to be used for the sole benefit of people receiving social security benefits, and attempt to make a slush fund out of it for some other purpose, or to use it for manipulations by way of fiscal restraint.

The PRESIDING OFFICER. The 2 minutes which the Senator from Delaware yielded himself have expired.

Mr. HARTKE. I shall charge that time to me, and I will take 2 minutes more.

If the original proposal of the Senator from Delaware had succeeded, there would have been an excess collection of some $5.5 billion, or $5.1 billion, depending on whose figures you use, but in excess of $5 billion more than was needed.

Quite honestly, I can understand that the Treasury might have been able to borrow that $5 billion.

But we are not collecting this money to finance a war in Vietnam, nor any other program of the Government. This is a trust fund, and properly regarded as such, and we should not put in any more nor any less than we need.

That is why you have actuaries, and that is why the actuary says that this is an actuarily sound approach. We institute a tax to pay for the benefits. Frankly, the tax is a little bit too much, but that is its purpose. This is a good bill, and the most far-reaching, soundest approach in social security since the original bill itself.

I hope that the Senate will adopt this measure, and then proceed to go ahead and take care of those high interest rates the Senator from Delaware is talking about.

Mr. WILLIAMS of Delaware. Mr. President, I yield myself 1 minute.

The PRESIDING OFFICER. The Senator from Delaware is recognized for 1 minute.

Mr. WILLIAMS of Delaware. Mr. President, I congratulate the Senator from Indiana on his speech. I marvel at his ability to speak on both sides of the question.

First he criticized the amendment because it is underfinanced, and then he criticized it because it is overfinanced.

While he is making up his mind I would be willing to enter into an agreement to yield back the remainder of the time except for 5 minutes.

I understand that the Senator from Louisiana likewise would like to retain

5 minutes. In the meantime, I would like to have a quorum call without the time being charged to either side so that Senators can be alerted.

Mr. HARTKE. Mr. President, I cannot yield back any of the time at the moment.

Mr. President, I yield myself 1½ minutes.

The PRESIDING OFFICER. The Senator from Indiana is recognized for 1½ minutes.

Mr. HARTKE. Mr. President, to correct the RECORD concerning the statement about speaking out of both sides of my mouth, frankly if the Senator from Delaware wants to cut down on contributions and cut down on the amount involved, I would have no objection to doing that.

I hope he would join with me, and if he can assure me that we can get enough votes to cut down on the $2 billion surplus that we do not need in the bill, I will vote with him. I will back away from the committee agreement which was made to get the bill out of committee. I agreed to that reluctantly. We do not need that money in the fund.

We are overfinancing the bill by close to $3 billion. We have found that all estimates were quite conservative. It may be higher than that.

Mr. President, when we passed the bill in 1965, we underestimated by $8 billion the cost of the bill by the year 1970.

The bill is overfinanced, rather than underfinanced.

Mr. RIBICOFF. Mr. President, will the Senator yield?

Mr. HARTKE. I yield 5 minutes to the Senator from Connecticut.

Mr. RIBICOFF. Mr. President, I hope that the Senate will not support the amendment of the distinguished Senator from Nebraska. In many ways this is a landmark policy. It would seem to me that instead of complaining about the benefits, we could very well have paid larger benefits than those contained in the pending bill.

When we consider a 15-percent increase in benefits rather than a 12-percent increase, we are talking about a difference of 2.5 percent.

Some 22 million Americans have not shared in the general affluence that our society has been enjoying over the past decade. We have 22 million people who are not living in luxury, but are being deprived of the basic necessities of life.

When we look at the rising cost of living we see the general rise in the standards of living in America as a whole. And in this bill, to a small extent, we are trying to give the same amount of security to those 22 million American people who, after a lifetime of hard work and service, have finally reached retirement age.

The measure voted on by the Senate Finance Committee is a sound bill. It tries to bring an element of justice to our older citizens. Many of us do not realize that we are really taking 2.1 million people and moving them out of the poverty level.

For months there has been debate in both bodies on the war on poverty. Here, in the pending measure alone, without the overhead or complications of poverty programs, we take some 2.1 million people and move them out of the poverty level by an increase in social security benefits.

One of the great complaints in our country concerns the welfare rolls, and well might there be some complaint. However, the pending proposal would move some 200,000 people off the old-age assistance roll. To me, 200,000 people being removed from the old age assistance roll and 2.1 million people being moved out of the poverty level is of great significance.

Would that all of the people in our country could, in self-respect, receive sufficient income without having to go through a social worker or have a constant checkup on their financial situation with the consequent overhead that is entailed.

Mr. President, the pending bill is a sound bill. It is soundly financed. It tries to extend a long overdue sense of justice to 22 million Americans. Therefore I oppose the amendment of the distinguished Senator from Nebraska.

Mr. President, the proposed changes in the social security program would continue the progress that has been made toward providing a better life for older Americans. The major part of this progress would be accomplished through substantial improvements in the cash benefits provided under the social security program. It is important that these proposed changes in the social security program be enacted into law.

The cash benefits that are provided under this program, on which almost 24 million Americans—one out of nine of our people—rely to meet their basic needs, are inadequate in our society today.

The average benefit for retired workers today is about $85 a month; for aged widows, the average is $74 a month. In a country like ours, our retired citizens should share in the expanding prosperity most of us have come to know and enjoy. The 15 percent across-the-board benefit increase provided by the bill is a needed increase. A great many social security beneficiaries must live only on their social security benefits, and for almost all beneficiaries, social security benefits are their main source of support. It is for this reason that the level of social security benefits is the all-important factor in determining how well these people will be able to live. Under the 15-percent across-the-board benefit increase provided in the bill, benefits that now range from $44 to $142 for retired workers will be increased to a range of $70 to $163. Under the bill, a worker getting a benefit equal to the average benefit now payable—about $85 a month—will get about $98 a month. The average benefit for an aged retired couple will be increased from $145 to $171 a month.

The bill not only provides an increase in current cash benefits averaging 19 percent, but, as a result of the higher amounts of annual earnings that would become creditable toward benefits—from the present $6,600 to $10,800 ultimately—provides for an increase of about 70 percent in the maximum benefit that will ultimately become payable under the program. Under present law, the maximum benefit is $168—based on average monthly earnings of $550 to $6,600 a year; under the House bill, the maximum benefit would be $212—based on average monthly earnings of $633 to $7,600 a year; and under the committee bill, the maximum benefit would be $288—based on average monthly earnings of $900 to $10,800 a year.

In general, the new maximum retirement benefits would be paid to workers who are now young, and who consequently will pay contributions on the higher amounts of earnings that would count for social security contributions and benefit purposes over a considerable period of time before they retire. Because of the higher contribution and benefit base, though, benefit amounts would be increased significantly over those that would be payable under present law and under the House bill for workers who are much older now and who consequently will pay on these higher amounts for a much shorter period.

Also, because of provisions of the law which allow the substitution of years of higher earnings after age 65 for years of lower earnings before that age in figuring retirement benefits, workers who continue working after age 65 could get the higher benefits made possible by the increase in the contribution and benefit base even more quickly than those who retire at 65. For example, if the worker described above were able to work 5 additional years before retiring he would get a monthly retirement benefit at age 70 of $249 under the proposal—an increase of $87 a month—54 percent—over the amount he would get under present law and $51 a month—26 percent—more than he would get under the House bill.

Survivorship and disability protection would be even more quickly increased for all those earning above $6,600. For example, if a worker aged 35 in 1968 with annual earnings of $8,800 died in 1970, his widow and child would get a monthly benefit of $267.60—$44 more than is provided now and $11 more than would be provided under the House bill. And his widow at age 62 would get a monthly benefit of $147.10—$24.10 a month more than is provided under present law, and $6 more than would be provided under the House bill. If the worker became disabled in 1970, he would get a monthly disability benefit of $178.30, $29.30 more than is provided under present law and $7.30 more than would be provided under the House bill. In each of these cases, the increase would be 20 percent more than under present law and 4 percent more than under the House bill.

These improvements in benefits will help present and future generations of aged and disabled workers and their dependents and survivors live in decency and dignity when they cannot depend on current earnings.

When the Congress brought the social security program into being in 1935, the purpose was "to assure support for the aged as a matter of right rather than as a public charity" and to provide benefits in "amounts which assure not merely subsistence but some of the comforts of

life." This bill will enable us to take a big step forward toward the goal we set for ourselves more than 30 years ago.

The 15-percent increase in benefits and the increase in the minimum benefit provided by this bill will enable retired and disabled workers and their families to take part in the level of living enjoyed by other Americans. Today more than 5 million older Americans live in poverty. The increase provided in H.R. 12080 will remove more than 1½ million of these older citizens from a life of poverty. It will take them away from a life dependent upon public charity.

The social security program is soundly financed and it is a good buy for the covered worker. Both the House Committee on Ways and Means and the Senate Committee on Finance have examined the social security system in great detail and recommended changes to strengthen the present program.

The Congress has always been concerned about the financing of the program and has always made full provision for meeting the cost of the benefits it has provided. This bill also makes full provision for the cost of present benefits and for the cost of the additional benefits that are provided in the bill. We have before us a bill which gives consideration to the needs of the elderly and the disabled and equal consideration to the needs of those who will call upon the program in the future. Every citizen can be assured that his contributions are supporting a sound program and that the schedule of contributions provided in this bill will be sufficient to pay adequate benefits to those who are now eligible and to those who will become eligible in the future.

There is no question in my mind, or in the minds of those on the Committee on Finance who have recommended that the Senate pass this bill, that the proposed improvements in benefit levels are needed and that the bill makes full provision for meeting the cost of the improvements. As in the past, we have adopted, under the leadership of the distinguished chairman of the committee, a financing provision that will assure the financial soundness of the program both in the near future and over the long range.

Under this schedule, the combined employee rate for cash benefits and for hospital insurance for 1968 would be 4.4 percent—the same as provided under present law. The rate would be slightly lower for 1969 and 1970—4.8 percent instead of 4.9 percent—and for 1971 on, the rate would be higher than present law, eventually reaching an ultimate rate of 5.8 percent in 1980, as compared to an ultimate rate of 5.65 percent in 1987 under the present schedule.

This tax schedule along with the increases in the amount of annual earning subject to the tax and the current favorable actuarial balance of the present social security program will meet the cost of the additional benefits both in the short run and in the long-range future. In 1968, under the committee bill, an estimated $25.7 billion in cash benefits would be paid out and contribution income to the program for those benefits would be $27.1 billion. This is an additional $300 million in benefit payments and an additional $300 million in contribution income for 1968 over the House bill. Thus, the bill as reported out by the Finance Committee is as financially responsible as was the bill passed by the House.

Social security is the Nation's basic system for assuring income for workers when they retire or become disabled and for their survivors when they die.

This is a program that is vital to our society. As times change, as the needs of the people change, the social security system must stay abreast of the times, to meet new needs and changing conditions.

The social security legislation before us is timely, responsible, financially sound and responsive to the needs of America as we approach the 1970's. These proposed amendments to social security should be approved.

Therefore I hope that the Senate will reject the amendment of the distinguished Senator from Nebraska.

Mr. HARTKE. Mr. President, the Senator from Connecticut deserves great commendation for the fine work he has done. The Senator from Connecticut is a former Secretary of the Department of Health, Education, and Welfare, and certainly is an authority in this matter.

His statement should not be taken lightly. In addition, I think it is appropriate to mention that the Senator from Connecticut submitted in the committee an amendment which would have increased the benefits by 17.5 percent.

Mr. RIBICOFF. The Senator is correct.

Mr. HARTKE. Mr. President, unfortunately the Senator from Connecticut did not succeed in that effort. I did support his amendment. I wish it were in the bill.

I commend him for his outstanding work not only in this part of the bill but also in the entire bill. I commend him for his great assistance with regard to the hospital and medicaid provisions.

On behalf of myself and the chairman of the committee, I thank the Senator.

Mr. RIBICOFF. Mr. President, I thank the Senator from Indiana for his fine words. That is another significant amendment that has been in the social security bill since its inception. Great kudos are due to the chairman for having worked out such a fair bill and such a fair proposal, adequately—and conservatively—financed. Also, for the first time the measure involves welfare.

This measure is such that every Senator, in voting "yea," can be really proud that he has done much, not just for his older constituents, but in taking a great step forward in that we will have voted to remove 200,000 people from the welfare rolls.

Mr. LAUSCHE. Mr. President, will the Senator from Louisiana yield so that I may ask him some questions for my own information?

Mr. LONG of Louisiana. Mr. President, I yield.

Mr. LAUSCHE. Mr. President, it is my understanding that the House bill grants a 12.5-percent increase in benefits.

Mr. LONG of Louisiana. The Senator is correct.

Mr. LAUSCHE. The committee bill grants 15 percent.

Mr. LONG of Louisiana. The Senator is correct.

Mr. LAUSCHE. So there is a difference of 2.5 percent.

Mr. LONG of Louisiana. The Senator is correct.

Mr. LAUSCHE. Mr. President, if the committee bill is passed by the Senate, the issue will go to conference where a compromise concerning the 2½-percent amount will have to be made.

Mr. LONG of Louisiana. The Senator is correct. I would hope that the House would accept what the Senate has proposed. However, many times we do have to compromise, and that might be the case here.

In addition, the minimum social security primary benefit under the committee bill would be $70. That provision would take a lot of people off the public welfare and move a lot of people out of poverty.

On the other hand the House bill as the pending amendment would provide only $50.

Mr. LAUSCHE. What would the cost of the House bill be for the year 1968?

Mr. LONG of Louisiana. The cost of the benefits would be $28,700 million.

Mr. LAUSCHE. What would the cost of the committee bill be for the same period?

Mr. LONG of Louisiana. Twenty-nine billion dollars for benefits.

Mr. LAUSCHE. The difference then for 1968 would be $300 million.

Mr. LONG of Louisiana. The Senator is correct.

Mr. LAUSCHE. What would the cost of the House bill be for the year 1969?

Mr. LONG of Louisiana. Thirty billion three hundred million dollars.

Mr. LAUSCHE. And what would the cost of the committee bill be for the same period?

Mr. LONG of Louisiana. Thirty-two billion seven hundred million dollars.

Mr. LAUSCHE. So that in 1969 the difference would be $2,400 million.

Mr. LONG of Louisiana. One of the most expensive items is a provision that would permit people to earn up to $2,000 a year beginning 1969 without having a deduction in their socia lsecurity benefits.

We have in addition a provision to help take care of disabled widows who could receive as much as 82½ percent of what their husband's retirement benefits would have been had they lived to retirement.

Every member of the committee, both Republican and Democrat, voted unanimously for that measure. I do not think they want to take it out of the bill. They just would not fund it.

Mr. LAUSCHE. How much would that provision cost?

Mr. LONG of Louisiana. It would cost about $100 million to take care of disabled widows.

Mr. WILLIAMS of Delaware. Fourteen million dollars over the House bill.

Mr. LONG of Louisiana. There would be a much greater expense. The most expensive thing in the bill, aside from the

cash benefits, is the provision that changes the retirement test to let a person earn $2,000 a year and keep his benefits.

That provision is very popular, and I believe the Senate would certainly sustain it.

We postponed the effective date until January 1969 to help keep the cost of the immediate benefits down. Then, there is also an amendment that would cost about half that much and would liberalize the treatment of the blind.

The committee opposed that amendment some years back. It was agreed to, even though the committee had opposed it earlier. It would liberalize the treatment of the blind and would cost about half as much as the retirement test would cost. That would cost about $165 million a year.

Mr. LAUSCHE. Then, to summarize, the House bill grants a 12½-percent increase; the Senate bill, as pending, 15 percent; the Senate bill being 2½ percent greater than the House bill. For the year 1968, the House bill would cost $28.7 billion, the committee bill $29 billion—meaning that $300 million more is provided by the Senate committee than by the House.

Mr. LONG of Louisiana. Yes.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield at that point?

Mr. LAUSCHE. Let me finish this sentence.

Mr. WILLIAMS of Delaware. At that point it should be pointed out that the Senate benefits are computed on the basis of 9 months' payments, whereas the House bill is based on 12 months' payments.

Mr. LONG of Louisiana. For the first year, for 1968.

Mr. WILLIAMS of Delaware. For the first year.

Mr. LAUSCHE. In 1969, the House bill would cost $30.3 billion, and the committee bill would cost $32.7 billion. Is that correct?

Mr. LONG of Louisiana. That is correct. But let me point out one important feature that should be considered. On the previous amendment, the Senator from Ohio was concerned about the matter of fiscal responsibility, and he voted to move the tax date ahead.

Mr. LAUSCHE. Yes.

Mr. LONG of Louisiana. In this case, the Senate committee has added more than $1 billion of additional benefits for the retirement test, for disabled widows and for blind people.

The pending amendment fails to provide additional revenue to add to the taxes that the House imposed to pay for all this. It is proposed to keep these benefits but not to include additional revenue to pay for them. The Senate committee bill added the additional benefits and included the tax to pay for them.

So, in that respect, if one votes for the present Curtis-Williams amendment, he is buying exactly the opposite theory from what he was buying when he voted for the Williams amendment, in that he would be voting to provide more benefits than the taxes he would be voting for to pay for the benefits.

Mr. LAUSCHE. I directed these questions to the Senator from Louisiana primarily to find out what we are arguing about, and I believe I have learned.

Mr. LONG of Louisiana. The principal feature about which we are arguing—this is the main point of the pending amendment—is whether we are going to provide enough of a benefit increase to go somewhat beyond what would be a mere restoration of the purchasing power of the money paid to social security beneficiaries. If we go beyond this, as indicated by the chart at the rear of the Chamber, if prices continue to increase as they have been advancing, within a year the additional increase in the purchasing power would have been wiped out, anyway. But at least during that year we would have removed about 200,000 people from the welfare rolls and would have made it possible to reduce the number of people in poverty—numbering 5 million—by approximately 2,300,000.

Mr. LAUSCHE. Is it correct to say that in this increased cost is contained money to supply the benefits for new classes of beneficiaries who have been brought under the law, such as the blind and the widows?

Mr. LONG of Louisiana. The Senate bill does that, but the pending amendment would fail to do it.

I would assume that if the pending amendment is adopted the sponsors may come along with subsequent amendments to strike out benefits because they want to hold down the taxes. If they want to pursue a course of fiscal responsibility—if the pending amendment providing for the House level of taxes is agreed to—they should bring in an additional tax increase or move to strike out the additional benefits provided by the Senate bill, such as the liberalized retirement test, the liberalized treatment of the blind, and the benefit to disabled widows, which are all substantial items.

Mr. LAUSCHE. I thank the Senator.

The PRESIDING OFFICER. Who yields time?

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that there be a quorum call, and that all time except 5 minutes to both sides be yielded back, so that at the conclusion of the quorum call, both sides will have 5 minutes remaining in which to discuss the pending amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. WILLIAMS of Delaware. I might say, for the information of the clerks, that it will be a record vote, so that they can notify Senators.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk called the roll, and the following Senators answered to their names:

[No. 336 Leg.]

Aiken	Byrd, W. Va.	Gore
Allott	Case	Griffin
Anderson	Church	Gruening
Baker	Clark	Harris
Bartlett	Cotton	Hart
Bayh	Curtis	Hartke
Bennett	Dominick	Hatfield
Bible	Eastland	Hayden
Boggs	Ellender	Hickenlooper
Brewster	Ervin	Hill
Burdick	Fannin	Hollings
Byrd, Va.	Fulbright	Hruska
Inouye	Miller	Ribicoff
Jackson	Mondale	Russell
Javits	Monroney	Smathers
Jordan, Idaho	Montoya	Smith
Kennedy, Mass.	Morse	Spong
Kennedy, N.Y.	Morton	Stennis
Kuchel	Moss	Symington
Lausche	Muskie	Thurmond
Long, Mo.	Nelson	Tydings
Long, La.	Pastore	Williams, N.J.
Magnuson	Pearson	Williams, Del.
Mansfield	Pell	Yarborough
McClellan	Percy	Young, N. Dak.
McGovern	Prouty	Young, Ohio
McIntyre	Proxmire	
Metcalf	Randolph	

The PRESIDING OFFICER (Mr. McINTYRE in the chair). A quorum is present. Under the previous agreement, 5 minutes has been allotted to the Senator from Delaware [Mr. WILLIAMS] and 5 minutes to the Senator from Indiana [Mr. HARTKE].

SOCIAL SECURITY ACT AMENDMENTS OF 1967

The Senate resumed the consideration of the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

Mr. CURTIS. Mr. President, if I may have the attention of Senators, I shall try briefly to summarize what the pending amendment would do.

The pending amendment would fix the increase in social security benefits—the general increase—exactly as provided by the House of Representatives under the Mills bill. It would take the House method of financing this increase just as presented by Mr. MILLS. On all other things pertaining to the bill, corrective amendments, little additions here and there put on in committee or on the floor, are not involved in the amendment.

I remind all Senators that the House of Representatives passed a good bill. It provided for an increase of 12½ percent for all beneficiaries. It passed the House by a vote of 414-to-3. Under the rules of the House, if any Member had believed that the 12½-percent increase was not sufficient, or he wanted to establish a minimum, he could have offered an alternative. Thus, it is safe to say that 414 Members of the House approved the increase in social security benefits and its financing, against three who opposed it.

Now, what does this mean immediately? Under the House bill, or the Finance Committee bill, there will be no raising of taxes prior to 1969. In 1969, under the Mills bill, employee taxes may go as high as $364.20. Under the Hartke-Long proposal—that is the Finance Committee bill—employee taxes may go to $422.44. In other words, in the first year we have a choice between the maximum tax of $364.20 as against $422.40.

The small business man has to take this increase on the whole amount and pass it on to his customers, and so does the big one. The large concerns in this country call this a "cost of operation," and add it onto the consumers' bill who pay it. It will be that much of an increase taken out of the workers' pay.

Now, what is lost on the benefit side if we take the House proposal? The House is 12½ percent. The Senate is 15 percent. With a $70 minimum—all right—what is the average social security benefit paid now? About $85. Two and one-half percent of $85 is approximately $2.12. But in order to get that little additional, we accept the financing proposal. That has long-range impacts because under the Hartke-Long proposal, the maximum social security tax will go to $66.

Under the Mills proposal, the maximum tax will go to only $448; $448 versus $626.

Under the Hartke-Long proposal, we will reach that maximum 7 years earlier than we would under the Mills proposal.

Mr. President, as I said a while ago, the real friend of social security, the real friend of the aged is he who practices restraint. The House bill is a good bill, approved overwhelmingly by the House, and I hope that the Senate will adopt the level of benefits and financing.

Mr. LONG of Louisiana. Mr. President, the administration recommended, when their recommendations were being formed about this time last year, a 15-percent increase in benefits, and a $70 minimum.

There are 5 million people living in poverty in this country today. By boosting the minimum to $70, accompanied by a 15-percent-benefit increase, we reduced the number of people in poverty by 1,300,000 beyond what the House would do.

So this bill would make it possible for 2,100,000 people on social security to be moved out of poverty, and that is 1,300,000 more than under the House measure. Two hundred thousand people would be taken off the welfare rolls unless the States further liberalize their welfare programs.

In addition to that, those who are making more and paying taxes on higher wages would be in a position to draw much more benefits when they retire.

The House bill would provide $433 as maximum family benefits when people have paid on the higher basis over a longer period of time. There would be a $430 maximum which could perhaps provide decent retirement for all those people. This is necessary if we are going to have a cost-of-living increase and provide anything in addition to that.

I would ask Senators a question. Do we want social security benefits to be adequate? Why are we proposing to take out of poverty 2,100,000 and to take 150,000 more people off the welfare rolls than provided by the House measure? The tax in the first year would be about the same. The only difference is that the bill which came out of the committee provides for taxing some $1,200 a year more than the House bill does, at the same tax rate, but we have provided almost $1 billion additional for widows, we have raised the earnings test and provided that people can earn up to $2,000 and still draw social security benefits, and we have liberalized the treatment of the blind.

The amendment offered by the Senator would seek to retain those benefits, in addition to those of the House bill, but he does not provide for enough taxes to pay for these benefits. Yet the committee is charged with being irresponsible. Here is a letter from Mr. Robert Meyers which says the amendment would put the social security system in a minus condition at the rate of $900 million every year from now until God calls us all home. I do not know the reason why he does not propose to pay for all the added benefits.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. LONG of Louisiana. I yield myself 1 minute on the bill.

So the amendment is not very responsible. It puts the fund in the minus position to the tune of $900 million a year on an actuarial basis while it keeps the tax rate low.

If we agreed to it, we would have to do one of two things: Either strike out the benefits, or vote to increase the tax after we vote to cut the tax.

I think the amendment should be voted down.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Nebraska [Mr. CURTIS].

Mr. CURTIS. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll.

Mr. MANSFIELD (after having voted in the negative). On this vote I have a pair with the minority leader, the Senator from Illinois [Mr. DIRKSEN]. If present and voting, he would vote "yea"; if I were at liberty to vote, I would vote "nay." I withdraw my vote.

Mr. BYRD of West Virginia. On this vote I have a live pair with the senior Senator from Florida [Mr. HOLLAND]. If he were present and voting, he would vote "yea"; if I were at liberty to vote, I would vote "nay." I therefore withhold my vote.

Mr. BYRD of West Virginia. I announce that the Senator from Nevada [Mr. CANNON], the Senator from North Carolina [Mr. JORDAN], and the Senator from Alabama [Mr. SPARKMAN] are absent on official business.

I also announce that the Senator from Connecticut [Mr. DODD], the Senator from Florida [Mr. HOLLAND], the Senator from Minnesota [Mr. MCCARTHY], the Senator from Wyoming [Mr. MCGEE], and the Senator from Georgia [Mr. TALMADGE] are necessarily absent.

I further announce that, if present and voting, the Senator from Nevada [Mr. CANNON], and the Senator from Wyoming [Mr. MCGEE] would each vote "nay."

Mr. KUCHEL. I announce that the Senator from Kansas [Mr. CARLSON], the Senator from Illinois [Mr. DIRKSEN], the Senator from Hawaii [Mr. FONG], the Senator from California [Mr. MURPHY] and the Senator from Pennsylvania [Mr. SCOTT] are necessarily absent.

The Senator from Kentucky [Mr. COOPER], the Senator from Wyoming [Mr. HANSEN], the Senator from South Dakota [Mr. MUNDT] and the Senator from Texas [Mr. TOWER] are absent on official business.

The Senator from Massachusetts [Mr. BROOKE] is detained on official business.

If present and voting, the Senator from Wyoming [Mr. HANSEN], the Senator from South Dakota [Mr. MUNDT], the Senator from California [Mr. MURPHY], and the Senator from Texas [Mr. TOWER] would each vote "yea."

The pair of the Senator from Illinois [Mr. DIRKSEN] has been previously announced.

On this vote, the Senator from Kansas [Mr. CARLSON] is paired with the Senator from Pennsylvania [Mr. SCOTT]. If present and voting, the Senator from Kansas would vote "yea" and the Senator from Pennsylvania would vote "nay."

The result was announced—yeas 22, nays 58, as follows:

[No. 337 Leg.]

YEAS—22

Allott	Fannin	Pearson
Baker	Hickenlooper	Percy
Bennett	Hruska	Spong
Boggs	Jordan, Idaho	Stennis
Byrd, Va.	Kuchel	Thurmond
Curtis	McClellan	Williams, Del.
Dominick	Miller	
Eastland	Morton	

NAYS—58

Aiken	Hatfield	Moss
Anderson	Hayden	Muskie
Bartlett	Hill	Nelson
Bayh	Hollings	Pastore
Bible	Inouye	Pell
Brewster	Jackson	Prouty
Burdick	Javits	Proxmire
Case	Kennedy, Mass.	Randolph
Church	Kennedy, N.Y.	Ribicoff
Clark	Lausche	Russell
Cotton	Long, Mo.	Smathers
Ellender	Long, La.	Smith
Ervin	Magnuson	Symington
Fulbright	McGovern	Tydings
Gore	McIntyre	Williams, N.J.
Griffin	Metcalf	Yarborough
Gruening	Mondale	Young, N. Dak.
Harris	Monroney	Young, Ohio
Hart	Montoya	
Hartke	Morse	

NOT VOTING—20

Brooke	Fong	Mundt
Byrd, W. Va.	Hansen	Murphy
Cannon	Holland	Scott
Carlson	Jordan, N.C.	Sparkman
Cooper	Mansfield	Talmadge
Dirksen	McCarthy	Tower
Dodd	McGee	

So Mr. CURTIS' amendment was rejected.

SOCIAL SECURITY ACT AMENDMENTS OF 1967

The Senate resumed the consideration of the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

Mr. KUCHEL. Mr. President, I should like to query the majority leader and our fellow Senators as to whether there is any disposition to reduce the 1-hour time limit on debate on further amendments to one-half hour. I do not see the majority leader in the Chamber at the moment, but I told him I wished to raise the issue.

The ranking minority member of the Committee on Finance interposes no objection to such procedure.

Mr. LONG of Lousiana. Mr. President, I do have one amendment which I shall offer later, which I believe will require at least a half hour on each side. It relates to drugs. If an exception could be made in the case of that amendment, I would have no objection.

Mr. ERVIN. Mr. President, reserving the right to object, I have the next amendment, and I would request an exception for it also.

Mr. LONG of Louisiana. Then let us proceed without the additional limitation for the moment.

AMENDMENT NO. 451

Mr. ERVIN. Mr. President, I call up my amendment No. 451, and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. The Senator from North Carolina [Mr. ERVIN], for himself, Mr. HRUSKA, and Mr. TYDINGS, proposes an amendment, as follows:

On page 99, beginning at line 1, strike all through line 6 on page 103, as follows:

"EXCLUSION FROM COVERAGE, FOR PURPOSES OF TITLE II OF THE SOCIAL SECURITY ACT, CIVIL SERVICE RETIREMENT LAWS, AND UNEMPLOYMENT COMPENSATION LAWS, OF SERVICES PERFORMED BY CERTAIN PRISONERS

"SEC. 124. (a)(1) Section 210(a)(6)(C) of the Social Security Act is amended (A) by striking out 'or' at the end of clause (v), (B) by inserting 'or' at the end of clause (vi), and (C) by adding after and below clause (vi) the following new clause:

"'(vii) by any individual who has been convicted of any offense under Federal or State law and sentenced for a term of imprisonment for such offense in any penal or correctional institution, if such service is performed while he is an inmate of such institution or during any period for which he has been temporarily released or paroled therefrom on condition that he engage in any particular training or employment;'.

"(2) Section 3121(b)(6)(C) of the Internal Revenue Code of 1954 (relating to definition of employment for purposes of the Federal Insurance Contributions Act) is amended (A) by striking out 'or' at the end of clause (v), (B) by inserting 'or' at the end of clause (vi), and (C) by adding after and below clause (vi) the following new clause:

"'(vii) by any individual who has been convicted of any offense under Federal or State law and sentenced for a term of imprisonment for such offense in any penal or correctional institution, if such service is performed while he is an inmate of such institution or during any period for which he has been temporarily released or paroled therefrom on condition that he engage in any particular training or employment;'.

"(b) Section 8501(1) of title 5, United States Code is amended (1) by striking out 'or' at the end of clause (K), (2) by inserting 'or' at the end of clause (L), and (3) by adding after and below clause (L) the following new clause:

"'(M) by any individual who has been convicted of any offense under Federal or State law and sentenced for a term of imprisonment for such offense in any penal or correctional institution, if such service is performed while he is an inmate of such institution or during any period for which he has been temporarily released or paroled therefrom on condition that he engage in any particular training or employment;'.

"(c) No service performed by any individual who has been convicted of any offense under Federal or State law and sentenced for a term of imprisonment for such offense in any penal or correctional institution shall be considered to be performed by such individual as a Federal employee for purposes of—

"(1) subchapter III (relating to civil service retirement) of chapter 83 of title 5, United States Code,

"(2) chapter 87 (relating to Federal employees group life insurance) of title 5, United States Code,

"(3) chapter 89 (relating to Federal employees health benefits) of title 5, United States Code, or

"(4) subchapter I (relating to Federal employees compensation for work injuries) of chapter 81 of title 5, United States Code,

if such service is performed while such individual is an inmate of such institution or during any period for which he has been temporarily released or paroled therefrom on condition that he engage in any particular training or employment.

"(d)(1) Section 3304(a) of the Internal Revenue Code of 1954 (relating to require-

ments for approval of State laws for purposes of the Federal Unemployment Tax Act) is amended by redesigning paragraph (6) thereof as paragraph (7) and by adding after paragraph (5) thereof the following new paragraph:

"'(6) no compensation is to be paid to any individual for or on account of service performed by him if such individual has been convicted of any offense under Federal or State law and sentenced for a term of imprisonment for such offense in any penal or correctional institution and if such service is performed while he is an inmate of such institution or during any period for which he has been temporarily released or paroled therefrom on condition that he engage in any particular training or employment;'.

"(2) Section 3306(c) of the Internal Revenue Code of 1954 (relating to definition of employment for purposes of the Federal Unemployment Tax Act) is amended (A) by striking out 'or' at the end of paragraph (17), (B) by striking out the period at the end of paragraph (18) and inserting in lieu of such period '; or', and (C) by adding after and below paragraph (18) the following new paragraph:

"'(19) service performed by any individual who has been convicted of any offense under Federal or State law and sentenced for a term of imprisonment for such offense in any penal or correctional institution; if such service is performed while such individual is an inmate of such institution or during any period for which he has been temporarily released or paroled therefrom on condition that he engage in any particular training or employment.'

"(e) The amendments made by subsections (a), (b) and (c) of this section shall be applicable to service performed after the month following the month in which this Act is enacted. The amendment made by subsection (d)(1) shall take effect January 1, 1969, and the amendment made by subsection (d)(2) shall apply with respect to service performed after December 31, 1968."

Renumber section 124(a) as section 124.

Mr. ERVIN. Mr. President, while there are a number of Senators present, I should like to ask for the yeas and nays.

The yeas and nays were ordered.

The PRESIDING OFFICER. The Senator from North Carolina will suspend until order is restored. The Senate will be in order.

The Senator from North Carolina may proceed.

Mr. ERVIN. Mr. President, my cosponsors and I direct the Senate's attention to certain apparently minor but important changes in H.R. 12080, which the committee report recommends be made in the House bill. These are the provisions in section 124 which would exclude participants in work-release programs from benefits of social security and civil service retirement benefits. These changes may destroy an effective and important reform which the Congress enacted barely 2 years ago—The Prisoner Rehabilitation Act of 1965.

The Prisoner Rehabilitation Act was passed without objection in the Senate and by a vote of 323 to 0 in the House. The reform was proposed by the Bureau of Prisons, recommended by the Department of Justice, and made a part of the President's anticrime program in the 89th Congress. In March 1966, the President stated:

No national strategy against crime can succeed if we do not restore more of our first offenders to productive society. The best law enforcement has little value if prison sentences are only temporary and embittering way stations for men whose release means a return to crime.

The cirsis of crime which they country faces today has, if anything, made the work-release program even more important as a weapon to fight crime.

The work-release program was based upon a 4-year experimental program operated by the Bureau of Prisons. The distinguished former Director of the Bureau of Prisons, Mr. James Bennett, testified before a Senate Judiciary Subcommittee that it was the most significant legislative reform in the field in three decades. I am familiar with the importance and successes of the work-release program because a similar project has been operating in North Carolina—a project which served as a prototype for the Federal program. In addition to the North Carolina and national programs, 21 other States now have adopted the system.

The work-release legislation was sponsored by Senators LONG of Missouri, BARTLETT, BURDICK, TYDINGS, FONG, SCOTT, JAVITS, MURPHY, TOWER, and me. When the bill was reported to the Senate, an important amendment was made providing that "the rates of pay and other conditions of employment will not be less than those paid or provided for work of a similar nature in the locality in which the work is to be performed."

The Finance Committee proposes to deny to model prisoners who participate successfully in work-release programs, the benefits of social security, unemployment compensation, civil service retirement, and other such rights established by law.

In view of the success of both the State and Federal work-release programs, I am greatly disturbed by the Finance Committee's action, which threatens to destroy this important and successful experiment.

The committee proposals are the result of confusion about the benefits and rights a prison inmate has when he is released during the last 6 months of his sentence for daytime employment in private or public occupations.

The reason why an inmate who is gainfully employed accrues eligibility for unemployment benefits, or qualifies for social security benefits, or has his employment count as Federal service for purposes of retirement, is precisely because this man is earning wages and performing exactly the same kind of work that other wage earners perform.

It was the intention of the Congress to place the inmate in a normal employment environment so that he would gain work experience, perhaps learn new skills, and be provided an avenue into gainful employment after his release from the institution. In this context, there is no reason to deny the work-released inmate any work-related benefits to which he is entitled if he were not an inmate of a Federal prison.

Presently, social security is deducted from their wages and their employers pay the unemployment insurance tax, the same as for any other employee. Such wages, earned as members of the labor force, of course, count toward eligibility for future benefits under the social insurance program. The committee provisions appear only to be depriving these people of these limited benefits. In reality, however, they will serve to discourage employers from participating in work-release, because of the special bookkeeping which will be required. It is unreasonable to expect a private business to set up two accounting systems, one for regular employees and another for parolees.

But even if employers continue to hire prisoners, these restrictive provisions may have an opposite effect from that which is intended. The work-release employee will not have social security deducted from his pay, and so will actually be taking more net pay back from his job that his fellow workers who remain subject to social security taxes. The employer also will not have to contribute his share to social security for the work-release employees. The confusion that will ensue in the entire program may be insurmountable.

What is really at issue in this controversy is the question of the purpose of Federal prisons—a controversy which at any rate should be left to the Judiciary Committee which has substantive jurisdiction over the matter.

To some, Federal prisons are solely places of punishment for persons after their conviction of crimes.

Section 124 reflects this narrow and outmoded view of penology. It neglects perhaps the most important role our prisons have—to rehabilitate those who have gone astray so that when they are released, they will be able to return and contribute to society instead of returning to crime. To ignore this aspect of our prison system is to ibnore the real facts about criminal offenders who are sent to our institutions.

Here are some of the facts:

Although over 100,000 persons leave Federal and State prisons each year, few ever receive adequate job training. This is complicated further because in many communities in which persons are released, there are no modern training programs available.

Most offenders entering penal institutions have little training or occupational skills. More than half of the adult prisoners never progressed beyond elementary school; more than four-fifths of the prison inmates between the ages of 25 and 64 in 1960 had not completed high school; a majority of the prisoners have worked in occupations requiring the least skill and having the highest unemployment rates.

About 30 percent of all male prisoners are between 15 and 24 years old. Almost 20 percent are between 20 and 24 years old, a crucial time when most young men are embarking on careers and beginning family life.

Most offenders have had unstable employment experiences and long periods of unemployment; most offenders lack rudimentary job deportment.

When released, persons who reenter the labor force are hampered by their penal records.

Work-release programs are being adopted in more and more States in this

country. At present there are now 22: California, Colorado, Connecticut, Florida, Idaho, Illinois, Indiana, Iowa, Maine, Maryland, Michigan, Minnesota, Missouri, Nebraska, North Carolina, Oregon, Pennsylvania, South Carolina, Vermont, Virginia, Washington, and Wisconsin. Two other States, Montana and North Dakota, are expected to adopt the program in the near future. In the past, the Senate has strongly supported a work-release program on the Federal level with good reason. These programs are good, they are practical, and they are humane. They should not be repudiated or weakened in this way.

The Judiciary Committee hearing records are replete with evidence demonstrating the need and value of such programs, and there is no need to detail this evidence again. However, I would like to bring this body up to date on the effectiveness of the Federal work-release program which was enacted 2 years ago:

As of October 1, 1967, inmates participating in the Federal work-release program earned over $3 million and reimbursed the Government a total of $300,000 for their keep, which is deducted from their pay.

They also contributed over $500,000 in Federal, State, and local taxes and to the social security trust fund. No doubt, much of this money is used to support the State unemployment insurance program and the old-age, survivors, and disability insurance program.

Work-release inmates sent over $400,000 to their dependent families which enabled many of them to leave the public welfare rolls. This not only provides dignity to the inmate's family, but also reduces the tax burden on the local community.

Over a million dollars was spent in the community where they worked for food, clothing, transportation, and other needs.

With this evidence of success, I have no hesitation whatsover in voicing my continued support for the Federal work-release program. I am certain that anyone who takes the time to examine and evaluate the effectiveness of this program both in term of reducing recidivism and sound economics, could not help but come to the conclusion that this program fully deserves our continued support on both Federal and local levels.

The committee amendments, probably unintentionally, amount to no less than a major repudiation of the Rehabilitation Act. I have no doubt that the committee considered these changes carefully before recommending them, but I do not believe the committee recognized all the ramifications of its actions. Acceptance of these provisions will reduce the effectiveness of a major effort to fight crime.

There is, at the bottom of this matter, a choice which we must make. What kind of a person do we want coming out of prison—an unreconstructed criminal, ready to rob, and be returned to prison? Or, do we want a trained mechanic with a job and a reason to stay out of trouble. Are we working to lower the crime rate or raise it?

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. ERVIN. I yield.

Mr. LONG of Louisiana. Mr. President, as a matter of fact we really did not hold any hearings on this particular point. This was the view of a member of a committee.

I am very much impressed by what the Senator has to say about the matter. It was felt that this matter would be in conference in any event.

I appreciate the views of the Senator and know that he feels very strongly that the committee has made a mistake.

I doubt very much, if we had heard the Senator's presentation before the committee, that we would have agreed to the amendment. However, we had to vote on many amendments. We had almost 500 amendments that were printed and were before the committee.

Mr. ERVIN. I appreciate that. I think that the committee has done a fine job on a tremendous bill. However, it would be a tragic mistake if we were to leave this amendment in the bill. The amendment offered by the Senator from Nebraska [Mr. HRUSKA], the Senator from Maryland [Mr. TYDINGS], and me would take this amendment out of the bill. I think that before anybody votes on this amendment they ought to remember the words of Oscar Wilde in "The Ballad of Reading Gaol."

I have had a lot to do with people in trouble because I used to practice a lot of criminal law. I can always appreciate their feelings.

Oscar Wilde said:

I know not whether Laws be right,
Or whether Laws be wrong;
All that we know who lie in gaol
Is that the wall is strong;
And that each day is like a year,
A year whose days are long.

Under the work-release program, the prisoners who seem worthy of trust are released from prison in the daytime to work at private employment, in some cases at Government employment. They learn a job. In 2 years on this Federal program, they make $3 million. They pay their board and keep out of that. They send hundreds of thousands of dollars to their families. They pay the social security taxes and unemployment compensation taxes. Why, in heaven's name, would we deny them the right to have social security in their old age or unemployment compensation, just as everybody else has?

I cannot understand why any man would favor the denial to these people of social security and unemployment compensation, and an opportunity to have self-respect and to return to society a rehabilitated man. What do we want to do—deny him social security, so he will have to steal for a living in his old age. Is that what we want? Unless you favor denying a man social security and want to compel him to steal for a living in his old age, vote for my amendment.

Therefore, Mr. President, I propose that these restrictive provisions be deleted from the present bill. The matter should then be referred to the Judiciary Committee for hearings on the successes and failures of the work-release program and the appropriateness of changes such as those proposed in the present bill.

The Department of Justice favors the pending amendment. They say it would be very difficult to administer the Prisoner Rehabilitation Act with this bill. I ask unanimous consent that the letter from the Department of Justice be printed at this point in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

OFFICE OF THE DEPUTY ATTORNEY GENERAL,
Washington, D.C., November 20, 1967.

Hon. SAMUEL J. ERVIN, Jr.,
U.S. Senate, Washington, D.C.

DEAR SENATOR ERVIN: The Department of Justice is concerned about the proposed amendments to the Social Security Act which would exclude state and federal offenders who take part in work release programs from participating in unemployment compensation and Social Security benefits.

These amendments would seriously hamper the effectiveness of the operation of the Prisoner Rehabilitation Act of 1965 (Public Law 89-176). That Act, you will recall, had strong bi-partisan support in both Houses. It included authorization for selected prisoners to work in private employment and take part in community education programs prior to release from custody. The pupose of the program is to improve the offender's chance of maintaining stable employment and avoid return to crime after release.

During the two years since the enactment of the law, over 3000 carefully selected Federal offenders have been on work release placement. The average period spent on work release has been less than 6 months. They earned more than $3,000,000 in wages; paid $500,000 in federal, state and local taxes; sent $400,000 to dependents and reimbursed the government $300,000 for room and board.

The earnings tell only a part of the story. The program has had broad community support from business, industry, and labor organizations. The men and women who have taken part are not only receiving substantial training, they are also learning to work and live as contributing members of society.

More than twenty states have recognized the value of work release as an important correctional tool. The adoption of the amendments would seriously hamper the operation of these programs as well as the federal program. To a large extent the success of work release depends upon the prisoners enjoying the same status as their fellow workers in the community. The proposed legislation would discriminate against them because of their status. Their exclusion from the benefits available to other employees is inconsistent with the spirit as well as the intent of the Prisoner Rehabilitation Act. Moreover, the enactment of the amendment might well have the practical effect of discouraging employers from employing work releasees where such employment would require setting up separate payroll systems.

For the reasons which I have outlined, we strongly urge the Senate to carefully consider the amendments which would impair a correctional program of great promise.

Sincerely,

WARREN CHRISTOPHER,
Deputy Attorney General.

Mr. CURTIS. Mr. President, will the Senator yield for a question?

Mr. ERVIN. I yield.

Mr. CURTIS. Is it not the Senator's contention that the language in the bill would take social security coverage away from these prisoners?

Mr. ERVIN. That is what the Department of Justice says.

Mr. CURTIS. That is not correct?

Mr. ERVIN. The Social Security Administration says one thing; it says it

would not. The Department of Justice says that it would. And that is another reason why the pending amendment should be adopted.

Mr. CURTIS. I am glad to see that the Department of Justice has such an eloquent defender. But I would rather that the Senator from North Carolina research the matter.

Mr. ERVIN. I am opposed to denying a criminal all hope in this world.

The PRESIDING OFFICER. Who yields time?

Mr. ERVIN. I yield to the Senator from Maryland [Mr. TYDINGS].

Mr. LONG of Louisiana. Mr. President, will the Senator yield to me?

Mr. TYDINGS. I yield.

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that the time in opposition to the amendment be assigned to the Senator from Delaware [Mr. WILLIAMS].

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. TYDINGS. Mr. President, I am proud to join Senator ERVIN and Senator HRUSKA as a cosponsor of the amendment to which Senator ERVIN has just directed his very eloquent testimony.

I should like to take this opportunity to commend the senior Senator from North Carolina. I do not see how anyone who is interested in reducing the crime rate in this country can argue effectively against the eloquence of the Senator from North Carolina.

Since the report of the President's Crime Commission last year and the District of Columbia Crime Commission the year before, the statistics are overwhelming that perhaps the principal cause of the rise in the crime rate in the United States is the failure of our correctional program to rehabilitate the prisoner who is confined. In effect, the statistics show that rather than rehabilitate, in most instances our correctional institutions train the prisoner to be a far more dangerous threat to society after he leaves.

One of the few rays of light which shine in our otherwise outdated and anachronistic correctional institutions is the work-release program—the Federal work-release program and the State work-release program.

The effect of the language in the social security bill now before the Senate, H.R. 10280, would be to discourage any employer from hiring a work-release parolee. It would not in effect deny social security, although the end result would be to deny social security to the individual. It would throw a bureaucratic load on the small businessman employer, which would deter him from wishing to hire any parolee. We throw enough bureaucratic regulations on the small businessman without adding one more such as this.

In addition, Mr. President, the effect could be—because social security and withholding deductions would not be made from the work-release parolee's pay—that his fellow employees would feel that he was receiving a greater take-home check than they, and they could misunderstand the system or the program; and in the end it would result in a great deal of dissension in the employer's small business establishment. The work-release parolees are hired primarily by small businessmen.

I believe it would be a tragic mistake if the Senate were to permit this language to remain in the social security bill, when we in the Committee on the Judiciary are even now working to turn out legislation to lower the crime rate. It can result only in lowering the total capacity of the work-release program, in discouraging small businessmen from hiring work-release parolees, and in raising the crime rate in this country.

The Senator from North Carolina was correct when he eloquently pointed out that the purpose of a correctional institution is to rehabilitate and to return a man to society. Certainly, the major factor in rehabilitation is to train a man to become gainfully occupied, so that he can be a taxpayer and a contributor to society and not wind up in jail again.

I might add, Mr. President, that anyone who takes the trouble to study the statistics and the results of these comprehensive crime studies will see that the failure of our correctional institutions—the rate of recidivism where they do not have work-release programs, where they do not have some type of rehabilitation program—presents a very frightening figure. Because this program is so important as an instrument to prevent repeated criminal conduct, I believe it is vital that Congress do all it can to safeguard the effective operations of the program.

As Senator ERVIN has so well demonstrated, the provision of the social security bill which excludes work release employees from coverage under social security and other programs could not help but endanger—and might indeed cripple—the successful function of the work-release program.

I hope that the Senate adopts the amendment of the Senator from North Carolina and the Senator from Nebraska.

The PRESIDING OFFICER. Who yields time?

Mr. ERVIN. I yield such time as he may require to the distinguished Senator from Nebraska.

Mr. HRUSKA. I shall require 10 minutes.

Mr. President, I am pleased to join with two of my colleagues on the Judiciary Committee, the distinguished Senator from North Carolina [Mr. ERVIN] and the distinguished Senator from Maryland [Mr. TYDINGS] as a cosponsor of amendment No. 451. This amendment is designed to protect and reaffirm the purpose and principle of the Prisoner Rehabilitation Act of 1965.

During the 89th Congress, I was one of the principal sponsors of the Prisoner Rehabilitation Act, Public Law 89-176. That is the Work Release Program Act. As you will recall, this act had strong bipartisan support in both Houses. It was passed in the Senate without opposition, and in the House it was adopted in a rollcall vote 323 to 0. The intent of this act was to provide the basis for developing new programs and techniques which would increase the effectiveness of correctional treatment and thus assist in reducing crime. Basic to the act was the authorization for carefully selected inmates to work in private employment and participate in community educational and training programs during the period immediately prior to their release from custody under conditions that approximate a normal working situation.

This act has been in effect for approximately 2 years, and its record has been impressive. I ask unanimous consent to have printed at this point in the RECORD a fact sheet which has been issued by the Bureau of Prisons, dated November 20, 1967, pertaining to this program.

There being no objection, the fact sheet was ordered to be printed in the RECORD, as follows:

WORK RELEASE AND COMMUNITY CENTER PROGRAMS

Since Public Law 89-176 was signed on September 10, 1965, there have been 3,452 Federal prisoner participants in the Work Release Program. There were 479 inmates participating in the program on September 30, 1967. This represents 2.6 percent of the prison population on that date. There are presently 152 residents of the seven Community Centers, which totals 631 individuals in community-based programs. Approximately 40 work releasees have been employed by the Federal Government since the beginning of the program, and about ten are now working for the Federal Government.

Federal prisoners earnings from the Work Release Program are shown below. Center financial data collection began April 1, 1967. Totals are estimated on present rates with corrections for population fluctuations since September 1965.

Work release	Total, October 1965 to October 1967	Community centers	Total, September 1965 to October 1967
Gross earnings	$3,089,715	Gross earnings	$747,426
Net earnings	2,620,275		
Federal, State, and local taxes	469,440	Federal, State, and local taxes	137,804
Payments to U.S. Treasury for board and room	321,980		
Forwarded to dependents	484,984	Forwarded to dependents	65,701
Savings	879,581	Savings	167,680
Expenses in community (clothing, food, transportation)	933,730		

The State of North Carolina, which has had an operational Work Release Program for state prisoners from 1957, reports the following work release earnings from 1957 to October 15, 1967: Gross Earnings, $11,280,644; Forwarded to Dependents, $2,840,388; and Federal and State Taxes, $1,703,377.

Mr. HRUSKA. Mr. President, as a member of the Judiciary Committee, I have maintained a continuing interest in the act and have followed the results closely. During the 24 months since the bill was signed into law, over 3,000 inmates from institutions operated by the Bureau of the Prisons have participated in the work release program. In keeping with the intent of the law, the institutions have screened offenders for placement in the program. Inmates with histories of aggressive or assaultive behavior

and those presenting serious emotional problems have been excluded. The vast majority of inmates assigned to the work release program have been committed for offenses against property and have little or no community or financial resources to turn to upon release.

The records established by the inmates in the program are impressive. They have earned more than $3 million in salaries, paid $500,000 in Federal, State, and local taxes, sent over $400,000 to dependents and have reimbursed the Government over $300,000 for room and board. In addition, they have spent more than a million dollars in the communities where they are employed for clothing, transportation and food.

The Prisoner Rehabilitation Act has produced great changes in the field of corrections. By permitting inmates to develop and maintain roots in the community, we are making it easier for them to become reestablished when their sentences are completed. The training value of private employment is self-evident and an important part of making inmates feel that they can become contributing members of society. This often permits them to contribute to the support of their families, possibly keeping them off relief rolls. It further benefits society by making offenders taxpayers again and, hence, less of a liability on society.

In addition to the Federal program, 22 State and local governments have established various forms of work release.

Wisconsin pioneered in this area when the well-known Huber law was enacted in 1913. My own State of Nebraska enacted a bill during the recent session of the legislature patterned after the Federal act. While the program in Nebraska is still in its infancy, I am certain that it will have far-reaching benefits.

The amendment we propose today is designed to protect the progress made in penology since 1965 under the Prisoner Rehabilitation Act and to insure a successful future for the work release program.

The Senate Finance Committee in section 124 of the committee bill expressed a philosophy that is diametrically opposed to the concept of work release as approved by this body, and placed substantial obstacles in the path of the program. This was done by saying, contrary to the approach of the penologist, that the work releasee will not be accepted for employment on an equal basis with all other employees. He will not be given an opportunity to assume the responsibilities and retain the benefits that his coworkers receive. Instead, in addition to locking him behind bars, further punishment will be imposed on him by depriving him of the benefits that his labor would normally provide for him.

The work release program is voluntary. The volunteer is a person who, careful screening indicates, would like to find his place in society. He does this by working on the outside, paying room and board, and supporting his family.

There is no reason why this man should be deprived of the benefit of social legislation which protects every other employee. He is paying for it like any other worker.

The committee bill would disqualify some work releasees from social security coverage; it exempts Federal employees from workman's compensation, civil service retirement, life insurance programs and health insurance programs. In addition, Federal, State and private employees are denied credit for unemployment compensation. Here we have a situation where the employer, particularly one with an automated payroll, must set up separate accounts for work releasees. The employer also gets a financial benefit by not having to pay unemployment tax. Other employers need not match social security taxes or match insurance contributions.

Mr. President, it is difficult enough to persuade reputable employers to participate in the Federal and State work-release programs. It is difficult enough to receive acceptance of the program from the community and other workers. If we place administrative burdens on the employer and if we offer cheaper labor, we will discourage employers or perhaps raise animosity toward a program that is still in its infancy.

There is a further problem with section 124 which requires it be deleted. It discriminates between those prisoners, Federal or State, who accept Federal employment and those that accept State or private employment. The Federal employees if he loses a limb, or an eye or is permanently disabled on the job, receives no workman's compensation. His counterpart employed by a private firm is compensated under a workman's compensation act. The Federal employee who remains in Federal employment after his discharge from prison must start anew to build retirement credit. The prisoner working for the State government already has some time accumulated and, therefore, even more incentive to remain with his employers.

The issue here is work release and how the work-release prisoner is to be treated. His treatment cannot be made to depend on whether he is hired by a Federal, State, or private employer.

As the distinguished Senator from North Carolina [Mr. ERVIN] pointed out, it is not clear what social security coverage is excluded by section 124. Page 62, paragraph g, of the committee report was unclear in its coverage where it stated:

> Under present law, some convicts can, solely as the result of their work while serving a prison sentence, establish eligibility for unemployment benefits, earn credits under the Federal Civil Service retirement system, or obtain credits under Social Security. The committee believes that it is inappropriate to provide the same benefits for prison work as for other work.

Mr. ERVIN. Mr. President, will the Senator yield on that point?

Mr. HRUSKA. I yield to the Senator from North Carolina.

Mr. ERVIN. Does not that language show that whoever wrote the committee report did not understand what this section does because work under the work-release program is not prison work; it is work outside the prison?

Mr. HRUSKA. There are two kinds of work: The work which is performed by the prisoner under a work-release program and work performed in prison.

The report indicates an intention on the part of the committee at variance with the language in the bill. The only way to clear up this ambiguity is to strike that section.

I therefore renew my support for amendment No. 451. Eighteen U.S.C. 4208(c)(111) requires that "the rates of pay and other conditions of employment will not be less than those paid or provided for work of similar nature in the locality in which the work is to be performed." The Ervin amendment would safeguard that provision. It eliminates arbitrary exemption from social security, workman's compensation, and unemployment insurance which would vary the rates of pay and working conditions.

I hope that the Senate agrees to the amendment and approves it.

This work-release plan has been found to be the most effective weapon to battle the recidivism that is the bane of our penal system. When it was signed into law it was hailed as the greatest single piece of legislation in the field of prisoner rehabilitation. Its purpose is to help the prisoner adjust to civilian life and thereby prevent his return to a penal institution.

The PRESIDING OFFICER (Mr. GRIFFIN in the chair). Who yields time?

Mr. HRUSKA. Mr. President, I yield back the remainder of my time.

Mr. WILLIAMS of Delaware. Mr. President, how much time is remaining?

The PRESIDING OFFICER. The other side has used 28 minutes, and there are 2 minutes remaining.

Mr. WILLIAMS of Delaware. Mr. President, I yield myself 10 minutes.

Mr. President, first, this language in the committee amendment was approved by the Committee on Finance without objection. There is no question that we respect the work-release program.

However, much has been said that this would destroy the entire work-release program and that we would go back into an area of increasing the crime rate. With all respect to that argument, the work-release program went into effect in 1966, and the crime rate has increased ever since. It is a good program, but it is not a cure-all, so far as society is concerned.

The suggestion has been made by those who would strike this section out that this would affect recordkeeping of the small businessman. The committee amendment does not affect the prisoner working in civilian employment at all as far as social security is concerned. It affects only cases where this employment is classified as Federal employment.

The committee bill and the committee report so states, and so does the report of HEW. It says that for social security purposes the small businessman or the farmer who employs this prison labor could take social security deductions the same as they have been doing. However, it would change the effect if his work is classified as Federal service.

Let me point out why we felt this was necessary. It was called to our attention

that under the existing setup, a man who has been working, for example, as a Government employee, who is convicted and sent to prison because of embezzling money, or perhaps accepting a bribe, or some other charge in connection with his official activities, under existing law, as it is now interpreted, could have some of his work in prison counted toward increasing his civil service retirement benefits, just the same as if he were working at legitimate work on the public payroll. How ridiculous can we get? A public official is sent to the penitentiary and he is permitted to increase his retirement benefits while he is in the penitentiary.

Mr. President, another example is where a man has gone to the penitentiary—a man who never worked a day in his life before going to the penitentiary; then by virtue of the work he does in the prison he can establish eligibility for unemployment benefits so that when he is discharged he can go to any unemployment office in any State in the Union and draw full unemployment benefits, the same as a respectable worker. Certainly he lost his job when his prison sentence ended. The unemployment benefits were established solely as a result of work performed while serving as a prisoner. Why would that be justified? There is such a thing as a work-release program to rehabilitate these people, and I am in favor of such a program, but there is a limit to how far we can go. I think it is about time we recognize that the taxpayers, our law-abiding American citizens, who are going to have to pay for these benefits to these criminals likewise have some rights.

Mr. President, I ask unanimous consent to have printed in the RECORD a letter from the Civil Service Retirement Board confirming the fact that convicted Government officials can increase their Civil Service retirement benefits solely as a result of serving in the Federal penitentiary under the existing law.

The Hruska-Ervin amendment would continue this farcial situation. Why?

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

U.S. CIVIL SERVICE COMMISSION,
BUREAU OF RETIREMENT AND INSURANCE,
Washington, D.C., February 7, 1967.

HON. JOHN J. WILLIAMS,
U.S. Senate.

DEAR SENATOR WILLIAMS: This is in response to your telephone request of February 1, 1967 for information concerning civil service retirement credit for employment in Federal agencies under the work release provisions of the Prisoner Rehabilitation Act of 1965.

Since a prisoner employed in a Federal agency under this program is appointed for a period not to exceed one year, he is not covered under the Civil Service Retirement System during such employment and may not derive title to any retirement benefit by virtue of such employment. However, because this employment is Federal service, it is creditable for retirement purposes if after discharge from prison the individual is employed as a regular Federal employee subject to the civil service retirement system.

Specific answers to your questions are:

1. The prisoner earns no civil service retirement benefits through Federal employment under the work release program if this is his only Federal service.

2. If he has been a regular Federal employee under the retirement system before his conviction, Federal service under the work release program may not be added to his length of service.

3. If he is a regular Federal employee under the retirement system after employment under the work release program, work release service in a Federal establishment is creditable for retirement purposes.

4. If he has regular Federal employment under the retirement system both before and after employment under the work release program, such employment in a Federal establishment is creditable for retirement purposes.

Sincerely yours,
ANDREW E. RUDDOCK,
Director.

Mr. WILLIAMS of Delaware. Mr. President, I also ask unanimous consent to have printed in the RECORD the ruling from the Department of Labor qualifying these criminals for unemployment benefits.

There being no objection, the ruling was ordered to be printed in the RECORD, as follows:

[Unemployment compensation for Federal employees, Bulletin No. 33]

U.S. DEPARTMENT OF LABOR,
BUREAU OF EMPLOYMENT SECURITY,
Washington, D.C., June 27, 1967.

To: All Federal agencies.
From: Robert C. Goodwin, Administrator.
Subject: Coverage Under Title XV of the Social Security Act of Inmates of Correctional Institutions Appointed by Federal Agencies Under the Provisions of the Prisoner Rehabilitation Act of 1965.

Pursuant to its authority under the Social Security Act, the Department of Labor issued its ruling on May 17, 1966, that an inmate of a Federal penal or correctional institution who is appointed to a Federal position prior to his release from the institution and who is permitted under the Prisoner Rehabilitation Act (PRA) of 1965, Public Law 89-176, to perform services outside the institution, performs "Federal service" and receives "Federal wages" within the meaning of section 1501 of the Social Security Act for purposes of the Unemployment Compensation for Federal Employees (UCFE) Program.

The U.S. Civil Service Commission's Federal Personnel Manual (FPM) Letter 213-8 explains the new schedule A authority available to Federal agencies to facilitate employment of prisoners under the work release provisions of the PRA of 1965. Prisoners who within 6 months will be eligible for release or parole and who otherwise meet the eligibility conditions prescribed can be given inital Federal appontments of up to 1 year's duration after release from custody.

Please insure that Federal agency personnel responsible for processing Forms ES-931, Requests for UCFE Wage and Separation Information, and other UCFE program documents received from State employment security agencies, understand that the employment performed in a PRA work release program by a Federal prisoner in the period covered by the initial schedule A appointment is "Federal service" for UCFE program purposes and item 1a on Form ES-931 should be completed accordingly (see facsimile of Form ES-931 in section 330.1, *UCFE Instructions for Federal Agencies*).

Mr. WILLIAMS of Delaware. Mr. President, I do not see why any man who has committed a crime and is serving his time in the penitentiary should be able, solely as a result of the work he is doing in a Federal penitentiary, have it counted as Government employment and thereby become eligible for all the civil service retirement benefits and all the other benefits, health, insurance, and so on, to which a normal civil service worker is entitled.

Certainly, when a man goes to the penitentiary he should lose some of his benefits. If he does not want to lose them then he should stop stealing from the Government, stop accepting bribes or embezzling, and conduct himself as a respectable, law-abiding citizen.

There is too much coddling of these criminals with too little regard to the innocent victims of their crimes.

I do not understand the argument that we must sympathize with this man and extend to him all the benefits he would get in society were he not being confined. I most certainly do not understand how a man can walk out of prison and draw unemployment benefits on the basis that he has lost his prison job. I admit that he can truthfully tell the unemployment office that he cannot get that same job back——

Mr. ERVIN. Mr. President, will the Senator from Delaware yield?

Mr. WILLIAMS of Delaware. Not at this moment—because the only way to get his job back would be to commit another crime and go back to jail. On that argument it is considered that he has a bona fide excuse to draw unemployment benefits.

Under the interpretation of the existing law it is further possible for a man to be serving a lifetime sentence in the penitentiary and still establish social security benefits.

Say, for example, he started serving a life sentence as a young man and was in prison before social security was ever enacted, which was in 1937. He can now, solely as a result of his work in the prison while serving this life sentence, establish social security benefits under the six or 10 quarters requirement, and then when he reaches the age of 65, he can "retire" and get his check sent to his prison address while he is finishing the life sentence.

If that is what Senators want then they can adopt the Hruska-Ervin amendment.

As far as I am concerned I will not support such a ridiculous program.

The question comes to my mind, how would it work if this prisoner, serving a life sentence, were to decide to retire at the early age of 60 instead of waiting until 65?

Mr. ERVIN. Mr. President, I should like to mention that these programs have paid $400,000 to $500,000 in Federal, State, and local taxes. They have also paid $300,000 for room and board to the Federal Government. That is many times the amount unemployment benefits would give them, or anything else.

The work-release program does not involve work in prison. Inmates gain no social security benefits while they are in prison. The program allows them to get jobs outside the prison in the period just before they complete their sentence. They get regular jobs, earn normal salary, and get social security benefits like anyone else. Nobody gets social security while they are in prison, or because they have been in prison.

Mr. WILLIAMS of Delaware. Mr. President, I yield myself 1 minute.

The PRESIDING OFFICER. The Senator from Delaware is recognized for 1 minute.

Mr. WILLIAMS of Delaware. On the question of tax liability mentioned by the Senator from North Carolina, that would continue exactly the same, whether the amendment were to be accepted or not. The committee amendment does not affect that situation in the least.

Mr. HRUSKA. Mr. President——

The PRESIDING OFFICER. Only 1 minute remains.

Mr. WILLIAMS of Delaware. Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. Twenty-one minutes remain to the Senator from Delaware.

Mr. WILLIAMS of Delaware. I yield 3 minutes to the Senator from Nebraska.

The PRESIDING OFFICER. The Senator from Nebraska is recognized for 3 minutes.

Mr. HRUSKA. I am grateful to the Senator from Delaware. He is always very generous.

Mr. President, a couple of points have been made about the work done in prison by a man to enhance his civil service retirement pension. Now let us get that in perspective. Nobody earns civil service retirement for work performed in prison. Only a work releasee can earn retirement credit.

Only 40 work releasees have been hired by the Federal Government since September 1965, when the bill was passed, and only 10 are on the payroll as of September of this year. That is as compared with 3,452 work releasees who have, in the past 2 years, earned over $3 million in wages. They have paid taxes totaling about $470,000. Net earnings of over $2.5 million. In addition to that, money sent to their dependents and families has totaled $485,000. They have saved $879,000. They have paid into the community almost $1 million, in the past 2 years, for the purpose of clothing, transportation, food, and so on.

Now, then, as against that proposition, can it be said that the law is responsible for crime going up all the time? Crime has not gone up for the 3,452 workers who have been sentenced to prison and have taken advantage of this law.

It is the position of those who urge the adoption of the amendment offered by the Senator from North Carolina [Mr. ERVIN], that the social programs prohibited by section 124 are necessary to a work-release program. To remove these programs is incompatible with that theory of penology which recognizes that a man must, sooner or later, return to society. Let us help them all return under the most advantageous conditions. We want them to remain in society as useful citizens. The Prisoner Rehabilitation Act is one of the great steps to this goal. We should not endanger it in any way.

Mr. WILLIAMS of Delaware. Mr. President, I yield myself 1 additional minute.

The PRESIDING OFFICER. The Senator from Delaware is recognized for 1 additional minute.

Mr. WILLIAMS of Delaware. Mr. President, I point out that nothing in the committee amendment would at all restrict the rights which the Senator from Nebraska has outlined; namely, for a prisoner to work to pay taxes.

As to the argument that only 40 convicted Government employees are increasing their civil service benefits while serving in prison, even if there are only 40 former Government employees in a Federal penitentiary building up civil service retirement benefits I say that that is 40 too many; if it were only four that would be four too many; and so far as I am concerned only one is too many.

In 1954 I was the cosponsor of a bill, the purpose of which was to deny civil service retirement benefits to any Government official who was convicted of having used the power or influence of his office for his own personal gain by accept bribes, embezzling funds, and so forth. Under that law, the employee upon his conviction, would be eligible for a refund of all of his contributions plus interest, but he would not be eligible for retirement benefits at the taxpayers' expense. In 1961 over my strenuous objections a bill was passed by the Senate, later becoming law, repealing that provision and restoring retroactively the full retirement benefits for all convicted Government officials.

Today the amendment of the Senator from Nebraska [Mr. HRUSKA] and the Senator from North Carolina [Mr. ERVIN] would carry this one step further. They now propose to allow these convicted Government officials to have a part of their time while serving in the Federal penintentiary counted toward the increase of their Government retirement benefits.

In addition, they can collect unemployment benefits when discharged from prison because they will have lost their prison job.

Mr. CURTIS. Mr. President, I ask unanimous consent to have printed in the RECORD a letter which was written to me today by Robert M. Ball, Commissioner of Social Security.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
Baltimore, Md.

Hon. CARL T. CURTIS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR CURTIS: This is in reply to your request for a statement concerning the effect of Section 124 of H.R. 12080, particularly as it relates to social security coverage of employment of prisoners.

The bill would exclude from social security coverage the relatively few prisoners (convicted under Federal or State law) who are employed by the Federal Government under work release programs. Under the work release programs, which are provided by Federal and State law (24 States, including Nebraska), prison inmates, generally only those who are within 6 months to a year of release or parole from prison, are permitted to work and train in nearby communities where labor shortages exist. These rehabilitation programs generally specify that the wages and other conditions of employment must be the same for prisoners as for other persons performing the same work. Under present law, prisoners who are employed by the Federal Government under work release programs are covered under social security for such work because their employment is temporary and therefore excluded from Federal civil service retirement coverage. (Federal employment that is not covered by a Federal staff retirement system is generally covered under social security.)

The bill would also disqualify prisoners thus working as temporary Federal employees from participation in Federal employee programs of group life insurance, health benefits, compensation for work injuries and unemployment compensation, for which they are now eligible, and would provide that such Federal service performed by a prisoner would not be creditable under the civil service retirement system. (Under present law, in rare cases it would be possible for a prisoner who subsequently has regular Federal employment, sufficient for establishing his entitlement to civil service retirement benefits, to obtain credit toward such benefits for the period of temporary Federal employment in the work release program.)

The great majority of prisoners in work release programs are employed by private employers. Such employment is generally covered under unemployment insurance if the work of other employees of the employer is covered, and it is also covered under social security. Under the bill, such employment would be excluded from unemployment insurance, but would continue to be covered under social security. The exclusion from unemployment insurance would be effectuated by requiring that State unemployment compensation laws, to receive Federal approval, must be amended to conform with the exclusion provided in H.R. 12080.

I hope that this statement will be helpful.

Sincerely yours,
ROBERT M. BALL,
Commissioner of Social Security.

Mr. ERVIN. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. All time has now been yielded back. The question is on agreeing to the amendment of the Senator from North Carolina [Mr. ERVIN].

On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. MANSFIELD. Mr. President, on this vote I have a pair with the distinguished Senator from Florida [Mr. HOLLAND]. If he were present and voting, he would vote "yea." If I were permitted to vote, I would vote "nay." Therefore, I withhold my vote.

Mr. BYRD of West Virginia. I announce that the Senator from Nevada [Mr. CANNON], the Senator from Oklahoma [Mr. HARRIS], the Senator from Arizona [Mr. HAYDEN], and the Senator from Alabama [Mr. SPARKMAN] are absent on official business.

I also announce that the Senator from Connecticut [Mr. DODD], the Senator from Florida [Mr. HOLLAND], the Senator from Wyoming [Mr. MCGEE], and the Senator from Georgia [Mr. TALMADGE], are necessarily absent.

I further announce that, if present and voting, the Senator from Nevada [Mr. CANNON], the Senator from Oklahoma [Mr. HARRIS], and the Senator from Wyoming [Mr. MCGEE] would each vote "yea."

Mr. KUCHEL. I announce that the Senator from Kansas [Mr. CARLSON], the

Senator from Illinois [Mr. DIRKSEN], the Senator from Hawaii [Mr. FONG], the Senator from California [Mr. MURPHY], and the Senator from Pennsylvania [Mr. SCOTT] are necessarily absent.

The Senator from Kentucky [Mr. COOPER], the Senator from Wyoming [Mr. HANSEN], the Senator from South Dakota [Mr. MUNDT], and the Senator from Texas [Mr. TOWER] are absent on official business.

The Senator from Massachusetts [Mr. BROOKE] is detained on official business.

If present and voting, the Senator from Massachusetts [Mr. BROOKE], the Senator from Illinois [Mr. DIRKSEN], the Senator from California [Mr. MURPHY], and the Senator from Texas [Mr. TOWER] would each vote "yea."

On this vote, the Senator from Pennsylvania [Mr. SCOTT] is paired with the Senator from Kansas [Mr. CARLSON]. If present and voting, the Senator from Pennsylvania would vote "yea" and the Senator from Kansas would vote "nay."

The result was announced—yeas 75, nays 6, as follows:

[No. 338 Leg.]

YEAS—75

Aiken	Hart	Mondale
Allott	Hartke	Monroney
Anderson	Hatfield	Montoya
Baker	Hickenlooper	Morse
Bartlett	Hill	Moss
Bayh	Hollings	Muskie
Bennett	Hruska	Nelson
Bible	Inouye	Pastore
Boggs	Jackson	Pearson
Brewster	Javits	Pell
Burdick	Jordan, N.C.	Percy
Byrd, Va.	Jordan, Idaho	Prouty
Byrd, W. Va.	Kennedy, Mass.	Proxmire
Case	Kennedy, N.Y.	Randolph
Church	Kuchel	Ribicoff
Clark	Lausche	Russell
Cotton	Long, Mo.	Spong
Dominick	Long, La.	Stennis
Eastland	Magnuson	Symington
Ellender	McCarthy	Thurmond
Ervin	McClellan	Tydings
Fannin	McGovern	Williams, N.J.
Fulbright	McIntyre	Yarborough
Griffin	Metcalf	Young, N. Dak.
Gruening	Miller	Young, Ohio

NAYS—6

Curtis	Morton	Smith
Gore	Smathers	Williams, Del.

NOT VOTING—19

Brooke	Hansen	Murphy
Cannon	Harris	Scott
Carlson	Hayden	Sparkman
Cooper	Holland	Talmadge
Dirksen	Mansfield	Tower
Dodd	McGee	
Fong	Mundt	

So Mr. ERVIN's amendment was agreed to.

Mr. ERVIN. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. HRUSKA. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. LAUSCHE. Mr. President, I voted in favor of the Ervin amendment. My views did not accord with what the Senator from Delaware [Mr. WILLIAMS] had advocated. I want to explain my failure to support the Senator from Delaware so that my vote will be thoroughly understood.

In my opinion, there was complete confusion about the facts underlying the two proposals that were before the Senate.

The Senator from Delaware offered his proposal on the basis that prisoners in a penal institution, while serving as prisoners, should not have the benefit of unemployment insurance compensation and social security. The Senator was predicating his argument on the proposition that when a man is a prisoner, subject to confinement by the State, and is working as a prisoner within the prison, he should not be given these privileges.

The argument of the Senator from North Carolina was that in the last 6 months of a parolee in a prison, while he is working outside for private industry or government, that outside work should be credited to the man with the right to enjoy the privileges of social security payments.

My position was that the Senator from Delaware, on the basis of his assumption of facts, properly sponsored his proposal in the committee. The Senator from North Carolina, on the basis that those prisoners who were serving the last 6 months of their prison terms as parolees should be permitted to enjoy social security payments.

I finally voted with the Senator from North Carolina.

I did by that action mean to declare that the Senator from Delaware was not right in his understanding of the facts and the basis upon which he made his proposal in the committee.

Mr. WILLIAMS of Delaware. Mr. President, the manner in which I explained the amendment was exactly the form in which it was adopted by the Finance Committee.

The Labor Department ruling explains its position taken on the proposal as well as the position taken by the Civil Service Commission.

Mr. LAUSCHE. The confusion about the whole matter is that the Department of Justice interpreted the letter one way and the Department of Health, Education, and Welfare interpreted it in another way. I am quite certain that there was not a clear understanding as to exactly what the law was.

I commend the Senator from Delaware for his efforts to prevent the Government from making payments to persons while they are in prisons.

My support for the Ervin amendment was because I believe that in the last 6 months when the prisoners are parolees and go out and find private employment, they should be entitled to social security benefits while they and their employers are paying the taxes for coverage of the worker under the social security program.

Mr. WILLIAMS of Delaware. Mr. President, I think I can understand the position of the Department of Justice. They were unalterably opposed to making the correction in the existing law when we mentioned it in committee. Naturally they are opposed to it now. The only way they knew how to meet their objective was to confuse the question.

The Department of Justice has taken the position throughout that a man serving in prison, especially if he is a former Government official, should still be able to increase his retirement benefits as the result of prison work the same as if he were still working in the Government service.

The Department of Justice takes a lot of positions that I do not understand, and this is one of them.

Mr. LAUSCHE. Mr. President, I merely reaffirm my deep faith in the genuine efforts of the Senator from Delaware to achieve justice and deal fairly with all people within our community and our Government.

SOCIAL SECURITY ACT AMENDMENTS OF 1967

The Senate resumed the consideration of the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

AMENDMENT NO. 456

Mr. LONG of Louisiana. Mr. President, I call up my amendment No. 456.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk proceeded to read the amendment.

Mr. MANSFIELD. Mr. President, may we have order? I would suggest that the Chamber be cleared except for those who have business here.

The PRESIDING OFFICER. The Senator's point is well taken. The Senate will be in order, and the Sergeant at Arms will see that order is restored. The clerk will continue reporting the amendment.

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent to dispense with the further reading of the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment (No. 456) of Mr. LONG of Louisiana, is as follows:

At the end of title V of the bill, add the following:

"TITLE VI—QUALITY AND COST CONTROL STANDARDS FOR DRUGS

"SEC. 601. Title XI of the Social Security Act is amended by inserting immediately below the heading of such title the following: 'PART A—MISCELLANEOUS' and by adding at the end of such title the following new part:

"'PART B—QUALITY AND COST CONTROL FOR DRUGS PAYABLE FROM FEDERAL FUNDS

"'SEC. 1130. (a)(1) There is hereby established, within the Department of Health, Education, and Welfare, a Formulary Committee, a majority of whose members shall be physicians and which shall consist of three officials of such Department designated by the Secretary, and of six individuals (not otherwise in the regular full-time employ of the Federal Government) who are of recognized professional standing in the fields of medicine and pharmacy, to be appointed by the Secretary without regard to the provisions of title 5, United States Code, governing appointments in the competitive service. The Chairman of the Committee shall be elected, from the appointed members thereof, by majority vote of the members of the Committee. The term of office of the Chairman shall be one year, but the same person may hold such office for any number of terms.

"'(2) Each appointed member of the Formulary Committee shall hold office for a term of five years, except that any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term, and except that the terms of office of the members first taking office shall expire, as designated by the Secretary at the time of appointment, one at the end of the first year, one at the end of the second year, one at the end of the third year, one at the end of the fourth year, and one at the end of the fifth year, after the date of appointment. A member shall not be eligible to serve continuously for more than two terms.

"'(b) Appointed members of the Formulary Committee, while attending meetings or conferences thereof or otherwise serving on business of the Committee, shall be entitled to receive compensation at rates fixed by the Secretary, but not exceeding $100 per day, including traveltime, and while so serving away from their homes or regular places of business they may be allowed travel expenses, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

"'(c)(1) The Formulary Committee is authorized to engage such technical assistance as may be required to carry out its functions, and the Secretary shall, in addition, make available to the Formulary Committee such secretarial, clerical, and other assistance as the Formulary Committee may require to carry out its functions.

"'(2) The Secretary shall furnish to the Formulary Committee such office space, materials, and equipment as may be necessary for the Formulary Committee to carry out its functions.

"'FORMULARY OF THE UNITED STATES

"'SEC. 1131. (a)(1) The Formulary Committee shall compile, publish, and make available a Formulary of the United States (hereinafter in this title referred to as the "Formulary").

"'(2) The Formulary Committee shall periodically revise the Formulary and the listing of drugs so as to maintain currency in the contents thereof.

"'(b)(1) The Formulary shall contain an alphabetically arranged listing, by established name, of those drugs which the Formulary Committee finds are necessary for recipients of aid, assistance, benefits, or services under the several programs operated or supported by the Department of Health, Education, and Welfare and for which Federal funds are to be expended. The Formulary Committee may exclude from the Formulary any drugs which the Formulary Committee determines are not necessary for proper patient care, taking into account other drugs that are available from the Formulary.

"'(2) The Formulary Committee may also include in the Formulary, either as a separate part (or parts) thereof or as a supplement (or supplements) thereto, any or all of the following information:

"'(A) A supplemental list or lists, arranged by diagnostic, prophylactic, therapeutic, or other classifications, of the drugs included in the listing referred to in paragraph (1).

"'(B) The proprietary names under which a drug listed in the Formulary by established name is sold, and the names of each supplier (as manufacturer, wholesaler, or distributor) of such a listed drug who, on the basis of inspection, sample examination, and a scientific review of promotional claims is in the opinion of the Committee producing or distributing such drug in conformity with the requirements of the Federal Food, Drug, and Cosmetic Act and (where applicable) the Public Health Service Act.

"'(C) Prescribing information (including conditions of use required in the interest of rational drug therapy) which will promote the safe and effective use, under professional supervision, of the drugs referred to in paragraph (1).

"'(D)(i) A listing of the prices charged by the suppliers named in the Formulary; and (ii) the guide or guides as to reasonable cost ranges issued pursuant to section 1133.

"'(E) A prominent statement that payment from Federal funds is restricted to a reasonable acquisition cost range, plus fee, established by the Secretary pursuant to this part, for a drug listed in the Formulary, unless the prescriber, in his order, has specifically designated a drug by its established name together with the name of the manufacturer of the final dosage form thereof.

"'(F) Any other information which in the judgment ofthe Formulary Committee would be useful in carrying out the purposes of this part.

"'(c) In considering whether (under the authority contained in subsection (b)) a particular drug shall be included in the Formulary, the Formulary Committee is authorized to obtain (upon request therefor) any record pertaining to the characteristics of such drug which is available to any other department, agency, or instrumentality of the Federal Government, and, as a condition of such inclusion, to require suppliers of drugs to make available to the Committee information (including information to obtained through testing) relating to such drug. If any such record or information (or any information contained in such record) is of a confidential nature, the Formulary Committee shall exercise utmost care in preserving the confidentiality of such record or information and shall limit its usage thereof to the proper exercise of such authority.

"'(d)(1) The Formulary Committee, in addition to such data and testing as it may require of a proponent of the listing of a drug in the Formulary, shall have authority to cause to be made such tests, and shall establish such procedures, as may be necessary to determine the propriety of the inclusion or exclusion, in the Formulary, of any drug. The Formulary Committee may enter into agreements, on a reimbursable basis or otherwise, with public or private agencies or organizations which the Formulary Committee finds qualified to conduct such tests under which such agencies or organizations will make all or any of such tests for and on behalf of the Formulary Committee.

"'(2) The Formulary Committee, prior to making a final determination to remove from listing in the Formulary any drug which would otherwise be included under subsection (b) of this section, shall afford a reasonable oppportunity for a hearing on the matter to any person engaged in manufacturing, preparing, propagating, compounding, or processing such product who shows reasonable grounds for such a hearing. Any person adversely affected by the final decision of the Formulary Committee may obtain judicial review in accordance with the procedures specified in section 505(h) of the Federal Food, Drug, and Cosmetic Act.

"'(3) Any person engaged in the manufacture, preparation, propagation compounding, or processing of any drug not included in the Formulary which such person believes to possess the requisites to entitle such drug to be included in the Formulary pursuant to subsection (b), may petition for inclusion of such drug and, if such petition is denied by the Formulary Committee, shall, upon request therefor, showing reasonable grounds for a hearing, be afforded a hearing on the matter. The final decision of the Formulary Committee shall, if adverse to such person, be subject to judicial review in accordance with the procedures specified in section 505(h) of the Federal Food, Drug, and Cosmetic Act.

"'QUALIFIED DRUG

"'SEC. 1132. As used in this title, the term "qualified drug" means a drug—

"'(a) which (1) is listed in the Formulary, or (2) is furnished to a patient by a hospital which (A) is accredited by the Joint Commission on Accreditation of Hospitals or the American Osteopathic Association and (B) utilizes a formulary system established by a pharmacy and therapeutics committee (or equivalent committee) in accordance with standards established by such commission or association, or (3) is a prescription legend drug prescribed in the handwriting of a lawful prescriber by its established name together with the name of the manufacturer of the final dosage form thereof, and

"'(b) the label on the package or container from or in which such drug is dispensed in final dosage form bears, in accordance with regulations of the Secretary, the registration number (assigned under section 510(e) of the Federal Food, Drug, and Cosmetic Act) of the person or establishment which manufactured, prepared, propagated, compounded, or processed such drug in such form and, if different, also the registration number (so assigned) of the final packager of such drug.

"'REASONABLE ACQUISITION COST RANGE

"'SEC. 1133. (a)(1) The Secretary shall establish and publish (and periodically revise so as to keep current) a guide or guides showing the reasonable acquisition cost range (to establishments dispensing drugs) of each qualified drug listed in the Formulary and the names of the suppliers of the products upon which the cost range for a qualified drug is based. If the sources from which such a drug is available charge different prices therefor to different classes or types of dispensers, the Secretary may, in establishing the reasonable acquisition cost range for any drug, establish such a range for each class or type of dispenser of such drug.

"'(2)(A) The reasonable acquisition cost range of any particular drug shall not exceed the amount or amounts at which such drug is generally available for sale (to establishments dispensing drugs) in a given strength or dosage form by its established name or, if lower, by proprietary designation; and in any case in which a drug is so available and so sold by more than one supplier, the Secretary shall exclude, in determining such cost range, amounts (at which such drug is so available and so sold) which vary significantly from the amounts at which such drug is so available and sold by other suppliers thereof. If a particular drug in the Formulary is available from more than one supplier, and such drug as available by proprietary designation possesses distinct therapeutic advantages (as determined by the Formulary Committee), then the reasonable acquisition cost range of the drug bearing such proprietary designation shall be the price at which it is generally available to such establishments.

"'(3) In considering (for purposes of establishing a reasonable acquisition cost range for any drug) the various sources from which and the varying prices at which such drug is generally available, there shall not be taken into account the price of any drug which does not meet the conditions set forth in section 1132(b).

"'REASONABLE CHARGE FOR DRUGS

"'SEC. 1134. (a) For purposes of this part, the term "reasonable charge" means the following:

"'(1) When used with respect to a prescription legend drug, such term means the lesser of—

"'(A)(i) those charges for a qualified drug which do not exceed the actual or accounting basis cost to the dispenser of the drug dispensed and which, in the case of a drug described in section 1132(a) (1) or (2), are within the reasonable acquisition cost range established pursuant to section 1133, plus (i) a reasonable fee as determined pursuant to this section, or

"'(B) the usual or customary charge at which the dispenser sells or offers such drug to the public.

"'(2) When used with respect to a prescribed nonlegend drug, such term means those which do not exceed the usual or customary price at which the dispenser offers or sells the product to the general public, plus a reasonable billing allowance.

"'(b) The Secretary shall, after appropriate consultation with private organizations representing those who render pharmaceutical services and governmental agencies affected, establish criteria for determining the amounts of (1) the fee (which shall include but shall not be limited to costs of overhead, professional services, and a fair profit) and (2) reasonable billing allowances for prescribed nonlegend drugs dispensed.

"'(c) The Secretary shall, on a reimbursable basis or otherwise, enter into an agreement with any State which designates a public agency for the purpose of establishing reasonable fees for the dispensing of drugs in such State under which agreement such agency will (for purposes of this title) determine, in accordance with such criteria, and after appropriate consultation with organizations and agencies of the kinds referred to in subsection (b), reasonable fees or billing allowances for or in connection with the dispensing of drugs in such State.

"'(d) Whenever the Secretary determines that, in a particular State or other geographic area, the price at which a particular drug is generally available varies substantially from the price at which such drug is usually sold in other areas, he may make appropriate adjustments in the reasonable acquisition cost range for such drug with respect to such area.

"'(e) Nothing in this section shall be construed to prevent any supplier or dispenser of any drug from charging less than the reasonable acquisition cost or reasonable charge.

"'DEFINITIONS

"'SEC. 1135. For the purposes of this part—

"'(1) The term "drug" means a "drug" as defined in section 201 of the Federal Food, Drug, and Cosmetic Act (including those specified in section 351 of the Public Health Service Act).

"'(2) The term "established name" with respect to a drug means its "established name" as defined in section 502(e) of such Act.

"'(3) The term "prescription legend drug" means a drug described in section 503(b)(1)(A), (B), or (C) of such Act.

"'(4) The term "prescribed nonlegend drug" means a drug which is not a prescription legend drug but is dispensed upon prescription of a practitioner licensed by law to administer such drug.

"'LIMITATIONS ON FEDERAL LIABILITY FOR CHARGES OF PROVIDERS OF SERVICES

"'SEC. 1136. Any supplier of drugs whose services (including the cost of the drug supplied) are reimbursable under any title of this Act on the basis of "reasonable cost" shall not be entitled to a fee or billing allowance as determined pursuant to this part; nor shall such fee or billing allowance be payable under any such title with respect to any drug that can (as determined in accordance with regulations) be self-administered, is furnished as an incident to a physician's professional service, and is of a kind commonly furnished in physicians' offices and commonly either rendered without charge or included in the physicians' bills.'

"LIMITATIONS ON FEDERAL FINANCIAL LIABILITY UNDER MEDICAL INSURANCE AND ASSISTANCE PROGRAMS

"SEC. 602. (a) Effective with respect to expenditures made after June 30, 1970, section 1903 of the Social Security Act, as amended by this Act, is further amended by adding at the end thereof the following new subsection:

"'(g) Notwithstanding the preceding provisions of this section, in determining (for purposes of subsection (a)) the amounts expended as medical assistance by a State under its State plan approved under this title, there shall not be counted (1) so much of the cost of any drug as exceeds the reasonable charge for such drug as determined under section 1134, or (2) any part of the cost of such drug if such drug is not a qualified drug as determined under section 1132.'

"(b) With respect to services furnished after June 30, 1970, section 1861(v) of the Social Security Act is amended by adding at the end thereof the following new paragraph:

"'(5) Notwithstanding the preceding provisions of this subsection, if any services provided under this title include the furnishing of any drug or biological to an individual, there shall not be counted in determining the cost of such services—

"'(A) so much of the cost of such drug or biological as exceeds the reasonable charge therefor as determined under section 1134, or

"'(B) any part of the cost of such drug or biological if it is not a qualified drug as determined under section 1132.'

"ASSIGNMENT OF REGISTRATION NUMBERS TO DRUG PRODUCTS—USE OF SUCH NUMBER ON DRUG LABEL

"Assignment of registration numbers

"SEC. 603. (a) Section 510(e) of the Federal Food, Drug, and Cosmetic Act is amended to read as follows:

"'(e) The Secretary shall assign a registration number to every person or establishment, registered in accordance with this section, that manufactures, prepares, propagates, compounds, or processes a drug or drugs in final dosage form, or that (if different) is the final packager (as defined by regulation) of such drug or drugs in such form, and he may assign a registration number to any other person or establishment so registered.'

"Label disclosure of registration number—When required or prohibited

"(b) Such Act is further amended by inserting after section 510 and before section 511 the following new section:

"'PLACEMENT OF REGISTRATION NUMBER ON DRUG LABEL—WHEN REQUIRED OR PROHIBITED

"'SEC. 510A. (a) Except as otherwise provided in subsection (b)—

"'(1) every person who owns or operates an establishment, registered under section 510, in which is manufactured, prepared, propagated, compounded, or processed, in final dosage form, a drug or drugs intended for use by man, shall, in accordance with regulations, cause the registration number assigned to such person or establishment pursuant to subsection (e) of such section and the complete name of such person or establishment to be placed on the label of each package or container containing any such drug so manufactured, prepared, propagated, compounded, or processed, in such establishment, and

"'(2) unless the establishment referred to in paragraph (1) is also the final packager (as defined by regulation) of such drug or drugs in such form, the person who owns or operates the establishment which is such final packager shall cause to be placed on the label of each final package or container of such drug so packaged both the complete name and registration number (assigned pursuant to section 510(e)) of such person or final packaging establishment and the name and registration number referred to in paragraph (1).

"'(b) Any other person owning or operating an establishment having a registration number assigned pursuant to section 510

may, except as otherwise provided in subsection (c) or by regulation, place such registration number on packages of drugs of which it is a manufacturer, packer, or distributor.

"'*Prohibition against placing of registration number on packages of drugs made during period of law violation*

"'(c)(1) If the Secretary has, by order, determined that a drug that is intended for use by man and that is being manufactured, prepared, propagated, compounded, or processed by a person to whom, or in an establishment to which, a registration number has been assigned pursuant to section 510 (e), is not in conformity with applicable law, the registration number assigned to such person or to such establishment (as may be specified in such order) may not, after the Secretary has served notice of such order (or, if the order specifies a later effective date, then such date) and while such order is in effect, be placed, by anyone having notice of such order, on the label of any package of such drug manufactured, prepared, propagated, compounded, or processed by such person or in such establishment. The Secretary's order shall set forth the respects in which he has determined that such drug is not in conformity with applicable law.

"'(2) For the purposes of this subsection, a drug shall, with respect to any person or establishment referred to in an order pursuant to such paragraph, be deemed not to be in conformity with applicable law if such drug (A) is deemed to be adulterated or misbranded within the meaning of this Act, or (B) is a new drug with respect to which there is not in effect an approval of an application filed pursuant to section 505(b) of this Act or which is not in conformity with such approved application, or (C) is a drug with respect to which occurs an act or omission (attributable to such person or establishment or to any person in his employ or under his control) that is prohibited by section 301 (e), (f), (i), (o), (q), or (s) of this Act, or (D) is a product referred to in section 351 of the Public Health Service Act and (i) fails to meet a standard relating thereto prescribed pursuant to that section, or (ii) with respect to which there is not in effect a required license issued by the Secretary, or (iii) with respect to which there is a violation of subsection (b) or (c) of that section.

"'(3) Notice of the Secretary's order issued pursuant to paragraph (1) shall be served by telecommunication, or in the manner specified in section 505(g), upon the person registered under section 510 and referred to in such order, and thereupon such person and all other persons in such person's employ or under his control shall be deemed to have notice of such order for the purposes of this subsection.

"'(4) The Secretary shall terminate an order issued in accordance with paragraph (1) with respect to a drug when he is satisfied that the conditions or practices giving rise to such drug's not being in conformity with applicable law no longer obtain.

"'(5) Any person adversely affected by an order of the Secretary pursuant to paragraph (1) may, at any time while such order is in effect, file with the Secretary a petition to modify, revoke, or terminate such order. The Secretary, prior to making a final decision on such petition, shall afford to the petitioner, upon a showing of reasonable grounds therefor, a reasonable opportunity for a hearing on the matter. When in the judgment of the Secretary the public interest will not be jeopardized thereby he may stay the effectiveness of his order pending his final decision on such petition. The petitioner, if adversely affected by the final decision of the Secretary, may obtain judicial review thereof in accordance with the procedures specified in section 505(h).

"'(6) The Secretary may cause such inspections to be made of the establishments of persons registered as producers of drugs under section 510, and such samples of drugs to be obtained from such persons and establishments and analyzed, and in conjunction with the Formulary Committee (established by title XI of the Social Security Act) employ such other tests and procedures, as may be necessary to determine, on a current basis, whether any drug being manufactured, prepared, propagated, compounded, or processed by any such person or establishment for use by man is not in conformity with applicable law within the meaning of this subsection. In conducting such inspections (or any investigation or other proceeding related thereto) the Secretary may exercise any authority conferred upon him under this Act with respect to inspections and other procedures for the enforcement of section 510.'

"(c) Section 301 of such Act is amended by adding at the end thereof the following new paragraphs:

"'(r) The placing, or permitting to be placed, on the label of any package containing any drug a registration number in violation of section 510A(c).

"'(s)(1) The failure to place on the label of a drug package a registration number or other information required to be placed thereon by section 510A(a).

"'(2) The labeling of any drug in such manner as to indicate or imply, contrary to fact, that the label of any package of such drugs conforms to paragraph (1) or (2) (or both) of section 510A(a) (when read without regard to the exception preceding such paragraphs).'

"(d) Section 301 of such Act is further amended by inserting the following immediately before the period at the end of paragraph (i): 'or by section 510A'.

"(e) Section 503(a) of such Act is amended by inserting the following after 'labeling or packaging requirement of this Act': ', except any applicable requirement of section 510A(a),'."

On page 325 of the bill, insert "(including drugs)" after "assistance" in line 14, and insert "community pharmacy," after "agency," in line 15.

Mr. LONG of Louisiana. Mr. President——

The PRESIDING OFFICER. The Senator will suspend until order is restored. The Sergeant at Arms will clear all persons from the Chamber who do not have business here.

The Senator from Louisiana may proceed.

Mr. LONG of Louisiana. Mr. President, this amendment relates to drugs. It would save about $100 million a year in providing drugs under medicaid, under State plans. This is one amendment which would help offset the cost of some of the items added to the bill, which increase the total cost.

Basically, the way the amendment would save a great deal of money is that it would require, under State plans for medicaid, that drugs payments wherever possible be on a generic-name basis, and that those drugs must all be tested to assure adequate quality. That, may I say, might require stricter testing and inspection requirements than those presently employed, to assure that when people buy drugs, they will be safe to use and conform to established standards.

Hearings before the Nelson committee have shown that all sorts of drugs bought by the Government from major manufacturers, have not always been up to the standards that they should have. This amendment would require that such drugs be tested to make sure that they conform to desirable standards. Consequently, the drugs prescribed would be safer drugs, they would be of a better quality, and the Government would save about $100 million a year in buying them, because they would generally be purchased on a competitive basis, by the actual name of the product, rather than on a brand-name basis.

Let me just give some examples, Mr. President. Here are some drugs produced by some of the bigger companies—well known. These examples are typical, and not at all unusual, cases in which the drugs were complained of as not meeting spefications and not up to quality standards. That situation would be prevented by better testing, as provided for in my amendment.

For example, here is tetanus toxoid produced by the Lederle Laboratories; it had a bad patient reaction, and was not of the proper quality.

Diptheria typing serum, for anti-RHO, the same thing; improper results obtained.

Penicillin tablets, by Eli Lilly; unsatisfactory patient reaction.

Tuberculin purified protein derivative, by Parke, Davis; lack of activity.

Antigen Lymphogranuloma Venereum, by Squibb; positive-negative response.

Proparacaine hydrochloride, by Squibb; patient reaction.

Mr. President, Senators can come and look at the list. All of these various companies are listed as putting out drugs that do not meet with the required quality standards. Senators will recognize many of the names: Wyeth Laboratories, Winthrop Laboratories, Eli Lilly, Norwich Pharmaceutical, Abbott Laboratories—all of these major companies have been known to put out drugs and sell them to the Government which allegedly do not not provide the quality they are supposed to have. I can name others—Pfizer, Schering, Merck, Sharp & Dohme, Winthrop Laboratories, Warner Chilcott, and various other well-known companies—practically all the major companies—have put out, from time to time, drugs that were not of proper quality.

This amendment provides that when the drugs are manufactured, the registration number and the name of the company, are put on the package, and that number means the laboratory has been inspected and its products have been adequately tested, by whatever the appropriate method would be to guarantee proper quality; and that whenever the druggist puts that commodity up on the shelf to sell, it is of the quality it should be.

The amendment requires in the main, that products be described by generic name in the formulary but it provides further that if States wish to go along with a doctors who believes that in a particular case one company manufactures the only acceptable drugs, even though 50 others manufacture it, of a quality adequate to meet his needs, if he has perfect faith, for example, in Pfizer,

or perfect faith in Squibb, or perfect faith in Lederle; if he believes in them, or in Eli Lilly, as by all means the best manufacturer, if a State so provides in its plan, as some do, the doctor may simply write down, let us say, tetracycline, which is a generic name—the drugs come under different brand names, but that is the real name—if the doctor wants to write in, following the generic term, the name of his preferred manufacturers—Pfizer, Squibb, or Lilly—then the pharmacist, in filling the prescription, is required to furnish that particular product; and thus they can meet the doctor's argument that he may know more about one company's product than another's and therefore prefers it.

New York City has used procedure, and I am told that in only a small percentage of the cases do the doctors undertake to specify a particular brand of the same drug.

Here is a letter from the Department of Welfare of the City of New York, signed by Dr. Linda Mazzola, M.D., director of the division of medical care, saying that:

The department's generic prescribing policy has been very successful in limiting expenditures for drugs.

Kentucky has a similar plan. They are saving about $1,600,000 a year on drugs there.

Here is a letter from Dr. Russell E. Teague, M.D., commissioner of health for the State of Kentucky. He said that a study there indicates that:

Within a 12-month period, we will have saved the program $1,600,000, by the use of generic drugs.

Mr. President, the price variation is utterly fantastic. In many instances, we have the same company manufacturing the generic drug and the same product under a trade name, and selling it for about 10 times the price of its own generic name product.

Mr. President, I have had a chart placed in front of the Senate Chamber so that we can exhibit this enlarged Herblock cartoon.

Let me just give an example. Lilly and Squibb, for example, are two of the largest manufacturers of drugs by their generic names. As a matter of fact, 95 percent of the generic drugs are manufactured by the Pharmaceutical Manfacturers Association, according to their testimony. They all claim to be quality drug manufacturers. They manufacture products to sell by generic name and also by trade name.

There is one thing that these drug manufacturers have in common. They have always tried to see that the generic name, the real name of the product, is some unpronounceable mouth-filling word, sometimes more than filling one's mouth when it get tangled up in his wisdom tooth.

These companies arrange it so that the generic name is not as easy to pronounce or describe and it therefore makes it very easy to get doctors to use short, catchy brand names and to charge 10 times as much as they could charge for the same drug by the awkward generic name.

Within the last week, a cartoon by Herblock, has illustrated that situation extremely well.

We see in this cartoon the pharmaceutical companies injecting drugs into the doctors and patients. They are using a big hypodermic needle which says on it: "Promotion and propaganda."

Senators will note that the drug comes out of the same bottle, a bottle which is labled "High-price brand name: Researcho Puro—Generic name: Phonus balonus."

Mr. President, this drug comes out of the same bottle in the carton. So, if one gets the Researcho-Puro, he pays 10 times as much as he would if he were to receive the drug by the generic name.

If one is talking about a wonder drug, one of the finest of these drugs is Tetracycline. If we call that wonder drug by that name, it would be like calling the drug in the carton by the name of "phonus balonus." The drug is made by the same manufacturer on the same production line.

If one buys the drug under the name of Tetracycline, he pays one-tenth as much as if he were to buy it from the same manufacturer under the name of Achromycin. In that event, he would have to pay a lot more money for the same drug.

Achromycin, sold by its generic name, would cost $2.75. Sold by the trade name, it would cost $12.74.

Benadryl is a generic name of another drug. These are all wholesale prices provided to me by the people who sell these drugs, the American Pharmaceutical Association.

If one were to buy Benadryl by its generic name, it would cost $4.75. However, if one were to buy the same drug by its fancy name, it would cost $13.75.

Butisol sodium is a drug that helps people to sleep at night. It is a sleeping tablet. If one were to buy that drug by its generic name, it would cost $1.08. By the trade name, it would cost $18.45. Imagine that. It would cost almost 20 times as much.

Chlor-Trimeton is a very much used drug. By its generic name it costs $1.20; by the trade name it costs $19.50.

Some people take some of these drugs habitually. They take a great deal of them. For example, in connection with the drug Thyroid, people who have a thyroid deficiency take one of those tablets, several grains, two or three times a day every day for their entire lives.

If one were to by Thyroid by its generic name, it would cost $1.04, by trade name the cost is four time as much.

If we want to go along with all this hocus-pocus and have a fancy name put on the bottle, it is like the story I used to tell, a story told to me by my father about low poplarhirum and high poplarlorum.

If we want to buy a product by the official name of the product, there can be a saving of a fantastic amount of money.

Huge amounts of money have been spent propagandizing doctors. All sorts of evidence is avaiable. Evidence was presented before the committee so ably headed by the Senator from Wisconsin [Mr. NELSON], who is a sponsor of this amendment.

This evidence demonstrates that a fantastic amount of free samples are given away by drug companies. One doctor who is working at Vanderbilt University, and who is probably not even practicing—indicated that over a short period of time he received enough free samples and propaganda mailed to him by the drug companies, to fill three big shopping baskets.

I believe studies indicate that the drug companies spend about $4,000 per doctor to propagandize the doctors to the effect that drugs should be prescribed by the trade name rather than by their official names.

If one talks to the pharmacists about this, he will find that they are strongly in favor of the amendment. This would help the druggists because it provides that the druggists can sell drugs to welfare clients at their acquisition cost plus a professional fee.

Let us look at what might be a fair price range for a product. Suppose we had 40 brands of tetracycline. About 10 of them would seem to be priced within a reasonable range. Suppose that these 10 products were priced from $1 to $4. We might say that $4 is about as high as we ought to pay. So, we would allow $4 plus a professional fee of, let us say, $2. That would be a total of $6, compared to a wholesale price of as much as $18 for another brand of the same drug.

I am happy to report that the Comptroller General of the United States supports the amendment. The amendment is also supported and approved, in this modified form by the Department of Health, Education, and Welfare and I have been so informed by Under Secretary Cohen, who said that I can say that the Secretary also approves the amendment. The Department, I expect, will also ultimately receive the approtions necessary to implement this amendment.

Mr. LAUSCHE. Mr. President, I do not intend to challenge the statement made by the Senator from Louisiana. However, is the Senator in a position to give the argument of the pharmaceutical companies in answer to this charge concerning the extraordinary difference in the costs of buying under a generic name and under a straight brand or trade name? What answers do the companies give for that?

Mr. LONG of Louisiana. Mr. President, I believe it would be best if one who speaks for them were to make their argument.

As far as I am concerned, I have heard those arguments ad infinitum. I am not impressed by them.

A number of companies do try to suggest, for example, that some companies might not have adequate manufacturing resources, and that a doctor would know whether one product were better than another.

The companies make all sorts of arguments. Frankly, I gain the impression that most of these arguments are misleading. How would a doctor know whether Pfizer's tetracycline is better

than Squibb's tetracycline, if he had not tried both products on the same patient

Mr. LAUSCHE. Ever since this issue has been discussed in the Senate, I have been of the belief that we should do something about the shocking disparity between the price of a drug of the same quality, and the same ingredients, sold under the trade name as distinguished from its generic name.

Mr. LONG of Louisiana. I thank the Senator.

We are talking about drugs. This has nothing to do with a drug that is patented to a particular manufacturer, a drug that cannot be produced by others. In that case, we would pay whatever the manufacturer usually charges.

Mr. NELSON. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. NELSON. Mr. President, if the author of the amendment has no objection, I ask unanimous consent to have the name of the distinguished junior Senator from New York [Mr. KENNEDY] listed as a cosponsor at the next printing of the admendment.

Mr. LONG of Louisiana. I am happy to add the name of the Senator from New York.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that, if it has not already been done, the name of the Senator from New Mexico [Mr. MONTOYA] be listed as a cosponsor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. NELSON. Mr. President, if the Senator will yield a moment or two, I want to comment on a question raised by the distinguished Senator from Ohio.

I point out that the amendment of the Senator from Louisiana establishes a formulary committee. This is an old idea. It is not a new idea.

The city of New York, for example, has a formulary committee, and most major hospitals in America have formulary committees.

The formulary committee of a hospital or a city, or whatever organization it is, purchases for that institution or for those institutions.

The formulary committee is composed of distinguished practicing physicians, clinicians, pharmacologists, and pharmacists in the particular hospital if it is a hospital formulary committee. Then this hospital formulary committee decides what drugs they shall use, and they will include in almost every formulary brand-name drugs and generic drugs. As a consequence of the development of this formulary, they have drugs of high quality, and they are able to save large amounts of money. The monopoly subcommittee hearings on prescription drugs has had considerable testimony on this point. I shall not attempt to put it all in the RECORD, but I should like to submit one example. This is from a statement by Dr. Margaret M. McCarron, associate clinical professor of medicine, University of Southern California School of Medicine. She is assistant medical director and chairman of the therapeutic committee, Los Angeles General Hospital, Los Angeles Calif. I might say, as an aside, that this hospital has a formulary that is nationally recognized.

This is what Dr. McCarron said:

Because of recent advances in pharmacology, many potent therapeutic agents are available that require special knowledge for safe administration. The medical staff needed an authoritative guide to the selection of drugs, an understanding of their pharmacological properties, information regarding adverse effects and contraindications, and specific instructions regarding the policies and procedures for using these drugs at the Los Angeles County General Hospital.

Believing that the chance for error would be less if the entire staff became familiar with a limited number of medications, the therapeutics committee at the Los Angeles County General Hospital evaluated each of the 1,500 drugs in the pharmacy, and in consultation with the medical staff, selected 550 items to be included in the hospital formulary as "standard" hospital drugs.

Senator NELSON. These 550 made up your formulary; is that correct?

Dr. MCCARRON. Yes.

Senator NELSON. And the doctors are required to prescribe from the formulary?

Dr. MCCARRON. Yes.

Senator NELSON. Is your formulary all in generic terms?

Dr. MCCARRON. Yes. In our formulary the drugs are listed in alphabetical order by generic name.

With respect to the cost, she testified as follows:

The annual drug budget at the Los Angeles County General Hospital is approximately $2 million. This is based on maintaining an inventory of about 550 drugs. If we were not operating on a formulary system, the inventory would be multiplied many times on some items and the total inventory would probably be doubled.

For example, the 1967 edition of the "Physicians' Desk Reference" lists 108 different brands of antihistamines. The Los Angeles County General Hospital Drug Formulary lists eight. If we carried each brand according to the physician's preference, we would be unable to accurately gage consumption and would lose our advantage in competitive bidding.

We have recorded testimony, from New York City and elsewhere, by representatives of distinguished hospitals in the country that use a formulary. Each hospital has made substantial savings; and all drugs selected by the formulary committee are quality drugs, so that the doctors have confidence in prescribing them.

I am satisfied that this is a sound, sensible approach that will provide great economies.

Let me cite one example, on the retail level, of a recent development. I have a letter signed by John P. Kern, manager of prescription operations of Gray's Drug Stores, and another from the Peoples Drug Stores. A few months ago the Peoples drug chain and the Gray's drug chain, consisting of over 400 retail outlets, announced that they were going to maintain complete inventories of quality generic drugs. The advertisement of the Gray's Drug Stores contained this statement:

Gray's generic prescription prices are set on a flexible, "professional fee" basis, which enables us to offer best quality available at the lowest possible cost. Generally, a generic drug prescription will be about half the price or less than that of a prescription written for a brand name of the drug.

So that what Gray's Drug Stores and Peoples Drug Stores are now saying is that they will stock a supply of quality generic drugs upon which doctors can rely, and which, if used, will result in prescription prices being cut in half, compared with the trade name prices in those drug stores.

Now, if a formulary system can be used in the most advanced hospitals in America—and all the advanced hospitals use them—and can be used by the purchasing agents of the city of New York and other great cities, then a formulary system to save money can be used by the Government of the United States.

Mr. LONG of Louisiana. Mr. President, I have 8 minutes remaining.

I appreciate what the Senator from Wisconsin has said. I refer to a statement which was developed by the Nelson committee, I believe. It is a statement made by Dr. Burack who is a professor of pharmacology at Harvard University and a practicing physician. He said:

According to Dr. Goddard, as much as $800 million is spent per year on something more than 200,000 prescribing doctors.

This means that approximately $3,000 to $4,000 a year is spent on each doctor in an effort to influence his prescribing habits. If these companies can spend $800 million—$800 million—$4,000 per doctor, for the purpose of propagandizing doctors with the idea that achromycin is far better if bought by the trade name than by the official name of the drug—if they can afford to spend $800 million to propagandize something that is generally not true, that their product is better than the other fellow's—when it is all usually the same thing—this is an area where tremendous savings can be made. The public can have better quality because of improved inspection and testing, and the consumer will also have the benefit of reduced prices. This is an area in which great incidental savings also can be made.

Mr. President, I reserve the remainder of my time. I believe that the time in opposition should be assigned to another Senator, and I believe it would be appropriate that the Senator from Indiana be assigned the time in opposition.

Mr. MAGNUSON. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield for a question.

Mr. MAGNUSON. I should like to remind the Senator from Louisiana of my interest in this matter. It was vividly brought to my mind with the untimely death of Mrs. Kefauver. Senator Kefauver and I started a long time ago to do what the Senator is doing in the pending measure.

At that time, because the Committee on Commerce did not have the staff, we permitted Senator Kefauver to take the matter in the Committee on the Judiciary. We made a beginning in this field.

The subject is now in the proper committee because this situation hurts in the main the people on social security.

The latest figures from my State indicate that between 17 and 20 percent of the little money received by people on social security is spent for drugs. This is where it hurts.

The PRESIDING OFFICER. The Chair advises the Senator from Louisiana that, under the rules, the time in opposition should be under the control of the minority leader or someone designated by him, unless by unanimous consent the time is assigned to someone else.

Mr. CURTIS. Mr. President, I shall speak in opposition.

The PRESIDING OFFICER. The Senator can still use time, but the Chair wished to clear up that point.

Mr. LONG of Louisiana. I yield at this time to the distinguished Senator from Michigan.

Mr. HART. Mr. President, I am grateful that the distinguished Senator from Washington reminded all of the role that the late Senator Kefauver played in this field. The man from Tennessee made considerable progress over very heavy opposition.

Mr. President, I think the amendment pending here is a mild and restrained response to a most serious problem. I thing the time is close at hand when we will move far beyond this and again the initial driving force will have been Senator Kefauver.

I remember the fight that Senator Kefauver made in 1962. I was proud to be with him in the Judiciary subcommittee and all the way through. That effort resulted in putting the generic name in bold print on the package or material. However, that does not assure that the physician will prescribe generically.

There has been talk about unknown products, that generics are unsafe. In my book, that was semi-nonsense 8 years ago. In those early hearings, we had testimony from physicians who said the patient could not be protected if he prescribed generically. Yet in the same hearings 8 years ago there will be found testimony by the director of health of a major city in Connecticut, I believe, stating that that city required that in the case of a welfare patient, the patient be given a generically prescribed drug. I remember the position taken by a county medical society. I think it was in Texas. The physicians' society required that prescriptions given welfare cases be generic. Imagine: Not safe for me—unless I am a welfare case. This was before the 1962 Food and Drug amendments; before the additional inspection authority and control given the Food and Drug Administration in the 1962 amendments.

I think this was a charge overstated 8 years ago. It should be laid to rest now. This amendment, I hope, will be agreed to. It will do deserved credit not alone to Estes Kefauver, but also to those who have continued his good fight. The able chairman of the Finance Committee, Senator RUSSELL LONG, whose amendment it is, and the effective Senator from Wisconsin [Mr. NELSON], whose recent hearings continue to remind us of the needs of the people of this country to obtain safe drugs at reasonable cost.

Mr. CURTIS. Mr. President, I yield myself 5 minutes.

The PRESIDING OFFICER (Mr. SPONG in the chair). The Senator from Nebraska is recognized.

Mr. CURTIS. Mr. President, the other day the Senate rejected an amendment relating to drug control. The amendment before us is not identical, but it involves the same area. The amendment presented to us today is amendment No. 456, and it consists of 21 pages. I do not believe that a program of this magnitude could be instigated by agreeing to an amendment on the floor of the Senate as as an amendment to the social security bill. Many committees have spent a great deal of time on this subject. I am sure if those committees come to the conclusion that a particular program of drug control is necessary, they will report a bill together with a committee report for the consideration of the Senate.

Mr. President, make no mistake about it. We are asked at this time to place far-reaching controls on the drug industry as an amendment to the social security law, with 30 minutes of debate on each side.

Let us take a look at these 21 pages we are asked to buy. On page 2 there is established a Formulary Committee. On page 3 that Formulary Committee shall receive compensation, but not exceeding $100 per day.

> The Formulary Committee is authorized to engage such technical assistance as may be required to carry out its functions.

How big a bureau? They will decide that.

> The Secretary shall, in addition, make available to the Formulary Committee such secretarial, clerical, and other assistance as the Formulary Committee may require to carry out its functions.
>
> The Secretary shall furnish to the Formulary Committee such office space, materials, and equipment as may be necessary for the Formulary Committee to carry out its functions.

On page 4 it is stated that the Formulary Committee shall compile and make available a Formulary of the United States. In the amendment before us the other day it was brought out that the intention was to provide a copy of that to druggists, doctors, and beneficiaries of the medicare program. I do not know how many copies there will be; perhaps it may be 25 million. Here in 30 minutes we are asked to set up such a bureau, have them decide what medicines should go in there, and make it available. Also, we should make no mistake about it, this is price fixing.

On page 5 it is stated:

> A listing of the prices charged by the suppliers named in the formulary; and the guide or guides as to reasonable cost ranges issued pursuant to section 1133.

In the next paragraph it is stated:

> A prominent statement that payment from Federal funds is restricted to a reasonable acquisition cost range, plus fee, established by the Secretary.

If they ascertain the cost and add up B, is that not price fixing? Are we going to enlarge our Government to take on additional functions and pretend to save money?

Mr. President, on page 6 it is stated:

> (c) In considering whether (under the authority contained in subsection (b)) a particular drug shall be included in the Formulary, the Formulary Committee is authorized to obtain (upon request therefor) any record pertaining to the characteristics of such drug which is available to any other department, agency, or instrumentality of the Federal Government, and, as a condition of such inclusion, to require suppliers of drugs to make available to the Committee information (including information to obtained through testing) relating to such drug.

Mr. President, this matter calls for policing the drug industry. In speaking on this subject a few days ago I pointed out that I have no interest in the drug industry. No one that is near and dear to me has any connection whatever with that industry. However, since this issue has been battered around over a few years I have made it a point to make inquiry of individuals in whom I have the greatest confidence, who are knowledgeable in medicines, as to what is best for the patient. The reply I get is that the basic proposal forcing drugs to be handled by their generic terms, as contrasted to the trade name, is not in the interest of the patient.

Let us think about something that merely meets the requirement of contents and generic terms. That is like saying that every house that has the same number of bricks and the same amount of board feet of lumber in it is equal to every other house of the same amount of material. It is to say that every garment, whether it be a suit or dress, that has the same weight of materials and the same number of yards of material in it is equal as a finished product to every other suit or dress. We know that is not true.

The question of processing, of manufacturing, the question of testing at various points along the way, the question of additional ingredients in the way of filler, besides the generic contents, are all important. The skill and the care, the equipment and the packaging, and the age and reputation of the manufacturer are all part of the medicine.

The PRESIDING OFFICER. The time of the Senator from Nebraska has expired.

Mr. CURTIS. Mr. President, I yield myself 1 additional minute.

The PRESIDING OFFICER. The Senator from Nebraska is recognized for 1 additional minute.

Mr. CURTIS. Mr. President, I come to this conclusion, because the information that I obtain from knowledgeable individuals who are not financially interested at all, is that such regulation of the drug industry is not good for patients and it is not encouraging to the advance of medicine.

Frankly, I doubt very much whether we can set up all this Government control and in the end save any money.

Mr. President, I yield the floor.

Mr. HRUSKA. Mr. President, let me say, first of all, that I am very much in sympathy with the declared objectives of the sponsor of the pending amendment. After all, drug purchases should be managed effectively and wisely, without the sacrifice of quality or efficiency.

I speak, Mr. President, from a background of some 3 to 3½ years of legislative inquiry with the Antitrust and

Monopoly Subcommittee of the Committee on the Judiciary when it was headed by the late and highly esteemed Senator Estes Kefauver. The committee processed the Drug Reform Act of 1962.

We took 18 volumes of testimony, I believe in the hearings, on this situation in the drug industry. The formulary committee was one suggested approach among those which were considered. Mr. President, that approach was turned down after careful consideration. We turned out a good Drug Reform Act which was long overdue. The Antibiotics Act had passed in 1937, but it was 25 years old.

Many ideas were advanced in committee which were discarded because when we got into the problem, we found it was very complicated and complex. Proposed laws were attacked on the basis of legislative interference in scientific and professional efforts, judgment, discretion. Those things are not lightly undertaken. They certainly should not be undertaken now with only 30 minutes of debate to each side.

Throughout the antitrust hearings we went back to the basic proposition that America has the most spectacularly developed system of medicine and drugs in the world. Certainly, 7 or 8 years have passed since we had hearings on this in the Antitrust and Monopoly Subcommittee. Therefore, let us reexamine this situation, but let us do it right. The committee wisely decided to refer this matter to the Department of Health, Education, and Welfare and have it make a study. The Department is to issue a report by January 1969. Then let us have hearings upon the basis of that report to determine what, if anything, should be done.

Mr. President, I am not an expert in this field. It was only by my work on the Judiciary Committee and in the hearings that I have gained some background in this area. But, I have learned this: I have learned to treat with respect, and deliberate carefully over anything which is as complicated as this subject. It calls for Federal legislative interference in a highly scientific, professional, and technical field.

The PRESIDING OFFICER. The time of the Senator from Nebraska has expired.

Mr. HRUSKA. I yield myself one-half minute.

The PRESIDING OFFICER. The Senator from Nebraska is recognized for one-half minute.

Mr. HRUSKA. I would suggest that we follow the deliberate and advised judgment of the Committee on Finance. Let us await submission of the report and then act with intelligence and with some degree of assurance. Acting too quickly and without the necessary information would be ill advised. That kind of approach certainly must be avoided. Let us do this on an intelligent basis, on the basis suggested by the Senator from Indiana and adopted by the Finance Committee.

Mr. President, I yield the floor.

Mr. CURTIS. Mr. President, how much time remains to the opposition?

The PRESIDING OFFICER. The opposition has 16 minutes remaining.

Mr. BENNETT. Mr. President, will the Senator from Nebraska yield me 2 minutes?

Mr. CURTIS. I am happy to yield 2 minutes to the Senator from Utah.

The PRESIDING OFFICER. The Senator from Utah is recognized for 2 minutes.

Mr. BENNETT. Mr. President, I am concerned about the effect of this legislation on the ability of the drug industry to turn out new solutions to some of our existing problems which have to be met on the basis of drugs.

I realize that this pattern would place a terrific burden on some manufacturer who had developed a drug, and as soon as he has done his work, a group of chemists in his competitor's shop would tear it to pieces in a few weeks. Their interest would be in manufacturing that same product as cheaply as possible.

I have discovered, in my experience in business, in which a much less complicated product was sold, which involved chemical analysis, that there are ways of cheating on chemical analysis so that we get by the minimum, but in order to do that, we destroy or eliminate desirable and most important related physical characteristics. So that one product will stand analysis in the laboratory, but it will not stand up to the purpose for which it was manufactured.

We talk a lot about the leading drug manufacturers whose burden of research and development is very high and who assume the burden of educating doctors as to how to use the product their laboratories develop. But there is always the other fellow on the fringe who steps in at that point, when all the expensive work has been done, and tries to capitalize on the efforts of the successful developer.

The PRESIDING OFFICER. The time of the Senator from Utah has expired.

Mr. CURTIS. Mr. President, I yield 2 additional minutes to the Senator from Utah.

The PRESIDING OFFICER. The Senator from Utah is recognized for 2 additional minutes.

Mr. BENNETT. Their only interest is to turn out a product as cheaply as possible which will pass the minimum testing. I think that is a risk we run in this situation. Apparently, so does the Department of Health, Education, and Welfare, because it would not accept this concept and support it at the present time. It asks for more time to investigate the consequences of this approach. The Hartke amendment would give them only until January 1, 1969. I do not think that is time enough. I think they want more time because if we are undertaking to upset the whole pattern of drug development and distribution, we are doing it for a financial reason.

That, to us, becomes more important than the scientific and technical reasons which set our drug industry apart from those of the imitators, the copiers, and the fellows who try to figure out how cheaply they can make it and still get it by a committee on the basis of a bare chemical test.

My opinion is that the Hartke amendment, now part of the bill, provides the minimum opportunity to study this thing at the other end. I wish it had been longer but, under the circumstances, I hope that the Senate will preserve at least that privilege for the people of the United States and not drive into the proposal of the Senator from Louisiana.

The PRESIDING OFFICER. Who yields time?

Mr. CURTIS. Mr. President, how much time now remains?

The PRESIDING OFFICER. Twelve minutes remain.

Mr. CURTIS. Mr. President, I yield 5 minutes to the Senator from Indiana.

The PRESIDING OFFICER. The Senator from Indiana is recognized for 5 minutes.

Mr. HARTKE. Mr. President, personally, I am in favor of a bill for cheap drugs for the elderly. I hope that we go about it in a sensible and concrete way. We have a provision now for a new automobile. It has not been tested. This amendment was submitted yesterday. It was not before the Finance Committee. I have not been in the committee on which the distinguished Senator from Wisconsin has been holding hearings. He has not reported a bill, to my knowledge, and I am anxiously awaiting it. I probably would be in support of such a measure if it did what the Senator from Wisconsin has indicated it would do. But it is not before the Senate.

The measure before the Senate is one which attempts to do what the Senator from Wisconsin has been attempting to do while holding hearings, and he still is. This demonstrates how confusing and complex the situation is.

The problem before the Senate is whether or not we are going to take a step providing second-rate drugs for first-class citizens. That can be the effect of it.

I know much has been said today in behalf of a former distinguished Senator of the United States, Estes Kefauver, who, unfortunately, passed from us, and all of us share the deep sorrow of his family upon reading last night of the death of his widow. But the expert of that committee speaks as eloquently as any one can against this measure. The late Senator Kefauver's expert, Louis Lasagna, of Johns Hopkins University, wrote a letter under date of September 15, 1967, on this subject, addressed to the chairman of the committee, which I ask unanimous consent to have printed in the RECORD at this point.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

THE JOHNS HOPKINS UNIVERSITY,
SCHOOL OF MEDICINE,
Baltimore, Md., September 15, 1967.

Senator RUSSELL B. LONG,
Chairman, Finance Committee,
U.S. Senate Building, Washington, D.C.

DEAR SENATOR LONG: I should like the opportunity to comment on your Bill (S. 2299). For years I have been sympathetic to the notion of patients paying reasonable prices for drugs. I have also been unconvinced by the arguments of the pharmaceutical industry that generic drugs are often defective in

quality. It can thus be said that I am sympathetic to some of your interests and goals.

On the other hand, in recent years it has become increasingly apparent that the medical and scientific communities are in no position to speak from actual evidence on the problem of therapeutic equivalency of chemicals alleged to be identical. For example, research in our own group and in other groups has shown quite celarly that certain aspects of pharmaceutical formulation which even the larger industrial firms have taken for granted for years are not at all clear-cut, and may have exceedingly important implications in regard to the treatment of patients.

I suspect that if proper examination is made of this problem, we will find ourselves completely revising the requirements for adequacy of manufacturing techniques. The United States Pharmacopoeia standards are outdated, in my opinion, and the American public will not be protected in its search for effectively manufactured drugs until we revise these criteria. These considerations apply to large firms as well as small.

In view of the above, I think it premature to attempt to pass legislation along the lines of your Bill. The creation of a restrictive formulary is at best a difficult problem. In our own institutions, we are just beginning to do this, and find great problems to be overcome. Within our institution, however, it is at least possible to be flexible in regard to the application of the formulary and accommodate the requirements of patients and of doctors when these requirements are not met by the formulary. Such accommodation would be impossible at the national level, in view of the element of times and red tape involved.

While I am not an economist, I believe that attention should also be paid to the problems involved in assessing "fair price" for compounds that are thought to be identical in biologic impact, and also to the actual savings that may or may not be involved for the American public if regulations of the type envisaged were to be passed. I would not be surprised if it would be more expensive to audit every prescription than to pay it out as indicated.

Sincerely,

LOUIS LASAGNA, M.D.

Mr. HARTKE. The letter reads, in part:

I should like the opportunity to comment on your bill (S. 2299)—

Which is, for all intents and purposes, the same bill that is before us today—

For years I have been sympathetic to the notion of patients paying reasonable prices for drugs. I have also been unconvinced by the arguments of the pharmaceutical industry that generic drugs are often defective in quality. It can thus be said that I am sympathetic to some of your interests and goals.

On the other hand, in recent years it has become increasingly apparent that the medical and scientific communities are in no position to speak from actual evidence on the problem of therapeutic equivalency of chemicals alleged to be identical. For example, research in our own group and in other groups has shown quite clearly that certain aspects of pharmaceutical formulation which even the larger industrial firms have taken for granted for years are not at all clear-cut, and may have exceedingly important implications in regard to the treatment of patients.

* * * * *

While I am not an economist, I believe that attention should also be paid to the problems involved in assessing "fair price" for compounds that are thought to be identical in biologic impact, and also to the actual savings that may or may not be involved for the American public if regulations of the type envisaged were to be passed. I would not be surprised if it would be more expensive to audit every prescription than to pay it out as indicated.

Those are the words of the expert of the Kefauver committee.

Mr. NELSON. Mr. President, will the Senator yield?

Mr. HARTKE. If the Senator will get time from the other side. I have only a little time left.

Mr. LONG of Louisiana. Mr. President, I yield the Senator from Wisconsin 1 minute on the bill.

Mr. NELSON. Will the Senator explain why it is that we can have several formulary committees, such as in the city of Los Angeles and New York, and in dozens of distinguished hospitals in the State of Indiana, using generic and trade name drugs that are of high quality, but that a formulary committee of the Federal Government could not do the same thing?

Mr. HARTKE. I am in no position to say why. On page 397 of the hearings the formulary proposition is discussed. The Department says it is not prepared to answer that question. I am no expert. The Department of Health, Education, and Welfare has all the experts. They say they are not ready to answer.

The Secretary of Health, Education, and Welfare, Mr. Gardner, urged us very definitely on this. He said, in his own words, in making his report upon the question of the formulary and the entire study, that he would be extremely reluctant at this time to go ahead and ask for the consideration of a measure of this kind.

Dr. Goddard said he would be extremely reluctant to take any step in this direction prior to the task study and report.

I admire the Senator from Louisiana for his diligence and tenacity in fighting for his measure, because he is an extremely capable individual. I know the impression has been left that something is going to happen. Nothing is going to happen before July 1, 1970. In fact, the formulary committee would be established 12 months after the study required in the bill——

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. HARTKE. May I have 1 additional minute?

Mr. CURTIS. I yield 1 additional minute to the Senator from Indiana.

Mr. HARTKE. We should be patient and accept the proposition that men of good will are trying to provide low-cost drugs for elderly people, and not take this action on an emotional binge because of some idea that aspirin is aspirin. Very probably, everybody agrees on that. But this is not true of other drugs. The Senator speaks of the high price of drugs when he proposes the formulary committee. He may be right, but the Department of Health, Education, and Welfare says he is not right. I did not write the report. It would have the duty of evaluating every prescription drug used, numbering more than 5,000, and would have to exclude drugs it considers unnecessary, and the magnitude of the task should not be underestimated.

All I am saying is, for goodness' sake and for the sake of the elderly people, let us try a procedure which is tried and true. Let us have the Department which is going to administer the program propose a recommendation. Then we will have 18 months under the amendment of the Senator to accomplish what he wants to do.

The PRESIDING OFFICER. Who yields time?

Mr. LONG of Louisiana. Mr. President, how much time is left on both sides?

The PRESIDING OFFICER. The Senator from Louisiana has 1 minute remaining. The opposition has 6 minutes remaining.

Mr. LONG of Louisiana. I think the opposition should use some time.

The PRESIDING OFFICER. The opponents have 6 minutes; the proponents have 1 minute.

Mr. CURTIS. Mr. President, the proponents reserve the time.

The PRESIDING OFFICER. The Chair will observe that the Senator from Nebraska is not a proponent; he is an opponent.

Mr. LONG of Louisiana. Mr. President, I yield such time as I have left to the Senator from New Mexico [Mr. MONTOYA].

Mr. MONTOYA. Mr. President, it has been said that the Long amendment is similar to the Montoya amendment which was acted on the other day. It is not. The Montoya amendment was directed to prescription drugs for old-age recipients across the board. The Long amendment is directed only at prescription drugs which are designed for recipients of public assistance. There is a difference.

I might say that the American Pharmaceutical Association, in convention at Las Vegas, adopted the principle of the formulary and the formulary system applying to the Veterans' Administration and Government hospitals all across the expanse of this land. Eighty percent of the hospitals in America resort to the formulary system which the amendment would authorize in the bill before us.

I say it is about time that we woke up to our responsibility from the stupor that the drug industry has imposed upon us and enact the Long amendment, so we can save the taxpayers of this country and the States some money.

The PRESIDING OFFICER. Who yields time?

Mr. HARTKE. Mr. President, will the Senator yield to me?

Mr. CURTIS. I yield to the Senator from Indiana.

Mr. HARTKE. I would just like to say that this matter needs study. I have no desire to use additional time. If no Senator wishes to speak, I am prepared to yield back the time.

Mr. CURTIS. Mr. President, I yield back my time.

Mr. HARTKE. Mr. President, I want to make a motion to table.

The PRESIDING OFFICER. All time on the amendment has been yielded back.

Mr. HARTKE. Mr. President, I move to table the amendment, and I yield back my time.

Mr. LONG of Louisiana. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on the motion to table the amendment of the Senator from Louisiana. The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. WILLIAMS of New Jersey (when his name was called). Mr. President, on this vote vote I have a pair with the Senator from Florida [Mr. HOLLAND]. If he were present and voting, he would vote "yea." If I were at liberty to vote, I would vote "nay." Therefore, I withhold my vote.

The rollcall was concluded.

Mr. HOLLINGS (after having voted in the affirmative). Mr. President, on this vote I have a pair with the distinguished Senator from Minnesota [Mr. MONDALE]. If he were present and voting, he would vote "nay." If I were at liberty to vote, I would vote "yea." Therefore, I withdraw my vote.

Mr. MANSFIELD (after having voted in the negative). Mr. President, on this vote I have a pair with the distinguished minority leader, the Senator from Illinois [Mr. DIRKSEN]. If he were present and voting, he would vote "yea." If I were at liberty to vote, I would vote "nay." Therefore, I withdraw my vote.

Mr. BYRD of West Virginia. I announce that the Senator from Nevada [Mr. CANNON], the Senator from Arizona [Mr. HAYDEN], the Senator from Missouri [Mr. LONG], and the Senator from Alabama [Mr. SPARKMAN] are absent on official business.

I also announce that the Senator from Connecticut [Mr. DODD], the Senator from Florida [Mr. HOLLAND], the Senator from Wyoming [Mr. MCGEE], the Senator from Minnesota [Mr. MONDALE], and the Senator from Georgia [Mr. TALMADGE], are necessarily absent.

I further announce that, if present and voting, the Senator from Wyoming [Mr. MCGEE], would vote "nay."

Mr. KUCHEL. I announce that the Senator from Kansas [Mr. CARLSON], the Senator from Illinois [Mr. DIRKSEN], the Senator from Hawaii [Mr. FONG], the Senator from California [Mr. MURPHY], and the Senator from Pennsylvania [Mr. SCOTT] are necessarily absent.

The Senator from Kentucky [Mr. COOPER], the Senator from Wyoming [Mr. HANSEN], the Senator from South Dakota [Mr. MUNDT], and the Senator from Texas [Mr. TOWER] are absent on official business.

The Senator from Massachusetts [Mr. BROOKE] is detained on official business.

If present and voting, the Senator from California [Mr. MURPHY], the Senator from Pennsylvania [Mr. SCOTT] and the Senator from Texas [Mr. TOWER] would each vote "yea."

The pair of the Senator from Illinois [Mr. DIRKSEN] has been previously announced.

On this vote, the Senator from Kansas [Mr. CARLSON] is paired with the Senator from Massachusetts [Mr. BROOKE]. If present and voting, the Senator from Kansas would vote "yea" and the Senator from Massachusetts would vote "nay."

The result was announced—yeas 37, nays 41, as follows:

[No. 339 Leg.]

YEAS—37

Allott	Fannin	Miller
Baker	Griffin	Monroney
Bartlett	Harris	Morton
Bayh	Hartke	Pearson
Bennett	Hatfield	Percy
Bible	Hickenlooper	Prouty
Boggs	Hruska	Spong
Byrd, Va.	Jordan, N.C.	Stennis
Cotton	Jordan, Idaho	Thurmond
Curtis	Kuchel	Williams, Del.
Dominick	Lausche	Young, N. Dak.
Eastland	McCarthy	
Ervin	McClellan	

NAYS—41

Aiken	Inouye	Nelson
Anderson	Jackson	Pastore
Brewster	Javits	Pell
Burdick	Kennedy, Mass.	Proxmire
Byrd, W. Va.	Kennedy, N.Y.	Randolph
Case	Long, La.	Ribicoff
Church	Magnuson	Russell
Clark	McGovern	Smathers
Ellender	McIntyre	Smith
Fulbright	Metcalf	Symington
Gore	Montoya	Tydings
Gruening	Morse	Yarborough
Hart	Moss	Young, Ohio
Hill	Muskie	

NOT VOTING—22

Brooke	Hayden	Murphy
Cannon	Holland	Scott
Carlson	Hollings	Sparkman
Cooper	Long, Mo.	Talmadge
Dirksen	Mansfield	Tower
Dodd	McGee	Williams, N.J.
Fong	Mondale	
Hansen	Mundt	

So Mr. HARTKE's motion was rejected.

Mr. LONG of Louisiana. Mr. President, I ask for the yeas and nays on my amendment.

The yeas and nays were ordered.

The PRESIDING OFFICER. All time having expired, the question is on agreeing to the amendment of the Senator from Louisiana. On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. GORE. Mr. President, a point of order. There are more non-Senators in the Chamber than there are regular Senators.

The PRESIDING OFFICER. The point is well taken. The Sergeant at Arms is instructed to clear the floor of all unauthorized attachés on both sides of the aisle who do not have business relating to this amendment.

The Sergeant at Arms is instructed to ask the attachés not involved in the pending amendment to withdraw from the floor.

The rollcall will not be resumed until this is done.

Mr. YOUNG of Ohio. Mr. President, I ask that the Presiding Officer order all attachés who are standing to get out of the aisle and to leave the Chamber. They are not needed here by any Senators obviously. They are here because of curiosity.

The PRESIDING OFFICER. The Sergeant at Arms is instructed to clear the Chamber of all unauthorized personnel.

Mr. MANSFIELD. Mr. President, I suggest that both sides be cleared, even of some of the authorized personnel, or I will ask that the Senate go into recess until it is done.

The PRESIDING OFFICER. The point is well taken.

Mr. CURTIS. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. CURTIS. Is a rollcall in progress?

The PRESIDING OFFICER. A rollcall is in progress.

Mr. MANSFIELD. We cannot hear.

The PRESIDING OFFICER. The Chair rules that Senators are unable to hear the rollcall because of the noise. The Sergeant at Arms will clear the Chamber.

The clerk will resume the rollcall.

The assistant legislative clerk resumed the rollcall.

Mr. WILLIAMS of New Jersey (when his name was called). On this vote I have a pair with the senior Senator from Florida [Mr. Holland]. If he were present and voting, he would vote "nay." If I were permitted to vote, I would vote "yea." Therefore, I withhold my vote.

Mr. MANSFIELD (after having voted in the affirmative). On this vote I have a pair with the distinguished minority leader, the Senator from Illinois [Mr. DIRKSEN]. If he were present and voting, he would vote "nay." If I were permitted to vote, I would vote "yea." Therefore, I withdraw my vote.

The assistant legislative clerk resumed and concluded the call of the roll.

Mr. BYRD of West Virginia. I announce that the Senator from Nevada [Mr. CANNON], the Senator from Missouri [Mr. LONG], and the Senator from Alabama [Mr. SPARKMAN] are absent on official business.

I also announce that the Senator from Connecticut [Mr. DODD], the Senator from Florida [Mr. HOLLAND], the Senator from Wyoming [Mr. MCGEE], the Senator from Minnesota [Mr. MONDALE], and the Senator from Georgia [Mr. TALMADGE] are necessarily absent.

I further announce that if present and voting the Senator from Wyoming [Mr. MCGEE], and the Senator from Minnesota [Mr. MONDALE] would each vote "yea."

Mr. KUCHEL. I announce that the Senator from Kansas [Mr. CARLSON], the Senator from Illinois [Mr. DIRKSEN], the Senator from Hawaii [Mr. FONG], the Senator from California [Mr. MURPHY] and the Senator from Pennsylvania [Mr. SCOTT] are necessarily absent.

The Senator from Kentucky [Mr. COOPER], the Senator from Wyoming [Mr. HANSEN], the Senator from South Dakota [Mr. MUNDT], and the Senator from Texas [Mr. TOWER] are absent on official business.

The Senator from Massachusetts [Mr. BROOKE] is detained on official business.

If present and voting, the Senator from California [Mr. MURPHY], the Senator from Pennsylvania [Mr. SCOTT] and the Senator from Texas [Mr. TOWER] would each vote "nay."

The pair of the Senator from Illinois [Mr. DIRKSEN] has been previously announced.

On this vote, the Senator from Massachusetts [Mr. BROOKE] is paired with the Senator from Kansas [Mr. CARLSON]. If present and voting, the Senator from Massachusetts would vote "yea" and the Senator from Kansas would vote "nay."

The result was announced—yeas 43, nays 37, as follows:

[No. 340 Leg.]

YEAS—43

Aiken	Inouye	Nelson
Anderson	Jackson	Pastore
Bartlett	Javits	Pell
Brewster	Kennedy, Mass.	Proxmire
Burdick	Kennedy, N.Y.	Randolph
Byrd, W. Va.	Long, La.	Ribicoff
Case	Magnuson	Russell
Church	McCarthy	Smathers
Clark	McGovern	Smith
Fulbright	McIntyre	Symington
Gore	Metcalf	Tydings
Gruening	Montoya	Yarborough
Hart	Morse	Young, Ohio
Hayden	Moss	
Hill	Muskie	

NAYS—37

Allott	Fannin	Miller
Baker	Griffin	Monroney
Bayh	Harris	Morton
Bennett	Hartke	Pearson
Bible	Hatfield	Percy
Boggs	Hickenlooper	Prouty
Byrd, Va.	Hollings	Spong
Cotton	Hruska	Stennis
Curtis	Jordan, N.C.	Thurmond
Dominick	Jordan, Idaho	Williams, Del.
Eastland	Kuchel	Young, N. Dak.
Ellender	Lausche	
Ervin	McClellan	

NOT VOTING—20

Brooke	Hansen	Murphy
Cannon	Holland	Scott
Carlson	Long, Mo.	Sparkman
Cooper	Mansfield	Talmadge
Dirksen	McGee	Tower
Dodd	Mondale	Williams, N.J.
Fong	Mundt	

So the amendment of Mr. LONG of Louisiana was agreed to.

Mr. LONG of Louisiana. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. MONTOYA. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. KUCHEL. Mr. President, I yield 3 minutes of the time controlled by the minority, on the bill, to the distinguished Senator from New Hampshire.

Mr. COTTON. Mr. President, I should like to propound a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. COTTON. I should like to inquire under what rule or under whose jurisdiction the determination is made as to exhibits displayed on the floor of the Senate when the Senate is in session.

The PRESIDING OFFICER. There is no rule with respect to this matter. A Senator who wishes to display exhibits during the course of a presentation and debate on a bill generally takes up this matter with the Sergeant at Arms, to determine whether the space is available.

Mr. COTTON. Then, Mr. President, I should like to suggest, for the consideration of the Senate, that a rule might well be considered. I have no particular personal objections to the exhibit today, but in the well of the Senate there has been a caricature—a cartoon—which was taken away very quickly while I was propounding my parliamentary inquiry. I have never seen an exhibit of that nature in the well before. Another one is at the rear of the Chamber.

Mr. President, we have been accustomed to having charts, graphs, maps, and other material displayed. Such material is usually kept in the rear of the Senate Chamber. Sometimes it is brought down to the well to illustrate facts and alleged facts in arguments on various questions. It is often useful in our debates.

But, Mr. President, I think that it is something entirely different to bring to the well of the Senate a caricature—a mockery—of any group or any individual. I do not believe that any Senator is so weak that he would be prejudiced or affected by such a presentation. I doubt that any Senator would derive any aid from such exhibits in analyzing questions before him. However, as my mind goes back I can think of cartoons I have seen in newspapers that should hardly be brought in here if, say, we were debating a military appropriations bill. I think that there would be a good deal of protest if one of these cartoons showing a general in an ill-fitting uniform, carrying a sword, and representing jingoism, was, Mr. President, displayed in the well of the Senate, or even in the back of the Chamber.

Certainly there would be objection if, in connection with some question involving law and order or civil rights, an editorial cartoon of a rioter—colored or white—was displayed in the well of the Senate. And it would be a proper objection.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. COTTON. Mr. President, I ask unanimous consent that I may be permitted to proceed for 2 additional minutes.

Mr. KUCHEL. Mr. President, I yield 2 minutes to the Senator.

Mr. COTTON. Mr. President, I did not mention this matter during the debate because I did not want to delay the matter at the time we were discussing the amendment. However, in the well of the Chamber there was a cartoon or caricature which I assume represented a bloated drug industry perpetrating high prices on innocent victims.

I am not objecting in this instance, and I am not making an issue of it. But I want to emphasize, Mr. President, that this practice is not in keeping with the dignity of the Senate.

As I have said, such a practice will not affect Senators' votes. But these caricatures are seen from the galleries. They are part of the picture of the Senate the public received.

I would respectfully suggest that the Committee on Rules and Administration consider either suggesting a rule governing such displays, or the designating an officer of the Senate to exercise judgment in admitting them because I hope never again to see this type of caricature displayed on the floor of the Senate—in the well of the Senate Chamber.

Mr. LONG of Louisiana. Mr. President, I yield myself 1 minute on the bill.

The PRESIDING OFFICER. The Senator from Louisiana is recognized.

Mr. LONG of Louisiana. Mr. President, I have been in the Senate for 19 years now and I have never seen any Senator inhibited from holding up any chart he wants, any cartoon he wants, or displaying them in any way he wants in the Chamber. If there is any impropriety in what a Senator does, certainly any other Senator has the right to call him to order.

In some of the most historical debates I can remember here both sides have brought in charts to illustrate points they wished to make. I might mention that charts cannot be printed in the CONGRESSIONAL RECORD.

It has never occurred to me that anyone would object to someone bringing in a cartoon illustrating his argument, even though it is humorous. I have never found anything vicious about the cartoons.

Mr. President, the cartoon I had in mind I requested to have made and it showed a bottle of drugs with two different names on it, which all came out of the same bottle, to illustrate the point I had in mind. It never occurred to me that it would offend the sensibilities of anybody.

From time to time I have seen Senators become quite critical of one another.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. LONG of Louisiana. Mr. President, I yield myself 1 additional minute.

The PRESIDING OFFICER. The Senator from Louisiana is recognized.

Mr. LONG of Louisiana. Mr. President, there was not a Senator in the cartoon. It was a cartoon which I saw, and I found it amusing and I asked that it be reproduced. I liked it and I thought it was amusing.

Mr. COTTON. Mr. President, I had no idea of reflecting on the distinguished Senator from Louisiana in any manner whatsoever. I am sure that his motives and his purposes were without question. I assure him that I am not saying this with any cheek, prejudice, or anger. But I do think that any representation, caricature, or cartoon that reflects on any citizen, or any group of citizens, or on any legitimate business in this country, is—to put it mildly—somewhat out of place when exhibited on the floor of the Senate. That is only my opinion.

All I am suggesting is that the matter should be considered by an appropriate committee and that perhaps some rule should be laid down.

I repeat to my friend, the Senator from Louisiana, that we seem to be fated to disagree on some issues, but no personal reflection on him is intended.

Mr. LONG of Louisiana. Mr. President, I yield myself 1 minute.

I would be happy to have the committee consider any rule that it would like to consider. I will abide by it if the Committee on Rules and Administration sees fit and imposes a new rule. We will abide by it.

It has been my experience in the Committee on Finance, especially in connection with tariff matters, that if one wishes to discuss a change of classification, or something of that nature, if Senators were shown something, I have found out that they are much better satisfied and know better what they are doing when they vote on these things. I am a great believer in charts and visual evidence to illustrate a particular point.

Mr. GORE. Mr. President, will the Senator yield? I wish to refer to another matter.

Mr. LONG of Louisiana. I yield 1 minute to the Senator from Tennessee.

Mr. GORE. Mr. President, three times today Senators have felt it necessary to make a point of order that unauthorized people were on the floor of the Senate, and twice that was done by the distinguished majority leader.

I call the attention of the Senate to the fact that to improve decorum and to improve the ability of Senators to hear the debate, the Chair had to insist that perhaps 100 people standing around the Chamber, who were not intending to be impolite, but who were whispering together and talking and giving aid, must leave the Chamber.

I hope the leadership on both sides of the aisle will in the caucuses of their respective parties beginning next year take up this matter, not only to facilitate their removal, but to prevent their entrance into the Chamber unless they are authorized and must be here.

Mr. LONG of Louisiana. I thank the Senator. In line with that suggestion I wish to point out that the technical staff is needed to provide details and facts on the bill, such as this bill, and we have to have consent to have them here so that they would be permitted to be here. I understand the Senator's view. He does not want a lot of assistants who are mere spectators in the Chamber, crowding up the Chamber when it is time to vote.

I had the misfortune, when the Chamber was cleared, to have need of a letter which was in the possession of one of the technical assistants. The letter was from the Secretary of the Department of Health, Education, and Welfare, and in it he had approved of the amendment that we agreed to. I could not find the letter because the staff assistant had it and he had been cleared from the Chamber.

Mr. President, I would like to ask that immediately after the vote there be printed in the RECORD this letter, which is dated November 20, 1967, signed by Mr. Gardner, the Secretary of Health, Education, and Welfare, in which it is stated that the Department approved of the proposal.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

THE SECRETARY OF HEALTH,
EDUCATION, AND WELFARE,
Washington, November 20, 1967.

Hon. RUSSELL B. LONG,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: This is in response to your request for our views on your proposed amendment to H.R. 12080 relating to drugs which would provide for the establishment in the Department of Health, Education, and Welfare of a Drug Formulary Committee, the development of a drug formulary, the establishment of acquisition costs and professional fees for drugs, anad the improvement of drug quality controls.

The Finanace Committee added to the House bill a provision requiring a study and report to the Congress by January 1, 1969, of the above issues plus the question of the coverage of drugs under Title XVIII of the Social Security Act. The Department of Health, Education, and Welfare has such a study now under way, and supports the purposes of this Committee Amendment.

The drug proposal which you have prepared would have an effective date of July 1, 1970, 18 months after completion of the study required by the Committee provision. While we agree in principle with the objectives of this proposal, and while the amendment incorporates all the technical suggestions we have made, we do not believe that we have enough information at this time upon which to make satisfactory judgements about many of the aspects of its administrative feasibility, the costs involved or its effects on the several professional groups involved.

The successful implementation of the proposal could only be achieved by adequate staffing of the Food and Drug Administration and the Formulary Committee. Adequate appropriations by the Congress would be essential. Moreover, the full cooperation of the various professional groups would be essential.

Recognizing these problems we would not object to the inclusion of the proposal in the Senate version of the bill with the delayed effective date proposed, with the understanding that further amendments may prove to be desirable in Conference and the report of the study may well require changes in your proposal before the provisions become effective.

Sincerely,

J. W. GARDNER,
Secretary.

Mr. KUCHEL. Mr. President, I yield myself 1 minute from the time controlled by the minority for two purposes.

The PRESIDING OFFICER. The Senator from California is recognized.

Mr. KUCHEL. Mr. President, first I make the following unanimous consent request on behalf of the Senator from Massachusetts [Mr. BROOKE].

Early last week the Senator from Massachusetts [Mr. BROOKE] asked and received consent to have the name of the distinguished senior Senator from New York [Mr. JAVITS] listed as a cosponsor of Senate Joint Resolution 120, to create a special Commission on Trade and Tariffs.

I now ask unanimous consent that that order be vacated.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KUCHEL. Mr. President, for the remainder of the time available to me, while the Senator from Vermont is in the Chamber, and the manager of the bill, the leader, and others, I would ask them and other Senators to consider agreeing to a one-half hour time limitation.

UNANIMOUS-CONSENT AGREEMENT

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that debate on further amendments be limited to one-half hour, with the time to be equally divided, 15 minutes to each side.

Mr. PROUTY. Mr. President, reserving the right to object—and I shall object—I wish to assure the distinguished Senator from Louisiana that I do not intend to take very much time, but I just wish to reserve that right.

Mr. LONG of Louisiana. Would the Senator let us make this agreement and I will yield him time on the bill—as much as he will need. I think that we will be able to work this out satisfactory.

Mr. KUCHEL. So will the acting minority leader be glad to yield time to the Senator from Vermont on the bill.

Mr. LONG of Louisiana. With that understanding made, I renew the request that debate on further amendments be limited to one-half hour, with 15 minutes on each side.

Mr. KUCHEL. Rule, Mr. President.

The PRESIDING OFFICER. Is it the intent of the Senator from Louisiana to abandon the previous ruling wherein the Senator from Delaware [Mr. WILLIAMS] would be given 2 hours on his amendment?

Mr. LONG of Louisiana. I believe that the Senator from Delaware offered the amendment he had in mind.

Mr. KUCHEL. Mr. President, I should like the RECORD to show that I cleared this with the distinguished Senator from Delaware earlier; but so that there will be no misunderstanding, I would be glad to have the unanimous-consent request now before the Senate include an exception in the case of the Senator from Delaware.

The PRESIDING OFFICER. Is there objection?

Mr. MAGNUSON. I wonder whether the Senator from Louisiana or the Senator from California would allow me 3 minutes on the bill, in order to ask a question.

Mr. KUCHEL. I would be honored to do that for the Senator from Washington.

Mr. LONG of Louisiana. Let us get this agreement first.

Mr. KUCHEL. Yes; of course.

The PRESIDING OFFICER. Is there objection to the unanimous-consent request of the Senator from Louisiana?

The Chair hears none, and it is so ordered.

Mr. KUCHEL. Mr. President, the acting minority leader is glad to yield to the Senator from Washington for 3 minutes.

The PRESIDING OFFICER. The Senator from Washington is recognized for 3 minutes.

Mr. MAGNUSON. I appreciate that very much.

I should like to ask the Senator from Louisiana, or any other committee members now in the Chamber, to refer to page 30 of the report, dealing with a committee amendment which clarifies the status of truck loaders and unloaders.

The PRESIDING OFFICER. The Senator from Washington will suspend. The Senate will please come to order.

The Senator from Washington may proceed.

Mr. MAGNUSON. It deals also with certain commercial fishermen by fixing rules under which the truck or the owners of a vessel will be treated as their employer for employment tax purposes. It also provides rules for treating other persons, and so forth.

Could someone clarify this amendment? I am speaking only about fishermen now. Just what does that mean?

Mr. LONG of Louisiana. The question as to whether fishermen are employees or independent contractors for social se-

curity tax purposes is in dispute. The committee seeks to resolve it by holding that fishermen are to be classified as employees. This means that generally the boatowner will be classified as the employer and pay half of the tax and as a result that the fishermen will have less social security tax to pay. If a fisherman were treated as self-employed, he would pay 6.4 percent. Under the bill, as an employee, he is to pay 4.4 percent, and this is to be matched by 4.4 percent paid by the person classified as the employer. From the employee's standpoint if he is treated as self-employed, his tax would be higher.

Mr. MAGNUSON. Approximately 6 percent?

Mr. LONG of Louisiana. Yes; 6.4 percent.

Mr. MAGNUSON. The problem that arises with many of us who supply the fishermen all over is that many of them go out under a share basis. They are all, therefore, jointly involved. They get a certain percentage of the catch. Who would be considered an employer and the employee in that case?

Mr. LONG of Louisiana. The boatowner is to be considered the employer in most cases; that is, unless he does not share in the catch and the person leasing the boat does. In this latter case the leasee is to be considered the employer. Generally, however, the boatowner is to be the employer.

Mr. MAGNUSON. Even on a share basis?

Mr. LONG of Louisiana. Yes.

Mr. MAGNUSON. I cannot find any testimony on it. What was the reason for the amendment?

Mr. LONG of Louisiana. The Treasury asked for it in both the House and Senate. It wanted to clear up the matter. If the Senator does not agree with this, and has some change to suggest, I hope he will let me know about it.

Mr. MAGNUSON. I am trying to clarify this only, because as the Senator from Louisiana knows——

Mr. LONG of Louisiana. The House does not have anything about this in its bill.

Mr. MAGNUSON. The Senator from Louisiana probably knows that there have been several court cases in this matter, some of them coming out of Louisiana.

Mr. LONG of Louisiana. Yes and some in Texas, Florida, and Oklahoma.

Mr. MAGNUSON. One circuit court ruled one way, that they were not employees, and I believe it was the fifth circuit—was it?

Mr. LONG of Louisiana. The fifth circuit, yes.

Mr. MAGNUSON. The fifth circuit said they were to be treated as shareholders, as individual employers. We know that the purpose of the amendment now is to treat fishermen as employees for employment tax purposes; is that not correct?

Mr. LONG of Louisiana. That is correct—for social security and income tax withholding purposes.

Mr. MAGNUSON. And the owners of the boat, whether it be the skipper or the company, would then be considered the employer and both would contribute to social security.

Mr. LONG of Louisiana. Generally, that is correct. We think this treatment would be better for the employee. However, if the Senator after studying this question has something new to offer on it, if he will advise me, we will discuss it in conference.

Mr. MAGNUSON. I appreciate that very much. This came up most unexpectedly. It was difficult to understand it, in view of the court cases. It is a problem that we have had in this field for some time.

Mr. JACKSON. Mr. President, will the Senator from Louisiana yield me 1 minute?

Mr. LONG of Louisiana. I yield 1 minute to the Senator from Washington.

The PRESIDING OFFICER. The Senator from Washington is recognized for 1 minute.

Mr. JACKSON. Following up the colloquy with my able senior colleague, I take it that where the skipper operates his own vessel, and he is alone, of course, he is treated as self-employed, like anyone else, and he would pay the full tax; but if he brings in someone, even on a share basis, then the one who is brought in, or more than one, would become employees of the skipper or the owner of the ship; is that not correct?

Mr. LONG of Louisiana. That is correct. That would be it, yes.

Mr. MAGNUSON. I thank the Senator from Louisiana very much.

Mr. JACKSON. I thank the Senator from Louisiana.

Mr. RIBICOFF. Mr. President, I send to the desk an amendment and I ask that it be stated.

The PRESIDING OFFICER. The clerk will state the amendment.

The LEGISLATIVE CLERK. On page 399, line 1, section 306 is renumbered section 307 and a new section 306 is inserted prior thereto as follows:

SEC. 306. Section 231(d) of the Social Security Amendments of 1965 (P.L. 89-97) is amended by striking out the word "two" and inserting in lieu thereof "three".

Mr. RIBICOFF. Mr. President, the Social Security Amendments of 1965 established a Joint Commission on Mental Health of Children. The Commission was established with the expectation that it would submit a report which would capture the imagination and support of a concerned public—that would come up with comprehensive and solid recommendations for a national attack on this serious problem area, as did the earlier report of the Joint Commission on Mental Illness and Health.

Dr. Reginald S. Lourie, President of the Joint Commission, reports that extremely valuable data is now beginning to come in. Outstanding groups and specialists have been obtained to comprise the task forces. However, initial staffing problems and organizational difficulties beyond the control of the Commission got them off to a slow start. The Commission does expect to submit a report and basic recommendations on June 30, 1968, in accordance with its legislative mandate. However, in view of the work now being done, this should be considered an interim report and the final date for the Commission's final report should be extended by 1 year to June 30, 1969.

This 1-year extension would allow at least 6 more months beyond the present limit for the data-collection phase of the Commission's work. It would then have time for the careful study and evaluation study of the data and the formulation of recommendations and consultation with a broad range of experienced persons. Finally, the extension would allow the time needed for the editorial preparation of the final report.

It is my hope that the committee would support the objectives of this amendment and that the chairman would be willing to take it to conference.

Mr. LONG of Louisiana. Mr. President, I yield myself 1 minute.

The PRESIDING OFFICER. The Senator from Louisiana is recognized for 1 minute.

Mr. LONG of Louisiana. I know of no objection to the amendment, and I would be very happy to take it to conference.

Mr. President, I yield back the remainder of my time.

Mr. RIBICOFF. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. All time has now been yielded back on the amendment. The question is on agreeing to the amendment of the Senator from Connecticut.

The amendment was agreed to.

Mr. RIBICOFF. Mr. President, I send to the desk another amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. On page 162, lines 19 through 22, strike out the comma following "them" and all that follows through line 22, and insert in lieu thereof a period.

On page 163, line 7, insert after "respect to", "(A) the detection of eye diseases or (B)".

On page 163, line 8 insert after "1861 (r)(1))" a comma.

On page 163, lines 9 and 10, strike out "diagnosis or".

Mr. RIBICOFF. Mr. President, this amendment clarifies an amendment pertaining to optometrists which I offered in committee and which was adopted by the committee. The amendment, drafted and supported by the Department of Health, Education, and Welfare, clarifies the existing language in the bill to reflect the fact that optometrists do not treat eye diseases and that the detection of eye diseases is not a covered service under medicare.

Mr. President, since this clarifying amendment has the support of both the Department and the optometrists. I hope the distinguished chairman of the committee would see fit to accept the amendment.

Mr. LONG of Louisiana. As I understand it, the amendment would be in conference.

Mr. RIBICOFF. The amendment would be in conference; that is correct.

Mr. LONG of Louisiana. With that understanding, I would agree to the amendment.

Mr. RIBICOFF. Mr. President, I yield back my time.

Mr. LONG of Louisiana. I yield back my time.

The PRESIDING OFFICER. The question is on the amendment of the Senator from Connecticut.

The amendment was agreed to.

Mr. RIBICOFF. Mr. President, I send to the desk an amendment, and ask that it be stated. It is being offered on behalf of the Senator from New York [Mr. KENNEDY] and myself.

The PRESIDING OFFICER. The amendment will be stated by the clerk.

The legislative clerk proceeded to read the amendment.

Mr. RIBICOFF. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At an appropriate place, insert the following:

"UTILIZATION OF CARE AND SERVICES FURNISHED UNDER TITLE XIX

"SEC. 234d. Effective April 1, 1968, section 1902(a) of the Social Security Act (as amended by the preceding sections of this Act) is further amended by—

"(a) striking out the period at the end and inserting in lieu thereof the following '; and'; and

"(b) inserting after paragraph (28) (added to the Social Security Act by section 234c of this Act) the following paragraph:

"'(29) provide such methods and procedures relating to the utilization of, and the payment for, care and services available under the plan as may be necessary to safeguard against unnecessary utilization of such care and services'."

Mr. RIBICOFF. Mr. President, the amendment provides that effective April 1, 1968, the medicaid program in title XIX of the Social Security Act will require States to establish methods and procedures relating to the utilization of medical services and to safeguard against unnecessary utilization.

This amendment is designed to assure that unnecessary services are eliminated.

There have been a number of allegations that unnecessary services are being provided and that some charges have been made which are exorbitant. The amendment I have proposed will give the States the explicit responsibility of instituting the necessary methods and procedures to prevent these undesirable practices. Among the steps which they could take would be periodic review of utilization and charges of specific providers of service, in comparison with other providers, establishment of State and local committees to review experience and practices, provision for appeal by interested persons of any alleged unnecessary services to special committees, public reports on experience, and establishment of special professional and consumer committees.

I have discussed this amendment with the manager of the bill, the distinguished chairman of the committee. It was something that was discussed in committee. I would hope that the distinguished Senator from Louisiana would accept the amendment.

Mr. LONG of Louisiana. Mr. President, the amendment amends an amendment which the junior Senator from Louisiana offered to the bill and which the committee agreed to. It is to make sure there will be no abuse of the direct billing procedure under the bill. It applies to a great many people in Louisiana. I do not think this amendment interferes with the purpose of that amendment, and I am therefore willing to accept the amendment.

I yield back my time on the amendment.

Mr. RIBICOFF. I yield back my time on the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Connecticut.

The amendment was agreed to.

AMENDMENT NO. 428

Mr. NELSON. Mr. President, I call up my amendment No. 428.

The PRESIDING OFFICER. The clerk will state the amendment.

Mr. NELSON. I ask unanimous consent that the reading of the amendment be dispensed with. I will make a brief explanation of it.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment (No. 428) is as follows:

On page 38, immediately after line 25, insert the following:

"CHILD OVER AGE 18 CONSIDERED TO BE IN CARE OF MOTHER IF CHILD IS FULL-TIME STUDENT IN ELEMENTARY OR SECONDARY SCHOOL

"SEC. 111. (a) Section 202(s)(1) of the Social Security Act is amended by inserting immediately before the period the following: ', or unless such child is a full-time student (for purposes of subsection (d)) in an elementary or secondary school'.

"(b) The amendment made by subsection (a) shall be applicable with respect to monthly insurance benefits under title II of the Social Security Act beginning with the second month following the month in which this Act is enacted; but in the case of an individual who was not entitled to a monthly insurance benefit under section 202 of such Act for the first month following the month in which this Act is enacted, only on the basis of an application filed in or after the month in which this Act is enacted."

Mr. NELSON. Mr. President, this amendment would correct a long overlooked inequity in the social security laws, and I urge its adoption.

It would provide for the continuation of a widow's benefits if her child were a full-time student in a secondary school.

Presently, the surviving wife of a deceased worker is entitled to receive a mother's benefit, provided she has in her care a child of the deceased worker who is under age 18 or who was disabled before reaching that age. The mother's payment is equal to 75 percent of the deceased worker's full rate of social security benefit. This benefit terminates when the mother becomes entitled to widow's insurance benefits at age 60, or when the deceased worker's child attains age 18, unless, of course, the child is disabled.

It may occur that a child who is in high school and reaches age 18 before he completes his high school education may very well have to leave school in order to support his mother whose benefits cease on his 18th birthday. Thus, the child is unable to complete his education, particularly where the mother cannot find any suitable work to provide for her son and herself with the necessities of life.

This amendment would eliminate this inequity and remove the penalty presently imposed upon a mother and her son or daughter who wishes to complete his or her education, but finds it financially impossible to do so. This amendment would permit the mother to continue to receive the social security benefit after her child reaches age 18, provided that her son or daughter is a full-time student in high school.

I urge that the Senate accept this amendment.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. NELSON. I yield.

Mr. CURTIS. I can understand the equities of the Senator's amendment. I would like to ask a question, at least for legislative history. Suppose someone continues high school indefinitely. Is it the intention of the Senator to perpetuate these benefits?

Mr. NELSON. The Senator makes a good point. It is not the intention of my amendment to continue benefits indefinitely. Under present law there is an automatic cutoff at age 22, anyway. The student has to be in high schoool. Some students finish high school at 16, some at 17, some at 18, some at 19, some at 19½. The purpose of the amendment is to assure that the widow will receive benefits that a widow is entitled to so long as the child continues in high school.

Mr. CURTIS. Is it the Senator's intention that the child must be in high school for the purpose of continuing the regular course, making progress toward graduation?

Mr. NELSON. That is correct. He has to be a full-time student in high school.

Mr. LONG of Louisiana. Mr. President, assuming that the amendment goes no further than the Senator has described, I think it would be meritorious. If it goes beyond that, we can place protective language in it in conference. Therefore, I shall not oppose the amendment. I think it has merit. I am willing to take it to conference.

I yield back my time.

Mr. NELSON. I yield back my time.

The PRESIDING OFFICER. All time on the amendment has been yielded back.

The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. KENNEDY of New York. Mr. President, I send to the desk and call up for consideration a package of amendments which I discussed this morning with the Senator from Louisiana [Mr. LONG] and, during the course of the day, with the staff of the Senator from Louisiana. I ask unanimous consent that the amendments be considered en bloc.

The PRESIDING OFFICER. Without objection, the amendments will be considered en bloc. The clerk will state the amendments.

Mr. KENNEDY of New York. Mr. President, I ask unanimous consent to waive the reading of the amendments.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendments are as follows:

On page 239, strike out line 15 and insert the following:

"plan; and

except that, in the case of a dependent child who has been deprived of parental support or care by reason of the continued absence from the home of a parent and such parent is making contributions pursuant to an order of a court of competent jurisdiction, to such child, a relative (specified in section 406(a)(1)), or any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, the State agency shall, in disregarding earned income under subparagraph (A), consider—

"(E) (for purposes of clause (ii) of such subparagraph (A)) such contributions for any month as earned income with respect to such month (but not for purposes of subparagraph (C)); and

"(F) (for purposes of clause (i) of such subparagraph (A)) the first $50 of such contributions for any month plus one-half of the remainder of such contribution for such month as earned income with respect to such month;".

On page 350, insert between lines 2 and 3 the following:

"DIFFERENCES IN STANDARDS WITH RESPECT TO INCOME ELIGIBILITY UNDER TITLE XIX

"SEC. 234d. Effective July 1, 1969, section 1902(a)(17) of the Social Security Act is amended by—

"(a) striking out '(17)' and inserting in lieu thereof '(17(A)';

"(b) redesignating clauses (A), (B), (C), and (D) as clauses (i), (ii), (iii), and (iv), respectively;

"(c) striking out '; and provide' and inserting in lieu thereof ', and (B) provide';

"(d) striking out 'income by' and inserting in lieu thereof 'income (i) by'; and

"(e) adding at the end thereof before the semicolon the following: ', and (ii) by establishing, in accordance with standards prescribed by the Secretary, differences in income levels (but only in the case of applicants or recipients of assistance under the plan who are not receiving aid or assistance under the State's plan approved under title I, X, XIV, or XVI, or part A of title IV) which take into account the variations in shelter costs as between such costs in urban areas and such costs in rural areas'."

On page 275, on lines 16 through 18, strike out "and whose presence in the home is necessary and in the best interest of such children, or" and insert in lieu thereof ", or".

On page 225, line 19, insert immediately after "individual" the following: ", in order to assist such relative, child, and individual to attain or retain capability for self-support and care and in order to maintain and strengthen family life and to foster child development".

Mr. KENNEDY of New York. Mr. President, these amendments accomplish a number of different purposes. Two of them are portions of my amendment No. 465 which I will call up in modified form for consideration later this afternoon.

A third is my amendment No. 411 relating to medicaid, and the fourth relates to another aspect of the public welfare provisions of the bill.

First, the pending amendment would clarify what I am told was the committee's intent in any event with regard to the obligation of mothers of preschool children to work. The bill as reported by the committee, in discussing mothers of preschool children, exempts only "a mother who is actually caring for one or more children of preschool age and whose presence in the home is necessary and in the best interest of such children."

The amendment would remove the language which implies that even if she is actually caring for preschool children, an additonal finding would have to be made. Thus, the effect of the amendment is to insure that any mother who is actually caring for preschool children is exempted from participation in the work-incentive program.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. KENNEDY of New York. I yield.

Mr. CURTIS. I may say to the distinguished Senator from New York that it was the junior Senator from Nebraska who offered the amendment in committee. I have no objection to deleting that language. It was my intention, and I did not so observe until after the drafting was completed, that there be relieved from compulsory work training any mother, or as modified on the Senate floor, any person taking the place of the mother, in a home where there were one or more children of preschool age, provided that person had been caring for the children.

May I ask what other amendments are included en bloc?

Mr. KENNEDY of New York. I am going through them right now.

Mr. CURTIS. What was the number of this one?

Mr. KENNEDY of New York. It is unprinted. It is at the desk.

Mr. LONG of Louisiana. Mr. President, if the Senator will yield on my time and I yield myself 1 minute for this purpose—so long as the legislative history shows that the purpose here is that so long as a mother is actually caring for a child, she is not expected to work when she has children of preschool age, I believe there is really no problem involved.

Mr. KENNEDY of New York. That is the intent.

Second, the amendment clarifies the purpose of the family and child welfare services referred to by reference in the new clause (14) of section 402(a). The amendment clarifies that the primary purposes of these services are what the purposes of welfare assistance have always been: maintaining and strengthening family life, fostering child development, and assuring the welfare of the children involved.

The effectiveness of any social services and counseling offered to parents of dependent children—whether with respect to employment, day care, child support, child welfare, family planning, or any other social objective—depends on the confidence of those assisted by such services that the welfare of their children is the prime consideration. Indeed, the effectiveness of the work incentive program created by the bill—the chance it has of achieving its purpose of getting individuals into meaningful employment—depends on the confidence of the mother and the family in the acceptability and effectiveness of the services offered.

All of these—family counseling, child welfare, day care, family planning, and employment counseling—depend on the clear understanding of the mother and the welfare worker that their primary purpose is the welfare of the children concerned. Every national organization concerned with these services—the Child Welfare League of America, the National Committee for the Day Care of Children, the Family Service Association of America, Planned Parenthood, the major Protestant, Catholic, and Jewish welfare organizations, the American Public Welfare Association and about 30 others—have strongly stressed this point.

The purpose of this amendment, then, is to stress further, if further stress be needed, that the primary purpose of what we are doing here on the Senate floor is the welfare of the child and his family.

Third, the amendment contains a provision which is complementary to the earnings incentive contained elsewhere in the bill. It provides that when a father pays support to his family pursuant to a court order, the first $50 of that payment each month and half of the rest of it are not to be counted in determining the resources of the family and the consequent size of the welfare payment to the family. I believe this amendment is fair and equitable and would bring greater income to the family when the father is found since the support payment would not reduce the welfare payment dollar for dollar as it does under the present welfare law.

Fourth, the amendment contains what was previously my amendment No. 411 introduced on October 19. This amendment would require States as part of their State plans under medicaid to establish income eligibility variations based on differences in shelter costs as between urban and rural areas within the State.

This amendment is particularly helpful where the costs of medicaid have been a great burden on rural counties. The purpose of the amendment is equity: to even out the impact of medicaid around States which have both urban and rural areas where there are variations in the cost of living. Under the amendment we might expect States that have developed liberal programs which have been helpful in cities but burdensome in rural localities to lower the eligibility levels in the rural areas.

I am advised by Department of Health, Education, and Welfare Under Secretary Wilbur Cohen that the Administration has no objection to this amendment. The amendment is cosponsored by my colleague from New York [Mr. JAVITS] and six other Senators.

Mr. JAVITS. Mr. President, will the Senator yield to me briefly at that point?

Mr. KENNEDY of New York. I yield.

Mr. JAVITS. Mr. President, I wish to emphasize to the Senate the importance of this amendment, in view of fairness as to what is being done in the medicaid program as brought in by the Senator from Louisiana [Mr. LONG].

Very strict limits are being placed on the income limitation in terms of Federal participation. We fought a battle concerning the problems of those who are not cash welfare recipients being

eligible, even to the extent of 25-percent matching. More than half of those were under medicaid in New York, as it is a very big State, and there are very material differences, especially in shelter costs—Senator KENNEDY'S approach was shelter costs; mine had been the general cost of living, and on inquiry, I found that his was superior, so I joined with him and adopted his—in fairly reflecting the real differences that should or should not make people eligible for medicaid, depending on different brackets of income in different parts of the State.

As we are going to absorb a burden, now, that looks like $100 million more for New York, because of this bill, this is one way in which we can be materially helped, and in which many people can be helped. I hope the Senate will sympathetically consider the amendment, and that it will be agreed to.

Mr. CURTIS. Mr. President, will the distinguished Senator yield to me at this time if I yield myself time on the bill?

Mr. LONG of Louisiana. Mr. President, I can give the Senator time.

Mr. CURTIS. I did not wish to consume the time allotted to the Senator from New York.

In reference to this part of the Senator's amendment, I was looking through the printed amendments at the time unanimous consent was granted to consider these amendments en bloc. Some of them are unrelated to others, and for that reason, I felt it necessary, for clarification, to interrupt the Senator at this time.

In reference to medicaid, what the Senator is proposing is more flexibility within the bill?

Mr. KENNEDY of New York. That is correct.

Mr. CURTIS. Is it the Senator's intention to increase the amount of money that would go into a State, over and beyond what the formula in the bill provides?

Mr. KENNEDY of New York. I would love to be able to do that, I might say to the Senator from Nebraska, but the amendment is not designed to accomplish that.

Mr. CURTIS. That is not the intention of the amendment?

Mr. KENNEDY of New York. It is not the intention of the amendment to accomplish that.

Mr. CURTIS. Is it the intention of the amendment, in providing flexibility within the State, that it will, for a particular family, increase the maximum amount of income eligibility in order to grant this aid, over and above what would work out under the bill?

Mr. KENNEDY of New York. No, it is not. It is just the basic fact that circumstances differ in different areas. For example, in a rural area, a family with a $5,000 income who live there have an entirely different kind of problem than a family with a $5,000 income living in an urban center.

Studies have shown that shelter costs are the most significant variable in the cost of living as between urban and rural areas. The cost of rent and home purchase in rural areas is far less than in the cities. An income of $5,000 a year therefore buys far more in rural areas than it does in the city. As a result, there is no real need that eligibility levels for medicaid be as high in rural areas as they are in the large cities, and this amendment would require the States to take variations in shelter costs into account when they determine eligibility levels. Officials at the Department of Health, Education, and Welfare assisted in the drafting of this amendment, and indicated that it is feasible and workable.

This amendment would alleviate what has become a near-crisis situation in some States. In some of our rural counties in New York, 75 to 80 percent of the population is eligible for medicaid under the income eligibility levels which the States established. In these counties, welfare costs have skyrocketed over the past 18 months. Increases of 50 percent and 60 percent in the cost of welfare are common, and 90 percent or more of the increases are due to the cost of medicaid, almost bankrupting some counties. Under this amendment, the State would objectively determine differences in shelter costs around the State, and would accordingly establish differences in eligibility levels. This is an effort, and I think a reasonable, responsible effort, to try to cut down the cost.

Mr. CURTIS. Is it a fair statement that the flexibility the Senator seeks would in no way change the maximum limits set forth in the bill?

Mr. KENNEDY of New York. That is correct.

Mr. JAVITS. Mr. President, will the Senator yield to me? I yield myself 1 minute. I do not wish to intrude on the Senator's time.

I point out to the Senate that this amendment is exactly like what the Senate is doing in allowing the flexibility feature to stay on. This is directed toward the same end, and it will be within the framework allowed by the Senate bill, within which flexibility within the States is provided.

I thank my colleague for yielding.

Mr. KENNEDY of New York. I might say the result would be decreases of as much as 20 percent in eligibility levels in some of the counties which are the hardest pressed at the present time. A further result would be that medicaid would come closer to being a program which in fact serves only those who need it.

Mr. President, I believe this is a sensible amendment. It will be of great help in those States where there are significant variations in the cost of living as between urban and rural areas.

I have discussed all these amendments with the Senator from Louisiana, and I understand that the Senator from Louisiana is willing to accept them.

Mr. LONG of Louisiana. Mr. President, I yield myself 2 minutes.

I am well aware of everything in the amendment, and how to apply it, except with respect to the shelter cost aspect of the amendment which the Senator has offered. The experts in the Department tell me that it does not involve any substantial cost as far as the program is concerned, and would help to administer the program more equitably. As such, I do not oppose it. I think that probably we in Louisiana would not use it, but if New York wants to use it, that would be all right with me.

Having had the opportunity to discuss these matters, the Senator from New York and I more or less reached a meeting of the minds, with some give and take, as to what parts of these amendments we felt would be appropriate; and I believe, in the spirit of compromise, this should pretty well resolve our differences on these issues, and I would be willing to vote on it or take it to conference.

I yield back the remainder of my time.

Mr. KENNEDY of New York. I yield back the remainder of my time.

Mr. JAVITS. Mr. President, I yield myself 1 minute on the bill.

These are matters which deeply concern Senator KENNEDY and me, and our State. This is an item which particularly interests us. I join in thanking the Senator from Louisiana for his consideration and understanding of the problems which have been raised, and which he is helping us solve in a way which, I can assure him, is completely in keeping with the spirit of his bill.

The PRESIDING OFFICER. All remaining time having been yielded back, the question is on agreeing to the amendment of the Senator from New York.

The amendment was agreed to.

Mr. JAVITS. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. MANSFIELD. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. BENNETT. Mr. President, I send an amendment to the desk and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk proceeded to state the amendment.

Mr. BENNETT. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered, and the amendment will be printed in the RECORD.

The amendment, ordered to be printed in the RECORD, reads as follows:

At the end of the bill insert the following new section:

"EXCLUSION FROM DEFINITION OF WAGES OF CERTAIN RETIREMENT, ETC., PAYMENTS UNDER EMPLOYER ESTABLISHED PLANS

"SEC. 508. (a) Section 3121 (a) of the Internal Revenue Code of 1954 (definition of wages) is amended by striking out 'or' at the end of paragraph (11), by striking out the period at the end of paragraph (12) and inserting in lieu thereof '; or', and by adding at the end thereof the following new paragraph:

"'(13) any payment or series of payments by an employer to an employee or any of his dependents which is made or begins—

"'(A) upon the retirement, death, or disability of the employee, and

"'(B) under a plan established by the employer which makes provision for his employees generally or a class or classes of his employees (or for such employees or class or clase of employees and their dependents).'

"(b) Section 3306(b) of such Code (definition of wages) is amended by striking out 'or' at the end of paragraph (8), by striking out the period at the end of paragraph (9) and inserting in lieu thereof '; or', and by adding at the end thereof the following new paragraph:

"'(10) any payment or series of payments by an employer to an employee or any of his dependents which is made or begins—

"'(A) upon the retirement, death, or disability of the employee, and

"'(B) under a plan established by the employer which makes provision for his employees generally or a class or classes of his employees (or for such employees or class or classes of employees and their dependents).'

"(c) Section 209 of the Social Security Act (definition of wages) is amended by striking out 'or' at the end of subsection (k), by striking out the period at the end of subsection (l) and inserting in lieu thereof '; or', and by inserting after subsection (l) the following new subsection:

"'(m) Any payment or series of payments by an employer to an employee or any of his dependents which is made or begins—

"'(1) upon the retirement, death, or disability of the employee, and

"'(2) under a plan established by the employer which makes provision for his employees generally or a class or classes of his employees (or for such employees or class or classes of employees and their dependents).'

"(d) The amendments made by this section shall apply with respect to remuneration paid after the date of the enactment of this Act."

Mr. BENNETT. Mr. President, my amendment adds a new paragraph to section 3121(a) and section 3306(b) of the Internal Revenue Code and a new subsection to section 209 of the Social Security Act, which define the term "wages" for employment tax and social security purposes. This amendment makes it clear that the term "wages" for those purposes does not include any payment or series of payments by an employer to an employee or his dependents which is made or begins upon the employee's retirement, death, or disability, and is made under any plan established by the employer, regardless of whether or not the plan provides for other payments at other times or for other purposes.

For example, an employer may establish an incentive compensation plan for his employees generally or for a class of his employees providing for the payment of deferred compensation on termination of employment, including termination upon an employee's retirement, death, or disability. Payments under such a plan which are made or begin upon an employee's retirement, death, or disability or within a reasonable time thereafter—rather than on termination of employment for any other reason—will be excluded from the term "wages" whether made in a lump sum or in installments. However, a payment which would have been made or begun at the same time even if the employee had not retired, died, or become disabled will not be excluded from the term "wages."

It would appear that the tax law already takes care of the situation to which this amendment is directed. Three times the law excludes from wages for employment tax purposes, payments made for retirement and twice there are exclusions for payments made for disability. Nevertheless, the Internal Revenue Service has decided that a certain type of payment meant to be received at retirement or for disability or at death is includible as "wages" and subject to employment taxes. Therefore, to prevent such an interpretation by the Service in the future and to express congressional intent on how these payments should have been treated all along, it appears that we must add another provision to the law to make it plain that the type of payment which the Service is challenging is not to be considered "wages" and, therefore, is not to be subject to employment taxes—the social security tax and the unemployment tax. I urge the distinguished floor manager and committee chairman to take this amendment. I think it has merit and deserves the support of the Senate.

I am sure that the committee chairman understands the amendment. I think he agrees with me that it has merit and deserves the support of the Senate.

Mr. LONG of Louisiana. Mr. President, I yield myself 2 minutes.

The PRESIDING OFFICER. The Senator from Louisiana is recognized for 2 minutes.

Mr. LONG of Louisiana. Mr. President, the Senator seeks, I believe, to resolve that controversy in a way that he thinks is appropriate.

Ordinarily I would urge the Senator to wait until we conduct hearings on it and study the matter and then bring it in as part of a bill, after we had studied the matter in depth. However, I think the revenue cost is negligible since it involves the employment tax which goes into a trust fund rather than the income tax which is used for financing the costs of Government.

Inasmuch as the pending bill is the only social security bill we are likely to pass between now and the time Congress adjourns, and this is an amendment to resolve a hiatus in the social security tax law, I would not object to the amendment.

I think it is something we could well discuss in conference and see if we can resolve it one way or the other.

At that time we will have experts from the Treasury testify as to their side of the argument, and we can also ask questions concerning the Senator's side of the argument.

Mr. BENNETT. Mr. President, I yield back the remainder of my time.

Mr. LONG of Louisiana. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. All time having expired, the question is on agreeing to the amendment of the Senator from Utah.

The amendment was agreed to.

AMENDMENT NO. 439

Mr. SMATHERS. Mr. President, I call up my amendment No. 439 and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk proceeded to state the amendment.

Mr. SMATHERS. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered, and the amendment will be printed in the RECORD.

The amendment, ordered to be printed in the RECORD, is as follows:

On page 407, beginning with line 7, strike out all through line 20, on page 411, and in lieu thereof insert the following:

"DEDUCTION OF EXPENSES FOR MEDICAL CARE OF INDIVIDUALS WHO HAVE ATTAINED AGE 65

"SEC. 501. (a) Section 213(a) of the Internal Revenue Code of 1954 (relating to allowance of deduction for medical, dental, etc., expenses) is amended to read as follows:

"'(a) ALLOWANCE OF DEDUCTION.—

"'(1) IN GENERAL.—There shall be allowed as a deduction the following amounts, not compensated for by insurance or otherwise—

"'(A) the amount by which the amount of the expenses paid during the taxable year (reduced by any amount deductible under subparagraph (B)) for medical care of the taxpayer, his spouse, and dependents (as defined in section 152) exceeds 3 percent of the adjusted gross income, and

"'(B) an amount (not in excess of $150) equal to one-half of the expenses paid during the taxable year for insurance which constitutes medical care for the taxpayer, his spouse, and dependents.

For purposes of this paragraph, amounts paid for the medical care of an individual with respect to whom paragraph (2) applies for the taxable year shall not be taken into account.

"'(2) INDIVIDUALS WHO HAVE ATTAINED AGE 65.—There shall be allowed as a deduction the amount of the expenses, not compensated for by insurance or otherwise, paid during the taxable year for the medical care of—

"'(A) the taxpayer and his spouse, if either of them has attained the age of 65 before the close of the taxable year, and

"'(B) a dependent who (i) is the mother or father of the taxpayer or his spouse and (ii) has attained the age of 65 before the close of the taxable year.'

"(b) Section 213(b) of such Code (relating to limitation with respect to medicine and drugs) is amended by adding at the end thereof the following new sentence: 'The preceding sentence shall not apply to amounts paid for the care of—

"'(1) the taxpayer and his spouse, if either of them has attained the age of 65 before the close of the taxable year, or

"'(2) any dependent described in subsection (a)(2)(B).'

"(c) The amendments made by subsections (a) and (b) shall apply to taxable years beginning after December 31, 1966."

Mr. SMATHERS. Mr. President, I would like to make it clear that I am offering the amendment on my own behalf and also on behalf of the distinguished Senator from Vermont [Mr. PROUTY], the distinguished Senator from West Virginia [Mr. BYRD], and the distinguished Senator from New Hampshire [Mr. COTTON].

Mr. President, on the first day of this Congress that bills were introduced, I introduced S. 177, to restore to individuals who have attained the age of 65 the right to deduct all expenses for their medical care. Later, when the social security bill had come to the Finance Committee from the House and when I was necessarily absent, the junior Senator from West Virginia was kind enough to submit S. 177 in my behalf as an amendment, No. 278, to H.R. 12080.

In my absence, the committee deliberated the amendment in its executive sessions on the social security bill, for which I am much appreciative, and adopted it but with an important and, I believe, crippling modification. The committee amended the social security bill to permit an individual 65 or over to deduct from taxable income all expenses of medical care, including medicines and drugs, but only if that individual chose to give up forever his rights to benefits under medicare.

Forcing an elderly person to relinquish his rights to all future medicare benefits in return for his being able to deduct all of his medical costs is really to give most elderly persons no choice at all. Most persons 65 and over cannot afford prematurely and summarily to give up claim to all future medicare benefits and thus they will not become eligible to get the full tax deduction. As a mattor of fact, it will probably be only a very rich person with enormous medical costs who will dare to waive medicare. The moderate- and low-income taxpayer cannot risk giving up his medicare potential for the relief afforded by the unlimited deduction.

Therefore, I am now proposing that the committee's provision giving the full tax deduction to the elderly only on occasion of a waiver of medicare be deleted and in its place my amendment 439 be inserted.

My amendment 439, again submitted by the generous junior Senator from West Virginia, is the same as the proposals I offered earlier this year to restore the full income tax deduction of medical and drug expenses for individuals age 65 and over. It has no condition that the aged individual must waive his medicare benefits. The difference between the committee provision and my amendment is that, under the committee proposal, the person 65 or over gets either a full tax deduction for his medical and drug bills or medicare, and, under my amendment, that same person gets both—the full tax deduction and medicare.

Let me recount briefly the legislative history of this proposal. Up to 1965, the tax law had recognized the more serious medical expense problem that faces most aged people. While all other taxpayers were allowed a deduction of only those expenses of medical care which exceeded 3 percent of adjusted gross incomes; and in computing that amount only medicine and drug bills in excess of 1 percent of adjusted gross income could be included, for taxpayers 65 and over and dependents 65 and over of a taxpayer or the taxpayer's spouse, all medical care expenses were deductible without the 3- and 1-percent floors.

However, the 1965 Social Security Amendments changed this and made effective beginning in 1967 the same limited deduction for persons 65 and over as had existed for persons under 65. The Senate felt that the unlimited deduction for older people should not be tampered with, but the House was adamant that the tax deduction for medical care of 65-year-olds-and-over should be the same as that for younger people; that is, only for expenses over and above the 3- and 1-percent levels. The reasoning which prevailed was that the medicare legislation being enacted at that time would provide older people with enough medical care benefits that they need not also have the unlimited tax deduction.

The Senate once again tried to reverse that unfortunate decision by adopting my amendment to the Foreign Investors Tax Act late last year. Again, the House attitude against the unlimited medical deduction for the elderly prevailed in conference. This time, however, the House's opposition was premised on the ground that the proposal should be considered as part of an overall social security bill this year. Thus, the 3- and 1-percent floors became effective for the old folks on January 1 of this year.

This means that with the mailing of the Federal income tax returns around the first of next year which must be returned by April 15, 1968, many of our aged population will learn for the first time that they can no longer deduct all of the medical and drug bills they have paid and that they can deduct only a portion of their 1967 medical and drug expenses. That is when the chickens will come home to roost—that is when we in Congress will be deluged by great swarms of mail from indignant senior citizens all over the land protesting the taking away of a longstanding benefit which for many years was the prime weapon of many old folks in their fight against poverty.

The argument that medicare would take care of the medical costs of our older population and therefore make the unlimited medical deduction unnecessary was untrue from the beginning. Medicare is a limited benefit which has not been greatly expanded by the bill before us today. There are many medical expenses not covered by medicare even for those who are under its protection. There are, of course, a number of elderly people who will not come under medicare. For most of these people, the unlimited tax deduction of medical expenses is a necessity. Especially is this true for the elderly who undergo long-term illnesses. Medicare can soon be exhausted by such illnesses, yet the expenses of these illnesses go on. What a relief it would be to those incurring these illnesses to know that they can deduct without limitation the large medical bills they receive.

The Treasury Department has opposed my proposal from the beginning. As is usual with the Treasury when it opposes something, it has spawned staggering statistics to show the great cost of the full medical deduction for the elderly and the disproportionate share of that cost which would benefit higher income taxpayers. Treasury Department revenue estimates in the past have been known to be way off the mark, particularly on a proposal that the Department opposed. I am confident that that is the case here. Of couse, the Treasury figures can also be used against the Department's position. If my amendment would cost the Government the $210 million in 1967 that Treasury says it would, it means that persons 65 and over would be paying that much and more in medical bills without any help from medicare. In other words, one cannot say that medicare is taking care of all of the medical expenses of the elderly and at the same time, say that the unlimited medical deduction which is only applicable to bills not paid for by medicare, is going to cost the Government $210 million in lost tax revenues.

It does not matter to me which part of the Treasury argument is fallacious. All that I care about is making sure that our aged population get the best and most comprehensive medical treatment at the lowest cost. That to me means that medicare's benefits must be supplemented by full deductibility of medical and drug expenses of our older Americans. My amendment will do that and make it effective for 1967 so that my colleagues will be saved from the incendiary mail they otherwise will get next year. I hope the Senate will remain consistent on this matter and vote to our aged their full medical care tax deduction without qualification and then I hope the Senate conferees will insist on their position in conference with the House.

Mr. President, to summarize as briefly as I know how, what we seek to do here is not to take anything away from the ederly citizens of this country who actually believe that the medicare bill was calculated and passed to be of additional benefit to them.

Before we adopted the medicare bill, we had a provision in the law that the elderly citizen over 65 could deduct all of his medical and drug expenses.

When we passed the medicare bill, the House put into it a provision which provided that from 1967 on, because medicare was supposed to cover all their medical expenses and their medical needs the elderly would lose the right to deduct the amount of money they had paid for medical expenses, drugs, medicine, and so forth to the extent they do not exceed the 3-percent floor. The Senate, however, did not go along with that provision, and the Senate adopted an amendment offered by me and other Senators at that point, which was the same as the pending amendment.

However, at the conference between the House and the Senate, the House was adamant and would not accept the Senate position. So the law now provides that beginning in January of 1967, people 65 years of age and older are not to be able to deduct the entire cost of their medical expenses, drugs, medicines, and other items in connection with their health. They could only deduct that portion which exceeds 3 percent of their adjusted gross income for medical servics and 1 percent for drugs.

The old people of the country at this point do not know that this is what we have done, but they are beginning to understand it; and when they receive their tax bills and have to pay their tax starting in January of 1968, Congress will receive an avalanche of mail protesting what Congress has done—not necessarily what the Senate has done, but what Congress has done, because the Senate had to give way to the intransigency of the House. The Finance Committee in this bill partially corrects the problem. It makes the unlimited medical expense deduction available to those age 65 or over, but only where they permanently waive all of their rights to medi-

care—both the hospital insurance program and the supplementary medical care program.

What I am seeking to do by the pending amendment is once again to establish the right of people over 65 years of age to deduct all of their medical expenses even though they are covered by medicare.

The reason why this is essential is this, briefly: Medicare is a limited program. Medicare does not cover all of an elderly person's illness.

For example, a person can go into a hospital now and have the Government pay for 90 days of hospital care. The Senate committee has made it even better by saying that they now can have 60 additional days of hospital care during their life, for which the Government will pick up part of the bill; but for the additional 60 days, the individual must pay $10 for each day.

We know of many instances in which elderly people go into the hospital because of a broken hip. They leave, after having spent perhaps 2½ months in the hospital, and break their arm and must return to the hospital. If they must go back a second and third time, medicare does not cover that expense, and they must pay that expense or someone must pay it for them, and that is not deductible.

I do not believe the Senate ever intended this situation to exist and I do not believe Congress expected it to be that way, but there it is.

These are some of the items not covered under medicare: Dental work and hearing aids. Certainly, many elderly people must have hearing aids. The elderly people are not entitled to deduct that expense. Eye glasses and eye examination, nursing and home care after 100 days, all types of custodial care, hospital care after 150 days in the first spell of illness and 90 days in later ones, outpatient drugs, private duty nurses, other miscellaneous items, such as routine foct care.

I do not wish to belabor this point. I believe the Senate understands it. We adopted a similar amendment on two previous occasions, and I believe the time has come to adopt it once more. We will take it to conference, and I hope the House will accept it. I do not know. But I do believe the elderly people of this Nation are entitled to continue to deduct all their medical costs, as was the law prior to medicare, particularly in view of the fact that medicare does not cover many of their illnesses, and remains a limited program, as it is today.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. SMATHERS. I yield.

Mr. CURTIS. Is this the situation of which the Senator speaks: A taxpayer under 65 years of age can deduct medical expenses that exceed 3 percent of the gross income?

Mr. SMATHERS. The Senator is correct.

Mr. CURTIS. And some few years ago, for the taxpayers over 65 we abolished the 3-percent offset, and they could deduct it all, but that special benefit was repealed in the passage of medicare.

Mr. SMATHERS. The Senator is correct.

Mr. CURTIS. What the Senator proposes to accomplish by the pending amendment is to permit taxpayers over 65 to deduct the full amount of their medical expenses, but by "full amount" is meant the out-of-pocket expense and not that which was reimbursed by medicare or by private insurance carriers?

Mr. SMATHERS. The Senator is correct.

Mr. CURTIS. Does the Senator have an estimate of the revenue cost of this proposal?

Mr. SMATHERS. The Treasury has stated that it would cost approximately $210 million. But the Senator knows, and I know, and all of us who have served on the Committee on Finance know, that the Treasury has a way, when it opposes a particular amendment, of somehow skyrocketing those estimates.

I can foresee, and the Senator from Nebraska can foresee, the day when we should not have the amendment I am now proposing. But that day will come when medicare has become so widespread and broad in its coverage of everything and everybody who is 65 years of age and older that they will not need to ask for this deduction.

However, today, because it is a limited program, we are actually penalizing them and putting some people in a worse position than before we passed medicare.

I yield the remainder of my time to the distinguished Senator from Vermont.

Mr. PROUTY. Mr. President, I am grateful to the distinguished Senator from Florida for his kind remarks.

I should point out that the pending amendment is identical to one which was offered by myself with the distinguished Senator from New Hampshire [Mr. COTTON], as cosponsor, several weeks ago.

I am delighted that the distinguished Senator from Florida is offering this amendment. I support him in his effort since he is acting in my behalf, in behalf of the distinguished Senator from West Virginia and the distinguished senior Senator from New Hampshire.

Mr. President, what we are attempting to do under the pending amendment is to prevent the imposition of an additional tax burden on the older citizens of this country. The Senator from Florida has explained the matter so well, that I believe there it little need to add to what he has said.

There are a few points which I would like to make, however, even if they are reiterating those already made by Senator SMATHERS.

First, I would like to point out that there is really no cost involved in this amendment since no tax money has been collected from these older people for 17 years. Therefore, we are not depriving the Treasury of a source of money which it currently has.

Second, Mr. President, by failing to enact this amendment we would impose additional hardships on older retired persons who already exist on the brink of poverty. I discuss this point in greater detail in a statement which I prepared for delivery on the floor in connection with my own amendment.

I ask unanimous consent that this statement be included as part of my remarks at this time.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

Mr. President, the Finance Committee of the Senate is to be commended for its consideration of many important aspects of the Social Security Bill. There are inequities in the present social security laws, and many necessary changes have been made by the Committee in the reported bill. While some of these changes are entirely adequate as they stand, it is clear that other parts of the bill could profitably be further revised. An example of the latter is the medical expense tax deduction for the aged.

I will briefly reiterate the history of these provisions.

Under a tax law first enacted in 1948, taxpayers 65 and older benefited from a provision which allowed them to deduct the cost of medical care up to certain specified maximums, for themselves and their spouses who were also 65 and older. Other taxpayers were denied deductions for their medical expenses except to the extent that these expenses exceeded three percent of their adjusted gross income. These provisions stood for 17 years, reflecting Congressional concern over the fact that our older citizens were caught in a vicious inflationary spiral of increasing medical bills and decreasing incomes. They needed help, and allowing a deduction of medical expenses was eminently proper.

However, Mr. President, after the enactment of the medicare bill in 1965, these tax deduction provisions were for the first time seriously challenged. At this time the House acted to repeal these provisions on the rationale that Medicare would pay for virtually all medical needs of the aged, thus rendering the tax deduction superfluous, unnecessary, and over complicated. These deductions will not be available to our older citizens when they file their 1967 income tax returns next spring, Mr. President, unless my amendment is adopted.

There were claims by the Treasury Deparement that this change would simplify tax law. Unfortunately, this was a stalking horse with no basis in fact. To the contrary, the elimination of these provisions actually complicates tax computations for millions of aged citizens who need and deserve as simple a tax reporting system as possible. Previously, these taxpayers knew they could deduct all their medical expenses up to the maximum limits. Under the present law, supported by the Treasury, they would have to make difficult calculations to distinguish between that portion of their medical expenses which would no longer be deductible and that portion which they could continued to deduct. Fortunately, the 1965 legislation provided that this new tax restriction on our older people would not apply until 1967.

When the Medicare bill came to the Senate, the Committee on Finance recognized the hardships and complexity that could occur if the medical expense deduction for the aged were cut back. That Committee deleted the restricting amendments of the House bill. These distinguished Senators on the Finance Committee knew that Medicare would pay no more than 40% to 50% of an aged individual's medical costs and that the remaining amounts would have to be paid for out of the aged person's own resources. They saw right through the tax simplification argument presented by the Treasury.

The Senate agreed to the Committee amendments, but unfortunately the conferees on the Medicare bill finally adopted the

House provisions to cut back on the tax deduction, beginning in 1967.

Last year, the Committee on Finance again sought to retain the full deduction for the medical expenses of persons age 65 and over. The Committee added an amendment to the Foreign Investors Tax Act designed to prevent the tax restrictions included in the 1965 Medicare law from going into effect. The Senate passed the amendment, but once again the House conferees refused to accept it and it was stricken from the final bill.

Mr. President, 1967 is here. Unless we act now, aged taxpayers are going to suffer a tax increase when they file their returns next Spring. At a time when we hear so much talk of an across-the-board tax increase, we should not single out our old people for an additional, special tax increase. We should not complicate their tax computations. We should leave the law as it has been for these people for the past 17 years.

My mail indicates that the repeal of the tax deduction will worsen the plight of many aged this year. Many of our older citizens will be worse off under Medicare than they had been previously when the tax deduction was allowed. This is so, Mr. President, because as it has developed, contrary to the view of the House of Representatives in 1965, Medicare does not cover 100% of the medical expenses of the older Americans. In reality, only from 50% to 60% of costs are covered. Let us consider what costs must be met by the individual over 65:

Under Hospital Medicare Insurance the first $40 must be paid by the individual.

After 60 days care, the individual must pay $10 a day for the next 30 days of treatment.

Under Medical insurance, the individual must pay $3 a day to receive benefits.

All drug costs except those provided in the hospital must be met by the individual.

None of these costs enumerated above can any longer be deducted unless they are in excess of 3% of the older taxpayer's adjusted gross income or in the case of drugs, exceed 1% of the adjusted gross income.

It is quite true that the poorest of our aged would not benefit from a reinstatement of the tax deduction. Those 7.3 million older Americans who do no file income tax returns would not be affected. However, Mr. President, there are some 12.7 million older Americans who do file income tax forms, and these people would be benefited.

I had great hopes, Mr. President, that the Finance Committee, because of its previous concern over the plight of the aged, would act to reinstate the Medical Expense Tax Deduction. Indeed, last Friday when the press release describing the Committee bill was released, I scanned it eagerly, until I came to the section in which Medical Tax Deductions were explained.

At first I was encouraged to read that, and I quote, "The Committee amendment would make the medical care and drug expenses of a person 65 or over fully deductible without regard to the 3 and 1 percent limitation . . ." Then I was disappointed and horrified to learn of the conditions under which this tax benefit would apply. Only those people who, and I quote, ". . . waives all future entitlement to all medicare benefits upon reaching age 65 or within one year after enactment of the bill, whichever is later," would be eligible for this tax deduction. The decision to select Medicare or a tax deduction would be an irrevocable one.

The reasoning behind this provision, as I understand it, is as follows: The very poor will not benefit from tax deductions since they do not even file income tax returns. A reinstatement of the deduction would aid the rich since they would be given access to Medicare in addition to having the privilege of deducting expensive medicines and medical care. It is said that these people who least need aid would be benefited twice.

If this argument is true then the action of the Finance Committee on this matter represents a just and equitable solution to the problem of "medical tax deduction."

However, Mr. President, I would like to submit that this new provision is neither just nor equitable for the majority of our older Americans.

Moreover, I further submit, Mr. President, that it represents a dangerous tendency to transform a compulsory system of old-age medical insurance into a voluntary one.

Finally, Mr. President, I submit that only a reenactment of the more generous tax rules for older taxpayers will alleviate the hardship conditions of millions of our citizens 65 and over.

First, the Finance Committee's solution is not just and equitable. It is true, as I have stated before, that the poorest older Americans do not benefit from tax deductions since they do not file income tax forms. However, these poorest Americans over 65 constitute only 7.3 million of the 20 million recipients of Medicare and Social Security. Of the 12.7 million who do file income tax forms, how many can actually be considered rich? The great majority of these, Mr. President, I am sure can be considered to be among the ranks of what in this age of welfare and poverty programs might be termed the forgotten middle class.

How can these older middle class Americans be characterized? Many of them undoubtedly as a result of careful planning, saving and thrift have a small income in addition to their Social Security benefits. Yet, most of them exist on incomes less than one-third of that which they received during their working years. They are caught in the scissors grip of rising costs and decreasing money value.

For these millions, the opportunity to deduct medical expenses is of great advantage. It may mean the difference between scrimping to make ends meet and having a few pennies more for meager pleasures. Can we deny these additional benefits to all older Americans, merely because the poorest aged do not stand to gain?

Further, we must consider the fact that middle class Americans enjoyed this tax benefit for some 17 years. Denying the benefit this year may inadvertently have the effect of causing thousands who are on the borderline of poverty to drop below the line.

Finally, Mr. President, although 7.3 million Americans do not now file income tax forms, they do not do so because Social Security benefits are not taxable. Should these benefits in the future be considered taxable, every one of the 20 million Americans age 65 and over would be given the same benefit of a medical tax deduction, should it be reinstated.

While I am inclined to believe that we should continue to consider Social Security benefits as non-taxable income, I have noticed many forces, including the Administration, urging that Social Security benefits be considered taxable income. For example, H.R. 5710 contained a provision which would have considered Social Security benefits taxable. Both the President and the Treasury Department forcibly argued before the Ways and Means Committee that Social Security benefits should be taxed. I believe that the mere fact that the House did not adopt the President's recommendation should not be taken as a guarantee that Social Security benefits will not be taxed in the future.

My second argument, Mr. President, concerns the dangerous precedent which the Finance Committee sets in changing Social Security from a compulsory system to a voluntary one. This action can have several detrimental effects, which I believe outweigh the questionable benefit of encouraging rich Americans to decide against selecting Medicare.

First, in the light of the fact that the decision against Medicare is irrevocable, can we really rely on the good judgment of all older Americans? I can envision many many cases of bad decisions which will arise because of this provision.

Suppose, for example, that Mr. Smith, who is 66, continues to work and earn enough money to forego Social Security until he is 70. During this time a tax deduction is more beneficial to him than Medicare, so he chooses in favor of a medical tax deduction. Later, however, when he is forced to exist on Social Security alone—an amount much, much less than he was making previously, he will then realize that he could benefit from Medicare. However, he will suffer for the rest of his days because he over-estimated the benefits of Social Security and because he made a decision which is irrevocable.

Second, by making Medicare voluntary, are we not opening a Pandora's box? A voluntary system is a concept entirely new in the history of Social Security legislation. What could be the result of this change in policy?

I forsee an eventual change to a voluntary system of financing which would parallel the voluntary system of benefit reception. This could jeopardize the whole Social Security system. It represents a dangerous new tendency.

My third argument is that only a reinstatement of tax deductions will be most beneficial and most equitable. In order to benefit millions of older Americans, and in order to prevent the system of Social Security from becoming voluntary, I thus strongly recommend that my amendment be adopted.

My amendment is simple. It retains, for the future, the rules which have governed the deduction of medical expenses by aged people for the past 19 years. State differently, it prevents the so-called 3 percent rule on medical expenses, and the 1 precent rule on medicines and drugs from applying to cut back on the deductions for the cost of medical care by these older Americans.

As I pointed out when I introduced the amendment, despite Medicare, 55 to 60 percent of the medical costs of elderly citizens have to be paid by them, and this constitutes a terrific and frequently insurmountable burden for a great majority of older people. If we are to continue the spirit of Medicare legislation, then we should give this amendment an overwhelming vote of support. The aged of this nation should not be asked to suffer an income tax increase by withdrawal of most of their present deduction for medical expenses. Humanitarianism suggests that those now trying to live on grossly inadequate Social Security benefits and small pensions should not be forced to assume an obligation which was not theirs prior to January of this year.

I believe that I have covered most of the objections made to my amendment which was offered previously as an amendment to another bill, and at the same time uncovered several fallacies and dangers inherent in the recommendation of the Finance Committee. My amendment would benefit large numbers of middle class aged, and conceivably even benefit the poorest of our aged in years to come. It would not, as does the Finance Committee provision, open a Pandora's box for future revisions of the Social Security law.

One additional objection which conceivably could be made to my amendment is the loss of income to the Treasury Department if the tax deduction were reinstated.

The Treasury has indicated that this would cost $180 million. I challenge that. First, to the extent that Medicare or other health insurance plans are truly paying for their medical care, the aged would incur no expense and would take no deduction. Second, the Treasury is not collecting this $180 million yet, and thus, it could not lose it if we

act now. Third, many taxpayers age 65 and over claim the standard deduction rather than itemize their deductions. In these instances medical expenses are not separately claimed, and the amount deducted in the taxpayer's return is not enlarged because he paid for medical care.

Mr. President, this is an equitable amendment. The Senate has approved it on two previous occasions—once in 1965 and again in 1966. This year, I believe the House will agree with us and accept the amendment in order to prevent a double tax increase on these older Americans.

Mr. President, in conclusion, I would like to note that I have received support for my amendment from many members of this body and also from many outside the Senate who represent the interests of the older American. I would like unanimous consent to include copies of their letters in the Record immediately following my remarks.

EXHIBIT 1

MEMORANDUM

Subject: Definition of "any dependent" as contained in the Prouty amendment to H.R. 4765.

For the purposes of this amendment the term "dependent" means any of the following individuals over half of whose support for the calendar year in which the taxable year of the taxpayer begins, was received from the taxpayer:

(1) A son or daughter of the taxpayer, or a descendant of either,

(2) A stepson or stepdaughter of the taxpayer,

(3) A brother, sister, stepbrother, or stepsister of the taxpayer,

(4) The father or mother of the taxpayer, or an ancestor of either,

(5) A stepfather or stepmother of the taxpayer,

(6) A son or daughter of a brother or sister of the taxpayer,

(7) A brother or sister of the father or mother of the taxpayer,

(8) A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law or sister-in-law of the taxpayer,

(9) An individual (other than an individual who at any time during the taxable year was the spouse, determined without regard to section 153 of the taxpayer) who, for the taxable year of the taxpayer, has as his principal place of abode the home of the taxpayer and is a member of the taxpayer's household, or

(10) An individual who—

(A) is a descendant of a brother or sister of the father or mother of the taxpayer,

(B) for the taxable year of the taxpayer receives institutional care required by reason of a physical or mental disability, and

(C) before receiving such institutional care, was a member of the same household as the taxpayer.

(Source: Section 152 of the Internal Revenue Code)

EXHIBIT 2

[From the report of the Committee on Ways and Means on H.R. 6675, 89th Cong., 1st sess., H. Rept. No. 213]

SOCIAL SECURITY AMENDMENTS OF 1965

Medical expense deduction.—The health care provisions of your committee's bill have a relationship to the medical expense deductions allowed under the Internal Revenue Code. In the past the 3-percent limitation in the case of medical care expenses and the 1-percent limitation applied to expenditures for medicines and drugs were waived for persons 65 or over in recognition of the fact that medical expenses generally constituted a heavy financial burden for older people. In the past, however, there was no broad-coverage health insurance plan for older persons. The health insurance provisions of your committee's bill are designed to meet these problems in a generally comprehensive manner. The historical basis for the special medical expense provisions in the tax law for the relief of older taxpayers, therefore, no longer appears to exist. For this reason the bill provides that the 3-percent floor on medical expense deductions, as well as the 1-percent limitation on medicines and drugs, is to apply to those age 65 or over in the same manner as it presently applies to those under age 65. This will have the effect of partially or fully recovering the $3 monthly premium paid from general funds of the Treasury from those aged persons who have taxable income, depending on the amount of their taxable income.

To encourage the purchase of hospital insurance by all taxpayers, the bill provides a special deduction, available to those who itemize their deductions, for one-half of any premiums paid for insurance of medical care expenses whether or not they have medical expenses in excess of the 3-percent floor, but this deduction may not exceed $250.

Another change limits the insurance premiums which may be taken into account to those which arise from coverage of medical care expenses. Still a further change treats as current, qualifying medical care expenses (subject to limitations) the prepayment before age 65 of insurance for medical care after age 65.

EXHIBIT 3

[From the Republican, May 22, 1967]

ELDERLY HEAVILY PENALIZED ON MEDICAL DEDUCTIONS

Elderly people who filed their Federal income tax returns on or before April 17 were allowed to deduct the full cost of drugs and medicines, doctors' bills, and other medical expenses, paid for in 1966, to the extent that these expenses were not reimbursed. But what many elderly people probably do not realize is that, unless the law is changed, they will not be allowed to deduct full medical expenses when they make out their 1967 returns a year from now.

What happened was that, when the Medicare bill was passed, the right to deduct full medical expenses was repealed. The idea seemed to be that, with Medicare, this right no longer would be necessary.

However, Medicare does not provide for payment of any drugs except those administered to elderly patients in hospitals. The elderly man or woman who has to pay $40 or $60 a month, or even more, for costly drugs cannot look to Medicare to pay even a part of these costs. Doctors' bills may be paid for to a certain extent if the elderly person subscribes to the voluntary plan provided for by Medicare and pays his three dollars a month. But even here he must pay a deductible of $50 and 20% of the cost.

This leaves a gap in the overall medical cost picture, so far as numerous elderly persons are concerned. Many elderly persons and couples, especially those who have to pay out large amounts for drugs, will find themselves heavily penalized if the present income tax provisions remain unchanged. The present provisions, incidentally, require all elderly persons to follow the same complicated formula that younger persons have to use in figuring any medical expense deduction. And this formula does not allow you much unless you have been really hard hit by unreimbursed medical expenses.

This is the reason why the Republican Coordinating Committee, representing the top GOP leadership of the nation, has recommended restoration of the right previously granted elderly people to deduct full medical expenses. It is the reason why Republicans in Congress are working to have this right restored.

Prepared under the direction of the Republican National Committee, 1625 Eye Street, N.W., Washington, D.C., Ray C. Bliss, Chairman.)

EXHIBIT 4

(NOTE.—Last session when the Finance Committee reported H.R. 13103, the Foreign Investors Tax Act, the report stated the following on page 58:)

2. MEDICAL EXPENSE DEDUCTIONS OF INDIVIDUALS AGE 65 OR OVER (SEC. 202 OF THE BILL AND SEC. 213 OF THE CODE)

For taxable years beginning before January 1, 1967, existing law provides that a taxpayer age 65 or over can deduct—without regard to the 3-percent floor applicable to taxpayers under 65 years of age—all medical expenses he incurs for himself and his spouse. In addition, all amounts spent for medicines and drugs for himself and his spouse are deductible—without regard to the rule applicable to taxpayers under age 65 that amounts paid for medicines and drugs are taken into account only to the extent they exceed 1 percent of adjusted gross income.

For taxable years which begin after 1966, present law provides that a taxpayer over age 65 is subject to the same rules applicable to a taxpayer under age 65, so far as the 3-percent and 1-percent floors are concerned. That is, medical expenses will be deductible only to the extent they exceed 3 percent of adjusted gross income, and medicines and drugs will be taken into account only to the extent they exceed 1 percent of adjusted gross income.

Your committee's amendment provides that the rules applicable for 1966 to taxpayers 65 years or older shall continue to apply, and not the rules added last year by the Social Security Amendments of 1965 (Public Law 89-97) which were to take effect in 1967. The amendment also restores for future years the existing right of any taxpayer to deduct medical expenses and medicines and drugs for his dependent mother or father if age 65 or over without regard to the 3 percent and 1 percent floors otherwise applicable. The new rules for 1967 were added last year at the insistence of the House which maintained that unlimited deductions were no longer necessary after enactment of the medicare program. The Senate disagreed, and deleted the limitations on deductions for those over age 65 in its version of the medicare bill. The House insisted upon its provision in the conference, and the Senate conferees receded.

In acting to remove the limitation, the committee reaffirms its unwillingness to increase the income taxes on the aged taxpayer by placing a limitation upon the deductibility of his medical expenses or those of his spouse. It believes that the limitation is unfair to the aged taxpayer who provides for his own medical protection and to the taxpayer, even though covered under medicare, who must meet the expenses not covered under the program. For example, the medicare beneficiary has to pay a $40 deductible toward his hospital expenses, a $50 deductible toward his medical expenses, and the uncovered 20 percent of medical expenses in excess of $50. Furthermore, if he is hospitalized for more than 60 days, medicare requires that he pay $10 daily from the 61st through 90th days. If he goes to an extended care facility under medicare, he must pay $5 daily from the 21st through 100th day. And many elderly persons who are hospitalized will not receive medicare payments for their care because of a situation over which they have no control whatsoever; namely, the fact that their local hospital or hospitals may not be participating institutions under the program. In this case, these people have to come up with the cash themselves or call upon some other third-party resources.

Apart from the above reductions, limitations, and exclusions in medicare there are a number of other types of significant health expenses incurred by older citizens which must, in large part, be met out-of-pocket. Such expenses include necessary dental care,

drugs, and long-term hospital or nursing home stays.

It has been estimated that medicare will cover 40 to 45 percent of the health care costs of those eligible for and who can secure its benefits. The remaining 55 to 60 percent of health costs has a serious negative impact upon those elderly struggling to maintain their independence on limited incomes. As we have in the past, it is appropriate that through sympathetic and proper tax treatment we continue to recognize the unusual and heavy health expenses incurred by our older population.

The amendment also will simplify the tax returns of the aged, because the amendment will reduce one additional calculation that they would have to make and which the Internal Revenue Service would be required to verify.

The repeal and amendments made by this section shall apply to taxable years beginning after December 31, 1966.

Mr. PROUTY. Third, Mr. President, I have received letters in support of the pending amendment from various organizations which have the best interest of our older citizens at heart. These letters are indicative of the support which exists for this amendment and illustrative of the great need for it.

Therefore, Mr. President, I ask unanimous consent to have printed in the RECORD letters from the National Conference on Public Employee Retirement Systems; American Association of Retired Persons, National Retired Teachers Association; National Association of Retired Civil Employees; and the American Federation of Government Employees—all of whom endorse this proposal.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

AMERICAN FEDERATION
OF GOVERNMENT EMPLOYEES,
Washington, D.C., August 16, 1967.

Hon. WINSTON L. PROUTY,
Old Senate Office Building,
U.S. Senate, Washington, D.C.

DEAR SENATOR PROUTY: As Legislative Representative of the American Federation of Government Employees, I am happy to place our organization in support of your amendment to H.R. 4765, to amend Section 213(a) of the Internal Revenue Code of 1954 (relating to allowance of deduction for medical, dental, etc., expenses). . . .

For the record I should like to state that the American Federation of Government Employees is the largest of all the Federal and Postal organizations with a membership in excess of 250,000 and a growth rate of about 1,000 per week.

We sincerely believe that your amendment should be adopted and made law, as we feel that the older people should receive all the tax breaks possible. Thousands of these good American citizens are existing on a very limited budget and those who have excessive medical bills are not physically able to supplement their meager incomes.

When the Senate adopts your amendment and approves H.R. 4765, the AFGE will do our best to persuade the House of Representatives to accept your amendment.

I should appreciate this statement being made part of the official record.

Most sincerely,

THOMAS G. WALTERS,
Legislative Representative.

NATIONAL CONFERENCE ON PUBLIC
EMPLOYEE RETIREMENT SYSTEMS,
Columbus, Ohio, November 7, 1967.

Hon. WINSTON L. PROUTY,
Senate Office Building,
Washington, D.C.

DEAR SENATOR PROUTY: This Conference, consisting of more than 100 public employee retirement systems and their affiliated organizations, is vitally concerned that under present law thousands of persons who will reach age 65 on and after January 1, 1968 will not be eligible for benefits under Part A of the Medicare Act.

The Conference will be grateful to you if you will introduce an amendment to correct this inequity during Senate debate on H.R. 12080.

The legislative committee of the Conference consists of Carl Bare, Ernest Giddings and Martha Ware. These members will give you any possible assistance at your request.

Most sincerely,

WARD ASHMAN,
Secretary, NCPERS.

AMERICAN ASSOCIATION OF RETIRED
PERSONS, NATIONAL RETIRED
TEACHERS ASSOCIATION,
Washington, D.C., August 24, 1967.

Hon. WINSTON L. PROUTY,
Senate Office Building,
Washington, D.C.

DEAR SENATOR PROUTY: Included among the objectives adopted by the Legislative Council of the American Association of Retired Persons and the National Retired Teachers Association is the following:

"We urge Congress to permit persons age 65 and over to deduct all expenses for drugs and other medical expenditures from their Federal income taxes."

We believe your Amendment No. 242 to H.R. 4765, the Bank Holding Act, will accomplish this goal. Therefore, on behalf of the over one million members of the two Associations, I offer our full support and cooperation.

Respectfully yours,

ERNEST GIDDINGS,
Legislative Representative.

NATIONAL ASSOCIATION OF
RETIRED CIVIL EMPLOYEES,
Washington, D.C., August 24, 1967.

Hon. WINSTON L. PROUTY,
U.S. Senate,
Old Senate Office Building,
Washington, D.C.
(Attention Mr. J. Paul Molloy).

DEAR SENATOR PROUTY: This is to state that we are delighted with your Amendent No. 242 which you intend to propose to H.R. 4765. Your Amendment would restore to an income tax payer age 65 or older the privilege of deducting from income for income tax purposes all medical or drug expenses not covered by Medicare or other insurance, for himself and spouse.

This was a privilege which these taxpayers had prior to 1967, and its loss is a hard blow to our older citizens when they are forced to incur large hospital, medical and drug expenses. Your Amendment No. 242 will be of great help to them.

We intend to do all we can to secure the adoption of Amendment No. 242, and if the Senate approves of it and of H.R. 4765, we will cooperate in every way to get the approval of the conferees.

With best wishes,
Sincerely yours,

CLARENCE M. TARR.

Mr. PROUTY. Finally, Mr. President, I would like unanimous consent to have a table inserted in the RECORD at this point. I referred to this table in connection with my remarks on the Williams amendment earlier today. It is the revised version of a chart which illustrates the large and unnecessary surplus existing in the social security trust fund. This chart, Mr. President, is graphic substantiation of the fact that the fund is overfinanced, a point agreed to by the distinguished Senator from Louisiana [Mr. LONG] a few days ago.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

COMPARISON OF CONTRIBUTION INCOME AND BENEFIT OUTGO UNDER PRESENT LAW AND OTHER PROPOSALS AS COMPILED BY SENATOR PROUTY

	Contributions under present law	Benefits provided under bill reported by Finance Committee	Surplus or deficit (−)
1967	$28,500,000,000	$	$4,300,000,000
1968	29,600,000,000	29,000,000,000	600,000,000
1969	33,700,000,000	32,700,000,000	1,000,000,000
1970	35,200,000,000	34,400,000,000	800,000,000
1971	36,200,000,000	35,900,000,000	300,000,000
1972	$37,200,000,000	$37,400,000,000	−$200,000,000
Net increase of contributions over benefits, 1967–72			6,800,000,000
Surplus as of Dec. 31, 1966 [1]			22,307,000,000
General surplus, 1972			29,107,000,000

Footnote at end of table.

COMPARISON OF CONTRIBUTION INCOME AND BENEFIT OUTGO UNDER PRESENT LAW AND OTHER PROPOSALS AS COMPILED BY SENATOR PROUTY—Continued

	Contributions under Finance Committee bill	Benefits under Finance Committee bill	Surplus or deficit
1967			$4,300,000,000
1968	$31,200,000,000	$29,000,000,000	2,200,000,000
1969	36,300,000,000	32,700,000,000	3,600,000,000
1970	38,300,000,000	34,400,000,000	3,900,000,000
1971	42,500,000,000	35,900,000,000	6,600,000,000
1972	46,000,000,000	37,400,000,000	8,600,000,000
Net increase of contributions over benefits 1967–72			29,200,000,000
Surplus as of Dec. 31, 1966 [1]			22,307,000,000
General surplus, 1972			51,507,000,000

	Contributions under present law	Benefits under present law	Surplus or deficit
1967	$28,500,000,000	$24,200,000,000	$4,300,000,000
1968	29,600,000,000	25,500,000,000	4,100,000,000
1969	33,700,000,000	26,900,000,000	6,800,000,000
1970	35,200,000,000	28,200,000,000	7,000,000,000
1971	36,200,000,000	29,400,000,000	6,800,000,000
1972	37,200,000,000	30,800,000,000	6,400,000,000
Net increase of contributions over benefits 1967–72			35,400,000,000
Surplus as of Dec. 31, 1966 [1]			22,307,000,000
General surplus 1972			57,707,000,000

	Contributions under House bill	Benefits under House bill	Surplus or deficit
1967			$4,300,000,000
1968	$30,800,000,000	$28,700,000,000	2,100,000,000
1969	34,900,000,000	30,300,000,000	4,600,000,000
1970	36,500,000,000	31,700,000,000	4,800,000,000
1971	40,300,000,000	33,100,000,000	7,200,000,000
1972	42,000,000,000	34,600,000,000	7,400,000,000
Net increase of contributions over benefits 1967–72			30,400,000,000
Surplus as of Dec. 31, 1966 [1]			22,307,000,000
General surplus, 1972			52,707,000,000

[1] Combined OASI and DI funds.

Note: In the year 2000, using intermediate-cost assumptions, the Social Security Administration has estimated a surplus of over $344,000,000,000 (p. 179, pt. 1, Hearings Before the Ways and Means Committee).

The PRESIDING OFFICER. Who yields time?

Mr. LONG of Louisiana. I yield myself such time as I may require.

Mr. President, when this amendment was voted by the Senate a year ago, as I recall, I favored it. May I say that the more I study it, however, the less enthusiasm I have for it and the less merit I find in it. I say this because the studies indicate that the people who would benefit from the amendment most are the elderly with the very largest incomes. It also would cost the Government a great deal of money as the Senator from Florida [Mr. SMATHERS] acknowledged—$110 million more than the Finance Committee amendment and $210 million more than present law.

As I have said, the benefits would be concentrated among those who are in the upper income brackets, who do not really need it. Most aged people do not pay any income tax at all, because they have the double exemptions and also either an exclusion for their social security benefits or the retirement income credit. Therefore, they either do not pay an income tax at all or, if they do, many of them take the standard deduction, with the result that the pending amendment would not help them. It would help only someone who pays taxes and then only if he itemizes his deductions.

Mr. President, if one looks at how the $210 million of revenue loss resulting from the restoration of pre-1967 law would be distributed, the 60,000 people who are in income brackets over $50,000 a year would get nearly one-half of the total benefits under this provision. That would mean an average tax benefit of about $1,500 apiece for those people who are already in the high-income brackets and need this help the least. Out of the slightly over half of the benefits which are left, nearly a half of these benefits—or about a quarter of the total—would go to people making between $20,000 a year and $50,000 a year—people who have large amounts of real estate, stocks, and other large investments. Those are the people who are to be given the special right to deduct all of their medical expenses, even though they do not exceed 3 percent of their adjusted gross incomes. They are to be given unlimited deductions insofar as medical expenses are concerned. Between those two categories—that is, those with adjusted gross incomes of $20,000 and over—we have accounted for more than two-thirds of the total benefits involved.

Persons in the bracket of $10,000 to $20,000 who are retired would get almost one-half of the benefits remaining. Those in the income brackets of $5,000 to $10,000—and that is the largest group in terms of the number of people involved since there are about 860,000 of them—who could claim some need would get only about one-eighth of the total benefits which the bill provides.

With regard to 600,000 people in income brackets of 0–$5,000, they would get only a pittance of the benefits provided by this amendment, or about $8 million of the benefits involved.

As a practical matter the committee felt, in view of the fact that the Senate voted on an identical proposal before, that we might try to hold the costs of this proposal down by saying the elderly could deduct their entire medical expenses, including the first 3 percent; but if anyone found it to be to his advantage to do so, then he should waive advantages under the medicare program. The latter was felt to be a proper restraint to hold the cost own to $100 million. These who waive their rights to medicare certainly are the only ones who can claim that they have not been helped—and helped very substantially—by the adoption of the medicare program.

Mr. President, I shall not insist on a rollcall vote. But I find less and less appeal in this proposal when I see who gets the benefits. It seems to me that it provides very liberally for those whose need is little and practically nothing for those who need it the most. I have no enthusiasm for the amendment and I shall not vote for it.

I recognize that there are not many Senators in the Chamber to hear the debate. If I insisted on the yeas and nays they would all come in and vote, perhaps as they did a year ago. Therefore, I shall let the matter go on a voice vote.

Mr. SMATHERS. Mr. President, I hope that Senators here vote "yea."

I yield back the remainder of the time.

The PRESIDING OFFICER (Mr. BREWSTER in the chair). All time having been yielded back, the question is on agreeing to the amendment of the Senator from Florida [Mr. SMATHERS]. [Putting the question.]

The amendment was agreed to.

Mr. CURTIS. Mr. President, I send to the desk an amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk proceeded to read the amendment.

Mr. CURTIS. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered, and, the amendment will be printed in the RECORD.

The amendment, ordered to be printed in the RECORD, is as follows:

On page 91, line 3, strike out "Nebraska and".

On page 91, insert a period at the end of line 7.

Beginning on line 8, page 91, strike out all down through line 2, page 92, and insert the following:

"(b) In any case in which—

"(1) an individual has performed services prior to the enactment of this Act in the employ of a political subdivision of the State of Nebraska in a fireman's position, and

"(2) amounts equivalent to the sum of the taxes which would have been imposed by sections 3101 and 3111 of the Internal Revenue Code of 1954 had such services constituted employment for purposes of section 21 of such Code at the time they were performed, were timely paid in good faith to the Secretary of the Treasury, and

"(3) no refunds of such amounts paid in lieu of taxes has been obtained, the amount of the remuneration for such services with respect to which such amounts have been paid shall be deemed to consti-

tute remuneration for employment as defined in section 209 of the Social Security Act."

Mr. CURTIS. Mr. President, this amendment relates to a small matter which is already covered in the bill. In the city of Columbus, Nebr., social security taxes were erroneously paid for some five or six firemen when they were not covered by social security, but they thought they were and the city thought they were covered.

One of these gentlemen reached retirement age, applied for benefits, and he started to receive them. Then, they were discontinued. Another man who is now between 67 and 68 years of age, who had paid into social security, applied for benefits, but it has been held he was erroneously covered.

In the bill before us, this matter is corrected. It is corrected, however, by validating the employment as erroneously covered, but also removing Nebraska from the prohibition that firemen shall not be covered generally.

The way the provision is written it is met with objections and opposition on the part of organized firemen and individual firemen in a number of localities. The amendment I have offered reaches the objective of validating the social security covered that affects these few men and particularly these two men without changing the status in regard to the eligibility of firemen generally in the State of Nebraska.

Mr. President, it is a minor amendment and I hope the committee sees fit to accept it.

Mr. LONG of Louisiana. Mr. President, I have no objection to the amendment, unless someone wishes to oppose it.

I yield back the remainder of my time.

Mr. CURTIS. I yield back the remainder of my time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment of the Senator from Nebraska. [Putting in the question.]

The amendment was agreed to.

Mr. LONG of Louisiana. Mr. President, I yield myself 1 minute on the bill.

The PRESIDING OFFICER. The Senator from Louisiana is recognized.

Mr. LONG of Louisiana. Mr. President, I have discovered that there was a technical defect in the Harris amendment which was agreed to yesterday. I therefore ask unanimous consent to have placed in the Harris amendment, which was passed yesterday, an appropriate designation of the statute being amended.

The designation should have read:

(c) Sec. 402 (a) of such Act is amended by adding at the end before the period the following: "; and (25)".

The amendment with appropriate designation would read as follows:

On page 251 between lines 10 and 11 it is proposed to insert the following: "(c) Sec. 402 (a) of such Act is amended by adding at the end before the period the following: '; and (25) effective July 1, 1969, provide for assistance to children in need because of the unemployment of their father as provided in Sec. 407.'"

The PRESIDING OFFICER. Is there objection to the request of the Senator from Louisiana? The Chair hears no objection, and it is so ordered.

Mr. KENNEDY of New York. Mr. President, I wonder if I might engage in colloquy with the distinguished Senator from Louisiana in connection with some provisions of the bill which we have had discussions about today.

The PRESIDING OFFICER. Who yields time?

Mr. LONG of Louisiana. Mr. President, I yield 5 minutes.

Mr. KENNEDY of New York. Am I correct that when the State welfare agency has reason to believe a child's home is unsuitable because of neglect or abuse of the child, the State agency is to report it to the courts?

Mr. LONG of Louisiana. The Senator is correct.

Mr. KENNEDY of New York. In connection with this report to the courts, then, am I correct in inferring that the State agency is therefore to make its own initial finding based on such evidence as it has, that the home is unsuitable?

Mr. LONG of Louisiana. The Senator is correct.

Mr. KENNEDY of New York. As I read the language of the new section 402(a) (16) and the accompanying legislative history, am I correct in my inference that Congress does not intend that in making this initial finding the State agency is to be governed by a different standard of neglect or abuse than that which applies to the rest of the population under the applicable State laws?

Mr. LONG of Louisiana. If I understand the Senator's inquiry, let me assure him that there is no intention that State agencies apply any different standard to families on welfare in determining whether a child has been neglected. The standards that should be applied in such a case are the standards which would be applied in that State with respect to any other family where a child neglect question is raised.

Mr. KENNEDY of New York. The Senator has understood my inquiry, and I appreciate his answer.

Am I correct in my understanding that the intent of the new section 402(a) (17) of the law is to indicate Congress concern that, wherever possible, paternity of children should be established and support obtained from the father?

Mr. LONG of Louisiana. The Senator is correct.

Mr. KENNEDY of New York. Am I correct that based on my reading of the bill and the committee report, that the committee does not intend by this new paragraph 17 that establishment of paternity is a prerequisite for obtaining AFDC?

Mr. LONG of Louisiana. The Senator is correct, It is a purpose of the provision of our bill just as it was the purpose of the provision in the House bill, that the State agency should seek to obtain support from a father who has abandoned his children and left them on welfare.

I have been inclined to think perhaps the State might require it, not as a condition of aid to the child, but as a condition of paternity and the mother identifying as the mother; but there is nothing in the bill to say that. We are talking about the House language of the bill. This is not the Senate language.

Mr. KENNEDY of New York. We are establishing that, during the period of time the effort is being made to establish the paternity of the child, the child will not lose the welfare payment.

Mr. LONG of Louisiana. So far as I know, there is nothing in the bill to suggest that.

Mr. KENNEDY of New York. Let me state to the Senator that there was some confusion in language about it. I want to make sure that it is clarified. That was the purpose of the colloquy.

Mr. LONG of Louisiana. So far as I know, the language does not say that.

Mr. KENNEDY of New York. It is not the intent.

Mr. LONG of Louisiana. The Senator well knows that if the committee language does not say it, then it is not there.

Mr. KENNEDY of New York. I note a reference in the new section 402(a) (19) (D) on page 276 to payments under section 408 as being among those which can be continued to dependent children in the event an appropriate person refuses to participate in the work-incentive program. If I am correct in my understanding, these are payments to children in foster homes.

Mr. LONG of Louisiana. The Senator is correct.

Mr. KENNEDY of New York. Based on my reading of the bill and the committee report, am I correct that this reference to foster-home payments is only for the purpose of indicating that this is one form in which payments to dependent children might continue to be made and that there is no implication that the refusal to work by the mother or responsible relative is to be construed per se as neglect, which would trigger removal of the child from the home and place him in the foster home?

Mr. LONG of Louisiana. The Senator is correct. There are three types of payments that we make under the AFDC program in addition to the cash payment directed to the family. The first are the so-called protective payments where for one reason or the other it is determined that the adults in the family are not using the cash payments for the best interest of the children.

I am advised that across this country there are only 36 instances in which these payments are being used today. The second are vendor payments where the money is paid to the seller of goods and services. The third type of payment is the foster-home payment. The provision in our bill says that when a person who has been referred to a work situation refused without good cause to accept the work or undergo training to which he might be referred, that after 60 days if he still refuses, these three categories of payments are the only kind of payments that can be made with respect to the dependent children in that family.

It does not say, and should not be construed to reflect any intention, that a failure to work is a cause for taking a child from a parent and placing it in a foster home. However, if that child is in a foster home and its parent refuses to accept work or undergo training beyond the 60-day grace period, we want an assurance in the bill that the foster-care payments with respect to his child can be continued. That is what the reference in our bill means. We want to be sure that dependent children are not deprived of the care and support they need because of the faults of others in their family.

Mr. KENNEDY of New York. I thank the Senator from Louisiana.

AMENDMENT NO. 465

Now, Mr. President, I call up a modified version of my amendment No. 465 and ask that it be stated.

The amendment will be stated.

The assistant legislative clerk proceeded to read the amendment.

Mr. KENNEDY of New York. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered; and the amendment will be printed in the RECORD at this point.

The amendment offered by Mr. Kennedy of New York is as follows:

On page 275, at the end of line 18, add the following: "a mother or other relative who is actually caring for one or more children under the age of 16 who are attending school, except where participation in such work program does not necessitate the absence of such mother or relative from the home during hours when the child or children are not attending school, or".

On page 275, line 20, after "find", insert ", in accordance with criteria established by the Secretary,".

On page 278, strike everything from line 13 through line 16, and insert in lieu thereof "shall be continued;".

On page 285, strike everything from line 16 through line 22.

On page 286, line 2, strike "—".

On page 286, line 3, strike "(1)".

On page 286, strike everything from line 5 through line 9.

Mr. KENNEDY of New York. Mr. President, I ask for the yeas and nays on my amendment.

The yeas and nays were ordered.

Mr. KENNEDY of New York. Mr. President, this amendment is intended to modify what I believe is a coercive aspect of the work incentive program contained in the bill. The amendment has the cosponsorship of 15 Senators from both sides of the aisle: Senators BROOKE, CASE, CLARK, HART, JAVITS, KENNEDY of Massachusetts, KUCHEL, McGEE, McGOVERN, MONDALE, MORSE, MUSKIE, PELL, WILLIAMS of New Jersey, and YARBOROUGH.

Perhaps the greatest failure of welfare in this country has been its damage to the fabric of family life. Too often it has forced fathers to leave home so that their families might obtain assistance, such assistance being unavailable unless the home breaks up. Just yesterday, the Senate, recognizing how profoundly damaging and undesirable this is, adopted the Harris amendment to make aid to dependent children of unemployed fathers a mandatory part of each State's welfare plan.

Yet the work incentive plan which the committee has proposed, although constructive in its general purpose, takes a step in the direction of the broken home. It will force mothers who have children attending school to work, during or after school hours, during months when school is in session and during vacation period. School-age children will be forced to come home to an empty house, the proverbial latchkey children whose names so often are found on the rolls of the juvenile court.

As the legislation reads at the present time, we have accepted the idea that a mother with preschool children should remain at home and that the mother should not be forced to work under those conditions. I think that is important. But where the legislation falls down is where the mother has a child 8, 9, 10, 12, 14, or 15 years of age, and the mother is taking care of one or more such children, and she has a responsibility for those children. That legislation requires that the mother, despite the fact that she cares for those children and has a responsibility for them, has got to go out to work during a period of time that those children are off from school, or during the summer.

She is unnecessarily coerced. The idea of breaking up the family home, the family unit is not good. I believe that we should move in the opposite direction an encourage the mother to remain at home with the children.

My amendment accepts the idea that while children are in school, the mother can work during that period of time; but when the children are out of school, or on vacation, or during the summer, the mother, it seems to me, should remain at home to take care of the children.

Another part of the legislation which is a matter of concern to me, and is dealt with by this amendment, provides that where the mother does not participate in the work program, her welfare assistance is not only automatically cut off from her but she also no longer has the right to handle that money, there is then established a procedure where a third party is brought in and the money is handled through that third party.

Once again, it breaks down the concept of the home idea, of the family unit and the importance of the mother. Perhaps the mother is wrong. But, perhaps she is right, that a particular job has been established for her and that it does not make much sense. Perhaps she wants to stay home with the children and says, "That is more important for me to do." Here we are taking the step of cutting off aid to the mother but, it seems to me, it also destroys the mother's position in the home by saying that she is no longer going to receive welfare assistance and that it will be automatically handled through a third party, which I think is a bad mistake.

I recognize that there will be instances when it will be necessary to go through a third party. But it should be left to the State to make that judgment or determination; it should not be made by Congress. Congress should not decide that every mother who should refuses to work under our program should no longer be considered fit to handle funds under the welfare program.

Mr. HART. Mr. President, will the Senator yield?

Mr. KENNEDY of New York. I yield.

Mr. HART. First, let me thank the Senator from New York for submitting the proposal that is now pending. As he has indicated, a number of us feel that it makes very good sense. Most times in the Senate we are talking about things that are, at best, subject to tentative conclusions—to bomb or not to bomb; when will we get to the moon and is it worth it? But what we are talking about now is whether it makes sense for a mother to stay at home on a Saturday with her 9-year-old son. I have no difficulty in deciding it does.

Mr. KENNEDY of New York. That is correct. May I give the Senator another example? The Senator well knows that children in the first, second, and third grades may return from school by 1 or 2 o'clock. The mother's work might require her to leave the house at 8 o'clock in the morning. Perhaps the children do not go to school until a quarter of 9. The mother may have to work until 4 or 5 o'clock in the afternoon. Thus the children might be at home by themselves for those 4 or 5 hours.

Saturdays are another example. Also the summer months. Those are times when a mother would like to be with her children. It seems to me that a mother should be with her children until they are at least 16 years of age.

Mr. HART. I suspect that some persons who listened to the colloquy between the Senator from New York and the Senator from Louisiana [Mr. LONG] will judge that we are anxious to insure that mothers stay on the job supervising their children so our Saturdays could remain free. That is not the point. The point is that one does not have to be a Ph. D. in psychology to know that one of the most critical needs, in terms of directing a child, disciplining a family, and insuring, to the extent that a family can, that a child does not get into trouble, is to have a parent at home when the child is not in school.

As I understand, the Senator from New York is directing our attention to the fact that the bill as reported has exactly the opposite effects. It will require, subject to forfeiture of money, that the mother leave home at a time when the child is there. As I say, I really feel confident that our judgment with respect to the amendment would be sound in the verdict of history—and we would not have to wait long for this one.

Also, the Senator from New York makes the point that the intrusion of a third party as a mandatory method of channeling money, in the event of a definite failure or refusal to work on the part of the mother, does not contribute to a strong family bond. As the Senator from New York says, there are very good reasons which would persuade a mother not to leave the home. In fact,

a casual observer might say that her motive was of the very best if she thought the place for her was at home with her young child, and to intrude in a mandatory sense, rather than the method that is established under existing law, to have a third party handle the money initially, makes no sense.

It may be that all of us have inherited the notion that work is holy, that work is always good, that there is no purpose higher in life than to work; but for a mother with a 9-year-old child, there is a higher purpose, and let us make sure that the Congress does not make it more difficult for her to achieve that highest of all purposes, to be home with the child.

Mr. KENNEDY of New York. I appreciate the statement of the Senator.

I reserve the balance of my time.

Mr. JAVITS. Mr. President, I yield myself 2 minutes on the bill. I, too, join in support of this amendment of the amendment of the Senator from New York.

I would like to put to the Senate this. I testified before the Finance Committee in favor of this amendment. So did my colleague from New York. I laid before the committee the proposition that the mother should be the one to make the decision, and no welfare department should make the decision, as to whether the mother is needed in the home.

Is that the essence of the Senator's amendment—that when the mother thinks she is needed in the home, and the children are not in school, she is the one who should be making the decision?

Mr. KENNEDY of New York. It seems to me this is not a question of forcing men to work; this is a question of forcing a mother to work who may have children of 7, 8, 9, 10, or 15 to take a job to clean someone's latrine, perhaps.

Mr. JAVITS. Because the government insists that she must.

Mr. KENNEDY of New York. Because it is in the law, and some bureaucrat insists that that mother should be cleaning the courthouse window instead of taking care of her children.

Mr. JAVITS. Then we complain of broken families and of young people who go out on the streets and juvenile delinquents of 10, 11, 12, and 13.

Mr. KENNEDY of New York. And of course, the mothers would have to take almost any kind of a job and the payments of those mothers may not be even the minimum wage.

Mr. JAVITS. I hope the Senate adopts the amendment. From my own experience, I assure the Senator that this amendment is greatly needed.

Mr. LONG of Louisiana. Mr. President, I yield myself such time as I may require.

This is a part of the program where the House committee found the greatest abuse and the greatest growth in the abuse of the welfare program. During the last 10 years the number of people receiving aid to dependent children has more than doubled. The cost of the program has doubled. It is expected to keep on increasing at this rate unless we do something about it.

If we do not do something to restrain the cost of this program, and carry it on as it is going now, it is estimated that within a couple more years the cost of this program will go to $3 billion a year.

This is the section of the law about which the House showed great concern, a program in which there are second and third generation welfare clients. The Senate committee did not see fit to put a freeze on the number of people receiving the benefits, as the House proposed. The House felt it needed to be very tough on this, because this is where the greatest abuse is in the welfare program.

We said we will do the best we can. We will offer training to these mothers. We will give them lawyers to help them go to court and get alimony from the husbands. We will provide subsidized employment. We will make contracts with hospitals and universities to help them clean up the slums or grounds.

We will do everything that the mind of man can conceive of to help put these people to constructive work—for the first time in their lives for many of them and, for that matter, for the first time in the lives of the fathers and mothers of many of them. We have been trying to provide constructive ways to get these people to work.

It was suggested by the Senator from Nebraska that we did not want to ask a mother who had a child of preschool age to go to work. We said, "Fine." We said, affirmatively, under Federal law, that the mother is not to be required to do any work for the money she is getting from society and we will not ask her, as a condition of welfare, that she do some work to her own advantage. We proceeded to say that if that person were disabled or were incapacitated, or for any other reason that occurred to the committee as a reason for her not being required to work, she should not have to work.

The most expensive item in the welfare program is the proposal that we will increase the cost of the bill by hundreds of millions to provide day-care centers and training facilities to provide incentives for people to help themselves.

Having done all this, we provide that there must be day care for the child; that there must be someone to look after the child. Having provided this, at great expense, then it is suggested that if a mother has a child of less than 16 years of age, she does not have to pay for her welfare payments, even though there is a job which she is capable of doing, even if it is no more than cleaning up the litter in front of her home, which some highly paid people do in their own cases because no one else is available to do it.

So when we provide day care for a child—we are not talking about preschool age; we are talking about school-age children—the Senator would still insist that if she has a child younger than 16, the mother would not have to do so much as swat a mosquito off her leg as a condition for getting aid from the government.

We say in a case like that there is no reason why the mother should not do something. The child is in school. She can work. If we provide day-care facilities while she is at work or someone to take care of the child after that, then there is no reason why the mother should not work.

So at least in some cases, we would hope that we might be able to get as many as one-third of these mothers who draw welfare money to do something constructive for society, at additional pay, in return for the welfare assistance they draw.

The Senator would negate that entirely by his amendment, and just fix it up so that a mother with 15- or 16-year-old children would be privileged to decline to work, and continue to draw welfare payments.

Keep in mind, if the mother does not want to do anything, we would continue to pay the money for the benefit of the child. We just would not pay a welfare payment to the mother for her benefit, and we would reserve the right not to pay it to the mother, but to someone else, just to make sure that she is not spending it for a hi-fi or LSD instead of for the benefit of the children.

Mr. President, there are people right in this building who hire 15- and 16-year-old children as babysitters to give their wives a much-deserved evening out from time to time. If those children, in that age bracket, can very constructively and usefully do work themselves, there is no reason why they should be seized upon as an excuse for their mother to do nothing.

But as I say, it is provided in the bill that we will provide a way to care for the child, either through day care or otherwise, when the mother is not there. Especially when the child is not in the home, there is no reason why the mother should not do what other women do when they find themselves widows, or find themselves alone, with the necessity to support a child—do something to support themselves, rather than rely on society entirely to support them.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield to the Senator from Nebraska.

Mr. CURTIS. Mr. President, I doubt whether the pending amendment should be adopted. The Committee on Ways and Means proceeded in a manner that they thought would be helpful to the welfare recipients. Their objective was to have people removed from relief rolls and become productive members of society, and they provided incentives and training, and then requirements to work.

They said that a mother or other person in the AFDC program should be required to take this training, and work, in every appropriate case. The Committee on Finance decided that we ought to write some guidelines as to what was an appropriate case. They are found at page 275 of the bill.

The bill provides that it is not appropriate to make this requirement of "a person with illness, incapacity, advanced age, or so remote from any of the projects under the work incentive programs established by part C that he cannot effectively participate under any of such programs, or a child attending school full time, or a person whose presence in the home on a substantially continuous basis

is required because of the illness or incapacity of another member of the household."

Then here is some language that the junior Senator from Nebraska offered: "a mother who is actually caring for one or more children of preschool age," and so on.

These people are not required——

Mr. LONG of Louisiana. Mr. President, will the Senator yield for one further point?

Mr. CURTIS. I yield.

Mr. LONG of Louisiana. The Senator knows, in addition to the other areas, that we have the McCarthy amendment, which says that if the State wishes to find that the mother should not work for any conceivable reason the State can think of, the State may negate the entire program.

Mr. CURTIS. Yes. But going one step further, to provide that any mother, or a child under 16, should not work or take training, would do, in my opinion, a disservice to the beneficiaries.

The purpose of the House of Representatives in writing this language into the bill was to enable people to move out of the relief category into a condition of self-support. As the distinguished Senator from Louisiana has stated, day care has been provided, incentives, retaining part of the benefit while you draw some wages—many things have been done.

Mr. KENNEDY of New York. Mr. President, will the Senator from Nebraska yield?

Mr. CURTIS. I shall in just a moment.

What is happening in this country is that certain families, from one generation to another, remain in the category of welfare recipients. This is an attempt to get them out. I do not think that the amendment offered, which would take away these persuasions, if you please, or these compulsions for work and training for everyone who has children under 16, is in the interest of either the parents or the children.

I yield now to the Senator from New York.

Mr. KENNEDY of New York. I remind the Senator from Nebraska that we are not talking about just any parents. We are not even talking about the father. We are talking about the mother. We are talking about a mother who might have a child 9 or 10 years old, who gets home from school at 1 o'clock. Is the Senator in favor of a system in the United States where we are going to force the mother to go out and work until 1 o'clock in the afternoon? I thought one of our great objections to the Soviet system was its practice of taking children and turning them over to the state. That is exactly what we would be doing here.

Mr. CURTIS. No; I——

Mr. KENNEDY of New York. If I may finish, to take the children out of the home, up to the age of 16, and turn them over to the state, whether the mother likes it or not. I cannot believe that the United States would accept that system.

Mr. CURTIS. No, I do not agree. In the first place, I do not know of any place where 9-year-old children are discharged from school at 1 o'clock.

Mr. KENNEDY of New York. I can tell the Senator from Nebraska, and anybody who has a 9-year-old child knows the schools are discharging them.

Mr. CURTIS. But, to state another illustration, under the Senator's amendment, a child 15½ years old in the home——

Mr. KENNEDY of New York. Could I ask the Senator——

Mr. CURTIS. Would enable the mother to take advantage of the provision, and decline the opportunity for her own improvement.

Mr. KENNEDY of New York. Is the Senator from Nebraska suggesting sending a 15½-year-old child to a day care center?

Mr. CURTIS. Not necessarily, at all.

Mr. KENNEDY of New York. Where would the Senator put the child? That is what we are talking about. Would the Senator send him to a child care center, a child 15 years old? What does the Senator think would happen in that child care center?

Mr. CURTIS. There are many organized activities that take place in all of these communities.

Mr. KENNEDY of New York. What would they be doing in these communities that the Senator is talking about? In Harlem, for example, for 15-year-olds? I thought what we were trying to do was keep them in the family.

Mr. CURTIS. I think it is this simple: Here is an opportunity, with day care provided, training, incentives to retain part of the benefits and still get people to earn wages—an opportunity for those children to eventually live in a home that is not on welfare; and the pending amendment, I believe, is one more roadblock in the way of bringing that about.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. KENNEDY of New York. I yield.

Mr. HART. Mr. President, will the Senator yield?

Mr. CURTIS. I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. KENNEDY of New York. I yield to the Senator from Michigan.

Mr. HART. I would suggest to Senators who have forgotten what it is like to have a child from 5 to 15 years of age that they have put the cart before the horse. If Senators do not want to make a mother go away from home while the child is there, do not say she can go away while the child is between the age of 9 and 15. Tell her to go away when she can send him to some nursery, when he is 3 or 5. That would make much better sense. It is the children of 10 to 15 who get into trouble without the parent, not those from 3 to 5.

Mr. CURTIS. Mr. President, I am not willing to concede that there is any preschool child who does not need his mother. [Laughter.]

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. HART. I yield.

Mr. JAVITS. The difficulty with this debate is that we are not keeping in mind the way this particular bill is written. The way it is written, Mr. President, the mother with children within the legal age can be compelled to work during the time the child is not attending school. That is what we wish to correct.

That is what we are after. She can be compelled to work as far as we are concerned when the child is attending school. The question is what happens thereafter. As has been properly said, that child is not eligible for day care and, in addition, under the bill that mother can work voluntarily, which adds to the argument of the Senator from Nebraska, or she can work and retain a large part of her earnings.

The psychological aspect of this matter that has not been mentioned is that 26 percent of the kids in that wage level are practically parentless and wandering around. They are from Harlem. That is what creates the problem. Forty-six percent of the people in Harlem are from broken homes.

That is what we are talking about. We are not talking about nice people from nice neighborhoods, but about nice people from slum or ghetto neighborhoods.

This is an effort to face the actual problem, and not talk about us managing their lives.

Such a mother can work, in her judgment, if she wants to. And we should not make her do so, which is the intent of the bill. We should adopt the amendment, and I hope the Senate does so.

Mr. LONG of Louisiana. Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. The Senator from Louisiana has 2 minutes remaining on the amendment.

Mr. LONG of Louisiana. Mr. President, the senior Senator from New York just got through explaining what a sorry situation exists in Harlem. That is what we are trying to correct.

Some of the best mothers in America, and the most responsible ones, hold their families together when the fathers are not available to support them—in the event of death or some unforeseen tragedy.

The mothers go to work and earn many times as much as they would receive on public welfare or from any other kind of charity. They find somebody to look after the child while they are working.

The mothers find somebody to look after the child from 3 o'clock until 5 o'clock when the mother is not home.

We would spend $100 million to relieve these mothers of that kind of problem and provide somebody to look after the child. The social worker is obligated to find somebody to look after the child when the mother is not there.

The mothers would then have no excuse under the sun for refusing to do something constructive, if it is nothing more than to clean up the mess in front of their own houses.

When she no longer has any excuse not to work, she will lose her welfare check if she does not work. We reserve the right to pay that welfare check so that it will benefit that child.

We do not want to have the mother sitting around and drinking wine all day. There is no excuse for her not doing some sort of constructive work. We pro-

pose to say: "Either you do something to help yourself, or we will not pay you the welfare check. The child will get it, but not you."

We hope on that basis to put some of these people to work.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. LONG of Louisiana. Mr. President, I yield myself an additional 2 minutes.

The PRESIDING OFFICER. The Senator from Louisiana is recognized for 2 additional minutes on the bill.

Mr. LONG of Louisiana. Mr. President, if a State can think of any conceivable reason beyond what the committee could think of as to why this mother should not do something to help herself and her children, the State can negate the whole program. However, I cannot support an amendment that would provide that the State could not have an effective work program, even if it wanted to.

We are urged to fix it up by Federal fiat so that even if a State wanted to have an effective work program, it could not have it. And all because we are so solicitous of people who never did a lick of work in their whole lifetime, and who do not propose to do so because they have a child of school age, that we are prepared to let them use that as an excuse to continue to draw welfare for their child from now on into eternity rather than help themselves.

Mr. President, if the pending amendment is agreed to, the House will not take it, and the House will be in good grace doing what the Chairman of the Ways and Means Committee said—if the Senate cannot stand up and be a little tough on this program, it will cost the Government $3 billion.

The House will not let us have any bill before they will let this kind of thing continue.

We can vote for an effective State provision or do without any law.

Mr. KENNEDY of New York. Mr. President, I ask unanimous consent to have printed at this point in the RECORD a letter from the American Public Welfare Association under date of November 21, 1967, supporting the amendment I have offered today.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

AMERICAN PUBLIC WELFARE ASSOCIATION,
Washington, D.C. November 21, 1967.

Hon. ROBERT F. KENNEDY,
U.S. Senate,
Washington, D.C.

DEAR SENATOR KENNEDY: I wish to to express to you the support of the American Public Welfare Association for the proposed amendment number 465 to the Social Security bill with reference to the employment of AFDC mothers jointly introduced by you and fifteen other Senators.

It is the position of this Association that full employment at adequate wages should be the goal for all persons who are employable and whose services are not needed in the home. H.R. 12080 will provide new resources to enable and encourage many recipients of assistance to attain that goal. At the same time we believe that the provisions in your amendment are necessary in order to give assurance that mothers will be permitted to remain at home when needed to care for their children. Your amendment would rephasize the declared purpose of the existing law "to help maintain and strengthen family life and to help such parents or relatives to attain or retain capability for the maximum self-support and personal independence consistent with the maintenance of continuing parental care and protection."

This amendment is consistent with positions which have long been held by our Association and with our testimony given to the Senate Finance Committee on H.R. 12080.

Sincerely,

HAROLD HAGEN,
Washington Representative.

Mr. MUSKIE. Mr. President, will the Senator yield?

Mr. KENNEDY of New York. I yield.

Mr. MUSKIE. Mr. President, as I understand the bill in its present form to take care of preschool children, it is the judgment of those who wrote the bill that the mother ought to be at home because the child needs her.

If a mother happens to have a 9-year-old child who is at home from 2:30 in the afternoon, because that is when school lets out—as it does in the case of my 8-year-old child—and if that child needs the mother, then, by the logic of the bill itself that mother ought to be permitted to stay home to take care of that child.

Is that the thrust of the amendment of the Senator?

Mr. KENNEDY of New York. The Senator is correct. The amendment would not prevent the training program or work program from going into effect.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. KENNEDY of New York. Mr. President, will the Senator yield me 5 minutes on the bill?

Mr. LONG of Louisiana. Mr. President, I yield 5 minutes on the bill to the Senator from New York.

The PRESIDING OFFICER. The Senator from New York is recognized for 5 minutes.

Mr. KENNEDY of New York. We are talking about women who are heads of families. We are talking about mothers. The amendment would not prevent the program from going into effect as it relates to mothers. The mothers can be at home when the children are at home.

The mother can be at work when the children are at school, and when the children come out of school at 1:30, 2:30, or whatever time it may be, the mother will be at home with the children. When the children are out of school, the mother can be with the children.

The proposed legislation would prevent the mother from being with the child during that period of time. It takes the child away from the mother. The mother must work, whether she wants to or not. We would provide under the bill that the mother must work during whatever period of time a bureaucrat decides she should work, no matter what she is doing at the time.

Mr. MUSKIE. It is the legislative judgment of the bill that for the care of the preschool children, the mother is needed, and all that the amendment of the Senator states is that if the mother is needed in the case of a postschool child, she also ought to be permitted to stay at home.

It seems to me that the logic of the Senator's amendment is escapable.

Mr. KENNEDY of New York. I thank the Senator from Maine.

Mr. LONG of Louisiana. Mr. President, I yield myself 2 minutes on the bill.

The PRESIDING OFFICER. The Senator of Louisiana is recognized for 2 minutes.

Mr. LONG of Louisiana. Mr. President, I want to make it clear so that the Senator from Maine, the former Governor of that State, will understand me.

What we say in the bill is that when a State by its plan provides, with Federal money to match it, that the State will care for that child during the 8 hours that that moher is working, 6 hours in school and 2 hours afer school, if the State thinks the mother is able to work, she should work and not be paid a welfare check for her benefit if she does not work. The State would still pay for the care of the child and it would be required to do so. However, if the State of Maine wanted to say: "We are going to let these schools out at 1:30 in the afternoon," it can do so.

The State can say, "We will not ask my mother to work past noon or 2 hours a day, because we are going to let school out early and perhaps not even ask the mothers to go to work at all."

Under the Senator's amendment, if the State of Maine wanted to set up a program to look after that child from 6 in the morning until 6 in the evening, with all the elaborate care and professional Hollywood help that can be recruited to show them a good time, under the Senator's amendment, we could not ask her to go to work or forfeit her welfare check. We would have to let her sit there and drink that wine with the welfare money. We would not be able to do a thing merely because she has a child in school and would not be able to work beyond the school hours even though the State has provided the most elaborate kind of help for that mother. The cost of providing care for that child is very great.

The cost increases as time goes by.

It has been estimated that the Federal share of the cost of providing day care for these children and training would reach the figure of $400 million in 1972.

That is as much money as we are willing to spend to get these people to work.

That is $400 million just to care for the children.

Mr. CURTIS. Mr. President, will the Senator yield for an observation?

Mr. LONG of Louisiana. First let me yield to the Senator from Maine.

Mr. MUSKIE. Let me say, first of all, to the distinguished Senator from Louisiana that I do not question the motives of the authors of this bill or of the Senator himself. I am sure that the committee is convinced that it has come up with an equitable program.

With respect to children from 5 to 10—I have three in that age bracket—all the recreational programs are no substitute for a mother's care during the afternoon hours, during most of which my children are at home. And so their

mother is at home. There are many opportunities for Senate wives to be otherwise engaged in this town in the interests of their husbands' careers. But there is no substitute.

All I can say—and I believe this is all that the Senator from New York has said—is that if in the mother's judgment she is needed at home in the afterschool hours, when the child is still very young, that judgment should be hers and should not be taken away from her by the State.

I am not sure whether the figures that the Senator has given us identify the incremental cost that would be added by the amendment offered by the Senator from New York. I would be interested to know whether there are such figures.

I fully appreciate the Senator's argument, but I will say to the Senator that I am moved by the considerations that underlie the amendment offered by the Senator from New York.

Mr. LONG of Louisiana. I yield myself 2 minutes.

Mr. President, we would save money on day care under the amendment offered by the Senator. But we would keep these people living on welfare forever and have four, five, and six generations on welfare.

Mr. MUSKIE. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. MUSKIE. If this is what concerns the Senator, then why does he not eliminate the exemption for preschool children? The same argument can be made as to them. As the Senator from Michigan has said, looking at it as a parent of such a child, it is easier to park a preschool child in a day care center than a 9-year-old child.

So if numbers are involved, numbers of children, if you have to make a swap, the humanitarian course would be to put the preschool children in the day centers and let the mother take care of the older children.

Mr. LONG of Louisiana. One can argue, about this but a school-age child will be away from the mother 6 hours a day, in any event, if the child is attending class full time. It seems to me that the Senator is only talking about 2 additional hours, so a person could take a full-time job. Many more full-time jobs are available than part-time jobs.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. CURTIS. I believe it is likely, if the amendment as drawn is adopted, that the mother could refuse work and training although there was a grandmother in the house, a disabled husband who was unable to do physical work but still could be present with the children, or an unemployed father, or a child over 16. Their presence in the house would not invalidate the language set forth in the amendment.

Mr. LONG of Louisiana. The Senator is correct. Under the proposed amendment, grandpa could be there, grandma could be there, sister could be there, brother could be there—all of them able to take care of the child.

Furthermore, an unemployed father could be in the home and you could have a job for mama, but you still could not ask here to so much as swat a mosquito on her own leg, because we do not want to ask that mother to go to work while the child is not in school. It is ridiculous that some people can be so solicitous.

Mr. MUSKIE. What does the bill provide with respect to disabled fathers or grandmothers or grandfathers who are in the house, in the case of preschool children?

Mr. CURTIS. I believe that a small child needs a mother. All the children I know are brilliant, but at 3 months of age they could not tie their own shoes or dress themselves.

Mr. KENNEDY of New York. Mr. President, will the Senator yield?

Mr. CURTIS. I am inclined to think that they are in a different category than when they go to school.

Mr. KENNEDY of New York. Does the Senator suggest that a 7-year-old child does not need a mother?

Mr. CURTIS. Oh, yes; the child does.

Mr. KENNEDY of New York. Is that not what we are talking about—that the mother should be with the children?

Mr. CURTIS. Not necessarily.

Mr. KENNEDY of New York. The Senator spoke about preschool children and made an allowance for preschool children. Is the Senator saying that when the child reaches 6 or 7 or 8 or 9, it no longer needs its mother?

Mr. CURTIS. There is no provision here for taking the mother away permanently.

Mr. KENNEDY of New York. No, not permanently. I agree that that has not been done.

Mr. CURTIS. But the Senator's amendment is so drawn that there can be many other adults in the household, and the State still would be barred from certifying the mother for work.

Mr. KENNEDY of New York. I call the Senator's attention to the language: "A mother or other relative who is actually caring for one or more children."

It is the same as the language that applies to the preschool children. It does not apply when the mother is not taking care of the children. This applies to a mother who is taking care of the child. The mother should be with the child. We are making the mother go to work. That is one step. But let us not make the mother go to work when the children are at home. I cannot believe that the Senate would do that.

Mr. LONG of Louisiana. Mr. President, I should like to make this clear. Under this provision, we say, by Federal law, that a State shall not require any mother to go to work as a condition of receiving welfare payments for both herself and the child.

We were unanimous about this. We set down every logical reason that occurred to us why a mother should not be expected to do anything but help herself and the child. We go further and say that when the State wants to find some additional reason why it is not in the interest of the child for the mother to go to work, the State can do so.

If the government of New York feels this way, it will negate the program, anyway, and New York will not have an effective work program. But under the proposal of the Senator from New York, New York could not have an effective work program, even if the legislature and the Governor wanted to have one.

So far as I am concerned, we have done everything we can to provide that neither New York nor any other State need ask anybody to go to work. They can find the reason, and they have the power to negate the entire program. But we believe many States will look at this proposal carefully and will tell some of the mothers who have never worked constructively in their lifetime, who are descendants of people who have never made any constructive contribution to society except to have children, "We want you to do something for yourself. We'll still provide money for the child, but not for you, unless you are willing to help yourself."

We should muster the forthrightness and the determination to insist that some of these people do something in their own behalf.

The program is projected to cost $3 billion a year, half as much as medicare. The program grows on itself, welfare growing on welfare, rather than requiring that some day we have a program to put some of these people to constructive work.

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. LAUSCHE. Mr. President, I subscribe fully to the argument made by the Senator from Louisiana.

On the basis of what has been said, it appears to me that the pending amendment, if adopted, will be an inducement for welfare recipients not to exercise any effort on their own part to sustain themselves, in the belief that regardless of what they do, the Government will take care of them.

The amendment proposes a course of operation that has all of the worst aspects of paternalism that one can imagine. We are saying, in effect, to these proposed recipients, "You need not try to help yourself. Regardless of what you do, the Government will take care of you."

The PRESIDING OFFICER (Mr. HOLLINGS in the chair). The question is on agreeing to the amendment of the Senator from New York. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The bill clerk called the roll.

Mr. MANSFIELD. On this vote I have a pair with the distinguished minority leader, the Senator from Illinois [Mr. DIRKSEN]. If he were present and voting he would vote "nay"; if I were permitted to vote I would vote "yea." Therefore, I withhold my vote.

Mr. BYRD of West Virginia. I announce that the Senator from Nevada [Mr. CANNON], the Senator from Arizona [Mr. HAYDEN], the Senator from Missouri [Mr. LONG], the Senator from Alabama [Mr. SPARKMAN], and the Senator from Ohio [Mr. YOUNG] are absent on official business.

I also announce that the Senator from Connecticut [Mr. DODD], the Senator from Florida [Mr. HOLLAND], the Senator from Minnesota [Mr. MCCARTHY], the Senator Wyoming [Mr. MCGEE], the Senator from South Dakota [Mr. MCGOVERN], and the Senator from Georgia [Mr. TALMADGE] are necessarily absent.

On this vote, the Senator from Wyoming [Mr. MCGEE] is paired with the Senator from Florida [Mr. HOLLAND]. If present and voting, the Senator from Wyoming would vote "yea," and the Senator from Florida would vote "nay."

Mr. KUCHEL. I announce that the Senator from Kansas [Mr. CARLSON], the Senator from Illinois [Mr. DIRKSEN], the Senator from Hawaii [Mr. FONG], the Senator from California [Mr. MURPHY], and the Senator from Pennsylvania [Mr. SCOTT] are necessarily absent.

The Senator from Kentucky [Mr. COOPER], the Senator from Wyoming [Mr. HANSEN], the Senator from South Dakota [Mr. MUNDT], and the Senator from Texas [Mr. TOWER] are absent on official business.

On this vote, the Senator from California [Mr. MURPHY] is paired with the Senator from Kansas [Mr. CARLSON]. If present and voting, the Senator from California would vote "yea," and the Senator from Kansas would vote "nay."

On this vote, the Senator from Pennsylvania [Mr. SCOTT] is paired with the Senator from Texas [Mr. TOWER]. If present and voting, the Senator from Pennsylvania would vote "yea," and the Senator from Texas would vote "nay."

The pair of the Senator from Illinois [Mr. DIRKSEN] has been previously announced.

The result was announced—yeas 41, nays 38, as follows:

[No. 341 Leg.]

YEAS—41

Bartlett	Hartke	Moss
Bayh	Hollings	Muskie
Boggs	Inouye	Nelson
Brewster	Jackson	Pastore
Brooke	Javits	Pell
Burdick	Kennedy, Mass.	Prouty
Case	Kennedy, N.Y.	Proxmire
Church	Kuchel	Randolph
Clark	Magnuson	Ribicoff
Fulbright	McIntyre	Spong
Gore	Metcalf	Tydings
Gruening	Mondale	Williams, N.J.
Harris	Montoya	Yarborough
Hart	Morse	

NAYS—38

Aiken	Ervin	Monroney
Allott	Fannin	Morton
Anderson	Griffin	Pearson
Baker	Hatfield	Percy
Bennett	Hickenlooper	Russell
Bible	Hill	Smathers
Byrd, Va.	Hruska	Smith
Byrd, W. Va.	Jordan, N.C.	Stennis
Cotton	Jordan, Idaho	Symington
Curtis	Lausche	Thurmond
Dominick	Long, La.	Williams, Del.
Eastland	McClellan	Young, N. Dak.
Ellender	Miller	

NOT VOTING—21

Cannon	Hayden	Mundt
Carlson	Holland	Murphy
Cooper	Long, Mo.	Scott
Dirksen	Mansfield	Sparkman
Dodd	McCarthy	Talmadge
Fong	McGee	Tower
Hansen	McGovern	Young, Ohio

So the amendment of Mr. KENNEDY of New York (No. 465) was agreed to.

Mr. JAVITS. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. KENNEDY of New York. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

SOCIAL SECURITY ACT AMENDMENTS OF 1967

The Senate resumed the consideration of the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

Mr. HARTKE. Mr. President, I call up my amendment at the desk and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk proceeded to read the amendment.

Mr. HARTKE. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered; and the amendment will be printed in the RECORD at this point.

The amendment offered by Mr. HARTKE is as follows:

On page 82, between lines 10 and 11, insert the following:

"INCREASE IN NUMBER OF YEARS DISREGARDED IN COMPUTATION OF AVERAGE MONTHLY WAGE

"SEC. 114. (a) Section 215(b)(2)(A) of the Social Security Act is amended by inserting ', and, in the case of an individual having 40 or more quarters of coverage, further reduced by one additional year for each 40 quarters of coverage of such individual' immediately after 'reduced by five'.

"(b) The amendment made by subsection (a) shall be applicable only in the case of an individual—

"(1) who becomes entitled, after February 1968, to benefits under section 202(a) or section 223 of the Social Security Act, or

"(2) who dies after February 1968 without being entitled to benefits under such section 202(a) or 223, or

"(3) whose primary insurance amount is required after the date of enactment of this Act to be recomputed under section 215(f)(2) of such Act and who has wages or self-employment income for a year after 1967."

Mr. WILLIAMS of Delaware. Mr. President, I ask for the yeas and nays on the amendment.

The yeas and nays were ordered.

Mr. HARTKE. Mr. President, in introducing amendment No. 398 today, I want to make clear to the Senate exactly what the purpose of the amendment is. The amendment would raise the number of years not counted in the computation of average income for purposes of determining the amount of benefits to be paid. The present law provides for the 5 lowest earnings years since 1951 to be dropped in computing average income, since pay at the beginning of a worker's lifetime is often minimal. This amendment would allow a deduction of 1 extra year for every 40 quarters that a man has paid into the social security system. This amendment would only benefit those who have for years paid into the system.

The purpose would be to allow for early retirement without having the penalty of zero income in the last years of a man's working life use up his 5-year low-earnings exemption in computing the average income for purposes of determining retirement benefits. It would allow companies to give their employees who have been with them for 30 years or more retirement at age 60 or 62 without having all 5 years' exemption used to offset zero earnings, thus forcing them to include lower earning years that came earlier in their earning lives. It would be a step towards the direction of basing average earnings on the highest 10 earning years rather than to extend the number of years used in computing the average indefinitely.

It would also prevent penalty for those who have lost their jobs during their later working years just prior to age 65 because of permanent plant shutdowns or replacement by automation at a time when the worker will be unable to find other employment because of his age. In the committee bill we have made it possible for individuals to retire at age 60 with their benefits apportioned over a longer period of time, but we have not eliminated the penalty of having to include lower earning years in computing average monthly earnings. In some fields of employment the Federal Government itself has made 60 the compulsory age of retirement by Federal law, such as the airplane pilots.

Other industries recognize the advantage of having a younger work force and allowing men just entering the work force to take training in new jobs rather than try to retrain older men for shorter periods. The company may very well prefer to retire a man early with a pension and social security without penalty, as a thank you for a job well done. In

a society where automation is upon us, these provisions will allow companies to make their own choice to make 30-year retirement provisions and retrain younger workers without having the social security law prevent an intelligent solution to the problem.

It is true that often some other people come into the work force for only a short time in order to collect benefits, but these people who have paid into the system for many years deserve more than a capricious treatement at the hand of our social security law. We have recognized in our law that earnings in younger years should not be included in the computation and we have therefore included the five so-called dropout years in the law to cover these lower earning years. What we should do is to provide a man with an optional lower retirement age with the right not to have to include these years in the computation of average income. This is a much more modest proposal in lieu of such a provision or a provision to base average earnings on the high 10 earning years. This proposal simply says to the worker that for every 40 quarters or 10 years that he has worked, he may add one more year to the 5 years which he may drop in computing average income.

The level-cost of this provision would be about 0.29 percent of taxable payroll. This figure means that the cost is averaged and computed on a 75-year basis. The larger portion of the cost occurs many years in the future, so that the initial cost of this amendment will be minimal. The Social Security Administration estimates that it will cost roughly 0.02 percent of payroll or $75 million during the first year of operation.

For anyone starting his work career after 1951, the present law requires that average wage be based on his entire working life, leaving out only the 5 lowest years. Because of lower wages and the low wage base in earlier years, most individuals retire on low social security benefits, not adequately related to wages at the time of retirement. It is inevitable that in time an alternative method of calculating benefits will be adopted which reflects more accurately the beneficiaries earning power during his lifetime and standard of living just prior to retirement.

And obviously we are not going to wait 75, 50, or even 25 years to adopt such an alternative formula. Ten distinguished Senators have sponsored legislation during this session of Congress which includes computation of social security benefits on the basis of a worker's 10 highest consecutive years of earnings. My amendment simply makes a small step in that direction and will make any improved formula in the future less costly. In other words if we go to a high 10 provision, the increase will cost us less at that time.

In summary, although the estimated cost of the amendment on a long-range basis is .29 percent of taxable payroll, because of the difficulty of administering the change without an effect date, we are making the amendment effective for those retiring after March 1, 1968, so that the cost during the first years of operation would be a minimal amount since only those retiring after this date would be covered, and secondly over a longer period of time, the estimate of .29 percent is based on a long-range 75-year estimate in which it is anticipated that according to the Finance Committee bill the maximum computable earnings will increase from $6,600 to $10,800. Therefore during the early years of operation the computable earnings will mean minimal initial costs compared to the averaged level-cost estimates. Furthermore we will probably have shifted to a different type of formula of using the 10 top earning years, and this would be an initial step in that direction, meaning a smaller cost increase later.

It is my opinion that the adoption of the amendment will provide needed relief for many people who are forced to retire early.

Mr. MANSFIELD. Mr. President, I yield myself 10 minutes on the bill, and I yield to and ask that the Senator from Nevada [Mr. BIBLE] be recognized for the consideration of a conference report.

The PRESIDING OFFICER. The Senator from Nevada is recognized.

SOCIAL SECURITY ACT AMENDMENTS OF 1967

The Senate resumed the consideration of the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

Mr. LONG of Louisiana. Mr. President, the Senate committee certainly had not been niggardly in increasing social security benefits. The bill that we brought to the Senate increased the social security benefits, when in full operation, by nearly $6 billion a year. We have now added amendments the full cost of which I have not yet been able to calculate, but they will run the cost up to about another $500 million.

Now the Senator from Indiana brings us an amendment which has some appeal to it, but here is a letter showing what it would cost. It would start out costing only $75 million a year, but when in full operation, this amendment would

increase the cost of the bill by another $1 billion a year.

Mr. President, that reminds me of what I was told some time ago by the Senator from New Mexico [Mr. ANDERSON] back at the time when we were considering the medicare bill, which among its other provisions, provided for a big cost-of-living increase.

At one point during the consideration of that matter, the Senator from New Mexico said:

We ought to put a big gong somewhere, and every time the cost goes up another billion dollars, hit the gong, so people will know we have just passed another billion dollar figure.

This amendment has not even been printed, but the Senator has been thinking about it for some time, and I know that he favors it strongly.

But, Mr. President, sometime we have to start asking ourselves, "Just how much can we afford?" We should also ask ourselves the question, "Should we not think about waiting for next year?"

After all, if we do every single thing that can be dreamed up, which would have merit to improve and increase social security benefits and payments, we might just run out of something to do.

After that, the public might be disappointed that so much had been done that we could not afford to do any more. It might be well to save a little something for after Christmas or for next year or the following year.

I would hope that the Senate would not agree to the amendment. The cost of the amendment and the benefits tend to pyramid as the years go by. I would hope that some of those people would wait a year or two until some of the benefits begin to flow in their direction.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. WILLIAMS of Delaware. The Senator from Louisiana has referred to the memorandum furnished by Mr. Myers, which states that the cost will approach almost $1 billion. Mr. Myers has provided a supplemental estimate which indicates that by the year 1988 the cost will have increased to $2.03 billion.

I ask unanimous consent that immediately prior to the vote the two estimates furnished by Mr. Myers with respect to the cost of the Hartke amendment be printed in the RECORD.

There being no objection, the memorandums were ordered to be printed in the RECORD, as follows:

NOVEMBER 21, 1967.

Memorandum from Robert J. Myers, Chief Actuary, Social Security Administration.
Subject: Cost estimate for amendment No. 398, submitted by Senator HARTKE.

This memorandum will give a cost estimate for Amendment No. 398 (which would amend H.R. 12080), submitted by Senator Hartke. This amendment would modify the Old-Age, Survivors, and Disability Insurance system by giving one additional year of dropout in computing the average monthly wage for each 40 quarters of coverage. It is my understanding that this proposal would apply only to persons coming on the roll after March 1968 and to persons then on the roll who later receive a recomputation of benefits (because of substantial current earnings).

The long-range cost of this proposal is estimated at .29% of taxable payroll. The increased benefit outgo for the first 12 months following entry onto the benefit rolls of all persons who come on the roll in the 12-month period, April 1968 through March 1969, is estimated at $75 million (which represents .02% of taxable payroll). This cost will increase steadily over the years as new cohorts of beneficiaries come on the roll. The eventual annual increase in cost will be in excess of $1 billion.

ROBERT J. MYERS.

NOVEMBER 21, 1967.

Memorandum from Robert J. Myers, Chief Actuary, Social Security Administration.
Subject: Cost estimate for amendment No. 398, submitted by Senator HARTKE (continued).

This memorandum supplements my memorandum of today on the above subject.

The estimated increased benefit outgo under the proposal for various future years is as follows:

[In millons]

Increased outgo:	
1973	$460
1978	950
1983	1,460
1988	2,030

ROBERT J. MYERS.

Mr. HARTKE. Mr. President, I yield 2 minutes to my distinguished colleague from Indiana.

Mr. BAYH. Mr. President, I congratulate my colleague from Indiana for dealing with a void that I feel exists in the present retirement provisions of the social security law. Basically, this amendment would permit a retiree to drop out of his computation on additional year of low earnings for every 10 years of covered employment. In short, it is specifically designed to benefit long-term employees who have the opportunity to retire under the so-called 30-year plan.

The United Steelworkers Union, for example, has been very successful in negotiating these plans. Yet those employees who seek to take advantage of this opportunity find that their benefit payments under social security are greatly reduced because of the years of low earnings between retirement and age 65. This amendment attempts to remedy that inequitable situation.

Mr. President, I appreciate the concern about increased costs voiced by the distinguished chairman of the Finance Committee, who has so ably managed the present bill. It is a good bill, and this provision would make it an even better bill. The cost is small in relation to the benefits.

Mr. LONG of Louisiana. Mr. President, I have just received a supplemental memorandum from Mr. Myers which projects the cost of the estimated increased benefit outgo. It reads:

This memorandum supplements my memorandum of today on the above subject.

The estimated increased benefit outgo under the proposal for various future years is as follows:

[In millions]

Increased outgo:	
1973	$460
1978	950
1983	1,460
1988	2,030

Mr. President, if we want to do that, why not wait a while? The figure merely keeps getting larger. I would hope that we could wait and consider this proposal at some future date, in view of the fact that we do, in the bill, provide some more and bigger cash benefits than have ever been provided in any social security bill in history.

Mr. HARTKE. Mr. President, how much time have I remaining?

The PRESIDING OFFICER. The Senator from Indiana has 3 minutes remaining.

Mr. HARTKE. Mr. President, when we talk about what is likely to happen in the future, we know that the cost will be greater in the future. The whole social security law will cost more in the future. Thank goodness, one of the advocates of that program is the distinguished chairman of the Committee on Finance. He favored increasing the base. He was a strong advocate for increasing the base to pay out more to the beneficiary. I am glad he is for it. I am for him because he is for it.

But I am not in favor of penalizing a person who has worked a long time and is forced to retire, or because the plant where he worked has been shut down, he has no choice of his own, and is discriminated against because he has worked that long. He is told, "I am sorry, old boy; it is too bad. You have paid in for all those salaries." But then a Johnny-come-lately appears, who works 10 years and is going to get a higher payment on his 10 years of earnings than the man who has worked 30 years. That is very discouraging to a man who has worked 30 years.

A man who works 10 years will get a year's deduction from that amount which is called low income. If he has worked 20 years, he will get 2 years' deduction. If he has worked 30 years, he will get 3 years.

It is a pretty sorry mess if people are not treated fairly.

We can make them pay, if we want to, but we will be cheating them, because they will pay in at a high rate and draw out at a low rate.

This is technically a correcting amendment. It should have been drawn years ago. It is too bad it was not. It is too late tonight to correct what has already passed. We should do it retroactively for the benefit of some people. But this is, progressively, a forward-looking amendment. Rather than to make it retroactive, and in order to save on the cost, we should make it effective in 1968. Let us treat fairly those who are going to retire after 1968. Let us not discriminate against them. Let us treat fairly the people who have worked 20 or 30 years.

Mr. LONG of Louisiana. Mr. President, the way the law is at present, in computing the benefits for a worker, they drop out the 5 low years and compute his benefits based only on the high years.

The Senator now wants to drop out an additional year for every 10 years. If a man works 10 years, he would drop out another year, and if he worked 20 years, he would drop out another 2 years. He would compute it on the higher basis.

The House is working on a different basis. The House would like to pursue the theory that a man should be entitled to a much higher percentage on his retire-

ment based on the high average through the years.

The House works on the theory that they would like to have a man receive retirement benefits equal to at least 50 percent of what the average annual earnings had been over the period he had been covered. Roughly, that philosophy appears in the House committee report.

Certainly, however, we have been so much more generous than has the House, we might as well work on the basis of what we have.

If we keep on adding first one thing and then another on top of what the House has done, my guess is that there will be a point when the House will back off and say that they will not take action on this, and for good reason.

Mr. HARTKE. Mr. President, I am out of time. Will the Senator from Louisiana yield me some time?

Mr. LONG of Louisiana. Mr. President, I yield 2 minutes to the Senator from Indiana on my time.

Mr. HARTKE. Mr. President, first, why should we discriminate against people who work for a living and give people who work for the Government a better bargain than we do these people?

We do not cut out any years of service in the Government. We give the Federal employee the right to count his 5 highest years. And we say to these people that we will cut them out. It is a far better deal to work for the Federal Government.

Mr. LONG of Louisiana. Mr. President, I yield myself 2 additional minutes.

The PRESIDING OFFICER. The Senator from Louisiana is recognized for 2 additional minutes.

Mr. LONG of Louisiana. Mr. President, we use the highest 5 years for the Government program. And we have a deficit of $43 billion or $44 billion in that fund the way it is now.

I certainly would not want to see the social security fund get in that sort of shape.

I would hope that we could stand on the amount of increase already provided.

Mr. President, I ask unanimous consent that an estimate on the cost of the pending Hartke amendment No. 398 be printed in the RECORD.

There being no objection, the estimate was ordered to be printed in the RECORD, as follows:

NOVEMBER 21, 1967.

Memorandum from: Robert J. Myers, Chief Actuary, Social Security Administration.

Subject: Cost estimate for amendment No. 398, submitted by Senator HARTKE.

This memorandum will give a cost estimate for Amendment No. 398 (which would amend H.R. 12080), submitted by Senator Hartke. This amendment would modify the Old-Age, Survivors, and Disability Insurance system by giving one additional year of drop-out in computing the average monthly wage for each 40 quarters of coverage. It is my understanding that this proposal would apply only to persons coming on the roll after March 1968 and to persons then on the roll who later receive a recomputation of benefits (because of substantial current earnings).

The long-range cost of this proposal is estimated at .29% of taxable payroll. The increased benefit outgo for the first 12 months following entry onto the benefit rolls of all persons who come on the roll in the 12-month period, April 1968 through March 1969, is estimated at $75 million (which represents .02% of taxable payroll). This cost will increase steadily over the years as new cohorts of beneficiaries come on the roll. The eventual annual increase in cost will be in excess of $1 billion.

ROBERT J. MYERS.

NOVEMBER 21, 1967.

Memorandum from: Robert J. Myers, Chief Actuary, Social Security Administration.

Subject: Cost estimate for amendment No. 398, Submitted by Senator HARTKE (continued).

This memorandum supplements my memorandum of today on the above subject.

The estimated increased benefit outgo under the proposal for various future years is as follows:

[In millions]

Increased outgo:	
1973	$460
1978	950
1983	1,460
1988	2,030

ROBERT J. MYERS.

The PRESIDING OFFICER. All time having expired, the question is on agreeing to the amendment of the Senator from Indiana. On this question the yeas and nays have been ordered and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. BYRD of West Virginia. I announce that the Senator from Nevada [Mr. CANNON], the Senator from Arizona [Mr. HAYDEN], the Senator from Missouri [Mr. LONG], and the Senator from Ohio [Mr. YOUNG] are absent on official business.

I also announce that the Senator from Connecticut [Mr. DODD], the Senator from Mississippi [Mr. EASTLAND], the Senator from Florida [Mr. HOLLAND], the Senator from Minnesota [Mr. MCCARTHY], the Senator from Wyoming [Mr. MCGEE], the Senator from South Dakota [Mr. MCGOVERN], and the Senator from Georgia [Mr. TALMADGE] are necessarily absent.

I further announce that, if present and voting, the Senator from Nevada [Mr. CANNON], the Senator from Mississippi [Mr. EASTLAND], the Senator from Florida [Mr. HOLLAND], and the Senator from Wyoming [Mr. MCGEE] would each vote "nay."

Mr. KUCHEL. I announce that the Senator from Kansas [Mr. CARLSON], the Senator from Illinois [Mr. DIRKSEN], the Senator from Hawaii [Mr. FONG], the Senator from California [Mr. MURPHY], and the Senator from Pennsylvania [Mr. SCOTT] are necessarily absent.

The Senator from Kentucky [Mr. COOPER], the Senator from Wyoming [Mr HANSEN], the Senator from South Dakota [Mr. MUNDT], and the Senator from Texas [Mr. TOWER] are absent on official business.

The Senator from Utah [Mr. BENNETT] is detained on official business.

If present and voting the Senator from Utah [Mr. BENNETT], the Senator from Kansas [Mr. CARLSON], the Senator from Illinois [Mr. DIRKSEN], the Senator from California [Mr. MURPHY], the Senator from Pennsylvania [Mr. SCOTT], and the Senator from Texas [Mr. TOWER] would each vote "nay."

The result was announced—yeas 30, nays 49, as follows:

[No. 342 Leg.]

YEAS—30

Bayh	Hartke	Mondale
Brewster	Inouye	Montoya
Burdick	Jackson	Morse
Byrd, W. Va.	Javits	Moss
Case	Kennedy, Mass.	Pastore
Church	Kennedy, N.Y.	Prouty
Clark	Kuchel	Randolph
Cotton	Magnuson	Ribicoff
Gruening	McIntyre	Williams, N.J.
Hart	Metcalf	Yarborough

NAYS—49

Aiken	Harris	Pearson
Allott	Hatfield	Pell
Anderson	Hickenlooper	Percy
Baker	Hill	Proxmire
Bartlett	Hollings	Russell
Bible	Hruska	Smathers
Boggs	Jordan, N.C.	Smith
Brooke	Jordan, Idaho	Sparkman
Byrd, Va.	Lausche	Spong
Curtis	Long, La.	Stennis
Dominick	Mansfield	Symington
Ellender	McClellan	Thurmond
Ervin	Miller	Tydings
Fannin	Monroney	Williams, Del.
Fulbright	Morton	Young, N. Dak.
Gore	Muskie	
Griffin	Nelson	

NOT VOTING—21

Bennett	Fong	McGovern
Cannon	Hansen	Mundt
Carlson	Hayden	Murphy
Cooper	Holland	Scott
Dirksen	Long, Mo.	Talmadge
Dodd	McCarthy	Tower
Eastland	McGee	Young, Ohio

So Mr. HARTKE's amendment was rejected.

AMENDMENT NO. 462

Mr. WILLIAMS of New Jersey. Mr. President, I call up my amendment No. 462.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk proceeded to read the amendment.

Mr. WILLIAMS of New Jersey. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered; and, without objection, the amendment will be printed in the RECORD.

The amendment is as follows:

On page 281 at linc 17, strike out "$100" and insert in lieu thereof, "$50".

At the end of title V of the bill, add the following:

"FOSTER CARE FOR CHILDREN

"SEC. 508. (a) Title V of the Social Security Act (as amended by the preceding provisions of this Act) is further amended by adding at the end thereof the following new part:

"'PART 5—GRANTS TO STATES FOR AID TO CHILDREN UNDER FOSTER CARE

"'APPROPRIATIONS

"'SEC. 541. For the purpose of facilitating the proper foster care of children whose welfare can best be advanced through such care by enabling each State to furnish financial assistance and needed welfare services, as far as practicable under the conditions in such State, to children placed under foster care, there is hereby authorized to be appropriated for each fiscal year a sum sufficient to carry out the purposes of this part. The sums made available under this section shall be used for making payment to States which have submitted, and had approved by the Secretary, State plans for aid and services to children under foster care.

"'STATE PLANS FOR AID AND SERVICES TO CHILDREN UNDER FOSTER CARE

"'SEC. 542. (a) A State plan for aid and services to children under foster care must—

"'(1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them;

"'(2) provide for financial participation by the State;

"'(3) provide that the State public-welfare agency which administers the child-welfare services plan developed as provided in part 3 of this title shall be designated as the State agency to administer, or supervise the administration of, the State plan under this part;

"'(4) provide for granting an opportunity for a fair hearing before the State agency to any person whose claim for aid to children under foster care is denied or is not acted upon with reasonable promptness;

"'(5) provide such methods of administration (including methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Secretary to be necessary for the proper and efficient operation of the State plan;

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

"'(7) provide that (A) the amount of aid, if any, to be provided under the State plan with respect to any child under foster care shall be determined on the basis of his need therefor, taking into consideration any income and resources of such child which are available to defray the expenses of his care; and (B) the State agency shall not deny or limit the amount or extent of the aid otherwise available under the State plan to any child, on the ground of his lack of need for such aid, until such agency is fully satisfied, as the result of affirmative evidence, that there is a lack of need on the part of such child for such aid;

"'(8) provide safeguards which restrict the use or disclosure of information concerning applicants and recipients of aid to children under foster care to purposes directly connected with the administration of the State plan (except that this requirement shall not be applicable in the case of aid under such plan provided to children placed in a child-care institution);

"'(9) provide that all persons wishing to make application for aid to children under foster care shall have opportunity to do so, and that such aid shall be furnished with reasonable promptness to all eligible persons;

"'(10) provide that aid to children under foster care will not be provided to any child with respect to any period for which such child is receiving aid under the State plan of such State approved under section 402 of this Act;

"'(11) provide for the development and application of a program for such welfare and related services for each child who receives aid to children under foster care as may be necessary to promote the welfare of such child, and provide for the coordination of such program, and any other services provided for children under the State plan, with the child-welfare services plan developed as provided in part 3 of this title, with a view toward providing welfare and related services which will best promote the welfare of such child;

"'(12) provide for the development, with respect to each child who receives aid to children under foster care, of an individual welfare plan, which shall include a continuing study of the child's needs, of the most suitable available home in which he can be placed, and a periodic review of his case, and provide that, in carrying out such welfare plan, use may be made of services of private nonprofit child-care agencies and organizations; and

"'(13) contain or be supported by assurances satisfactory to the Secretary that amounts payable to such State under section 543 to carry out the State plan will be so used as to supplement the level of non-Federal funds that would, in the absence of such amounts, be available in the State for the purpose of providing aid and welfare services to children who are under foster care in such State.

"PAYMENT TO STATES

"'SEC. 543. (a) From the sums appropriated therefor, the Secretary shall pay to each State which has a plan approved under this part, for each quarter, beginning with the quarter commencing October 1, 1967—

"'(1) an amount equal to the Federal percentage (as defined in section 545(f)) of the total amount expended under the State plan during such quarter as aid to children under foster care with respect to children in foster family homes and child-care institutions (including expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof), not counting so much of any expenditure with respect to any month as exceeds the product of $50 multiplied by the total number of children who were recipients of such aid for such month (which total number, for purposes of this subsection, means (A) the number of children in foster family homes and child-care institutions with respect to whom such aid in the form of money payments is paid for such month plus (B) the number of other children in such homes and institutions with respect to whom expenditures were made in such month as aid to children under foster care in the form of medical or any other type of remedial care);

"'(2) an amount equal to 75 per centum of (A) the total amount expended during such quarter in providing services (as prescribed by the Secretary under regulations) necessary to promote the welfare of children receiving aid to children under foster care under the State plan, plus (B) the total amount expended during such quarter as found necessary by the Secretary for the training of personnel employed or preparing for employment by the State agency or by the local agency administering the plan in the political subdivision; plus

"'(3) an amount equal to one-half of the total sums expended during such quarter as found necessary by the Secretary for the proper and efficient administration of the State plan, including services and training referred to in paragraph (2) and provided in accordance with the requirements of this part and regulations promulgated by the Secretary.

The services referred to in paragraph (2)(A) shall include only services provided by the staff of the State agency, or of the local agency administering the State plan in the political subdivision, except that, subject to limitation prescribed by the Secretary, there may be included services provided by nonprofit private agencies under contract with the State agency, if, in the judgment of the State agency, the State agency cannot provide such services as economically or as effectively by its staff or through a local agency as such services can be provided under contract with nonprofit private agencies.

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

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

"'(3) The pro rata share to which the United States is equitably entitled, as determined by the Secretary, of the net amount recovered, during any quarter by the State or political subdivision thereof with respect to aid to children under foster care, shall be considered an overpayment under this subsection.

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

"'OPERATION OF STATE PLANS

"'SEC. 544. If the Secretary, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of the State plan approved under this part, finds—

"'(1) that the plan has been so changed that it no longer complies with the provisions of section 542; or

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

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

"'DEFINITIONS

"'SEC. 545. For the purposes of this part—

"'(a) The term "child" means a needy child who (1) has not attained the age of eighteen, (2) has been deprived of parental support or care, and (3) is not (and upon making proper application therefor would not be) entitled to receive aid to families with dependent children under the State plan, approved under section 402 of this Act, of the State in which he lives.

"'(b) The term "aid", when applied to a child under foster care, means (1) money payments with respect to such child, plus (2) medical care in behalf of or any type of remedial care recognized under State law in behalf of such child.

"'(c) The term "foster family home" means a private family home, which is licensed by the State in which it is situated or has been approved, by the agency of such State responsible for licensing homes of this type, as meeting the standards established for such licensing.

"'(d) The term "child-care institution" means a public or nonprofit private institution which provides foster care for children and which is licensed by the State in which it is situated or has been approved, by the agency of such State responsible for licensing institutions of this type, as meeting the standards established for such licensing.

"'(e) A child shall be considered to be "under foster care" only if (1) he is actually living in a foster family home or a child-care institution, and (2)(A) he has been placed in such home or institution as a result of a determination, by a court of competent jurisdiction or of a public welfare or other public agency having a legal responsibility for his welfare, to the effect that his welfare can best be promoted by his placement therein, or (B) his having been placed in such a home or institution is approved by a State or local welfare agency officially concerned with his welfare, except that no child shall be considered to be under foster care if he is living with an individual who is one of the relatives specified in section 406(a) of such child.

"'(f) The term "Federal percentage" means the Federal percentage as defined in section 1101(a)(8) except that in the case of Puerto Rico, the Virgin Islands, and Guam, the Federal percentage shall be 50 per centum."

"(b)(1) Section 1116(a)(1) of such Act is amended by inserting 'or part 5 of title V,' after 'XIX,'.

"(2) Section 1116(a)(3) of such Act is amended by inserting '544,' after '404,'.

"(3) Section 1116(b) of such Act is amended by inserting ', or part 5 of title V,' after 'XIX'.

"(4) Section 1116(d) of such Act is amended by inserting ', or part 5 of title V,' after 'XIX'.

"(e)(1) Clause (1) of the first sentence of section 1901 of such Act is amended by inserting 'and needy dependent children under foster care entitled to benefits under part 5 of title V' after 'families with dependent children'.

"(2)(A) Section 1902(a)(10) of such Act is amended by inserting ', and part 5 of title V' after 'XVI'.

"(B) Section 1902(a)(17) is amended by inserting ', or part 5 of title V' after 'XVI'.

"(3) Section 1902(c) of such Act is amended by inserting ', or part 5 of title V' after 'XVI'.

"(4) Section 1903(a)(1) of such Act is amended by inserting ', or part 5 of title V,' after 'XVI,'.

"(d) Section 121(b) of the Social Security Amendments of 1965 is amended by inserting ', or part 5 of title V,' after 'XVI'."

The PRESIDING OFFICER. How much time does the Senator yield?

Mr. WILLIAMS of New Jersey. Mr. President, it is not my intention to ask for a rollcall vote on this amendment. My speech has been shortened because a speech in support of this amendment was made on September 26 by the distinguished majority whip, when he introduced a bill that incorporated the idea that I am advancing now by amendment. I ask unanimous consent to have printed in the RECORD at this point the September 26 speech, so that it can be in the RECORD of this debate.

There being no objection, the speech was ordered to be printed in the RECORD, as follows:

FOSTER CARE BILL

Mr. LONG of Louisiana. Mr. President, last year I called the Senate's attention to the relatively small but extremely serious gap in our Federal programs to assist the economically underprivileged. Despite the expenditures of billions of dollars, very little has been done to assist what is often referred to as the "forgotten child," the child requiring foster home care. Since these children are unable to vote or articulate their needs, and do not have parents or close relatives who can do so, the social reforms which have benefited such groups as the aged, the blind, the disabled and the unemployed, have passed them by.

It is true that some effort was made to help these needy children in the Public Welfare Amendments of 1962, but due to the severely limiting eligibility requirements this legislation has proved to be of scant benefit to them. It provides assistance only to those children who receive benefits under the aid-to-dependent-children program prior to their being placed in foster homes, and who are also placed in these homes by court order. As a result, in 1965, the last year for which data is available, only about 6,000 of the approximately 254,000 children cared for in foster homes received aid under the Federal program.

Last year, I introduced S. 3723, which would have done much to rectify this unfortunate situation. Since we were unable to act upon this measure before the close of the 89th Congress, I called upon Secretary Gardner to consider this proposal for inclusion in this year's Presidential recommendations to Congress. I was very disappointed to note that despite the very sweeping proposals sent down to Congress on the subject of our Nation's youth, the administration did not see fit to recommend action on this front.

However, I was heartened to see that the House bill, in spite of the administration's reluctance, has liberalized the foster care program. Under the House proposal, on which we are presently holding public hearings, the foster care payments for children under the aid to families with dependent children are upgraded by increasing the present maximum for which Federal funds are available from $32 to $100.

The so-called AFDC eligibility requirements for foster care are also liberalized by permitting children, who would have been eligible for AFDC 6 months prior to legal proceedings for placement in a foster home, to receive financial assistance. Presently, the child must be eligible for AFDC payments at the time he is placed in a foster home.

I readily agree that these improvements proposed by the House are needed. However, I do not feel they go far enough. The new benefits for foster care are basically limited to the AFDC program and it is estimated that only 50,000 more needy children would be eligible for these benefits.

When one considers that there are approximately one-quarter million children in foster care, these suggested improvements are not adequate. We have forgotten the needy foster care child who is not eligible for AFDC.

Mr. President, it would be a sad travesty if this Nation were to continue making large expenditures for the so-called war on poverty, for the social welfare programs, and to combat juvenile delinquency and crime and at the same time decline to make an extremely modest effort to help these neglected youngsters. Of all kinds of public assistance, an investment in the well-being of our children is likely to produce the greatest beneficial results.

Therefore, I am introducing, for appropriate reference, a bill similar to S. 3723 of the 89th Congress. It would provide for the distribution of Federal matching funds by the Department of Health, Education, and Welfare to those States implementing a plan of foster children care. These funds will be available for care furnished in both child-care institutions and foster family homes, including the newly instituted small group homes wherein small groups of children live with foster parents in a family atmosphere.

Unlike last year's bill, which provided for Federal payments to the States on a 50–50 matching basis up to a maximum of $90 per child, this measure utilizes a ratio varying from 50 to 65 percent based upon the individual States' per capita income up to a maximum of $100 per child. This matching Federal percentage is the same as that used in other public assistance programs and the maximum $100 is the same as that adopted by the House bill for AFDC foster care cases. It will benefit the poorer States, which are harder pressed for resources with which to provide for foster care, but which have children who need this care just as badly as those children fortuitously located in the richer States.

Under both present law and the House bill, in order for the majority of children to be eligible for foster care payments, a court order must be granted to remove the child from his home and place him in foster care. Although the House bill liberalizes the present stringent test of requiring that the child be eligible for AFDC payments at the time that he is removed by a court order, it still maintains the requirement of a court mandate.

A recent survey indicated that the court order requirement is not a proper or adequate test upon which to base a foster care payment. The ultimate purpose of foster care is to reunite the child with his natural parents. In many instances the court order may definitely be necessary but ultimately the legal removal of the child from his parents generally precludes the child's return to them. It does not promote the overriding objective of child welfare.

In view of this I do not feel that we should promote legal action by making it the only basis upon which we can help foster children. Surely, where a child has come within the responsibility of the welfare agency and has been placed in a foster home, at their direction, the Federal Government should do its share in helping provide for that child. My bill will accomplish this worthwhile aim.

I realize that is some respects this bill may be considered a modest proposal, but this springs from the fact that the Vietnam war has forced us to limit expenditures. It is thought that this proposal is preferable to those which offer more benefits but which, because of the times, do not have a great chance of success.

Mr. WILLIAMS of New Jersey. Mr. President, joining me in offering this amendment are Senator BREWSTER, Senator INOUYE, Senator KENNEDY of Massachusetts, Senator KENNEDY of New York, Senator MORSE, Senator PELL and Senator YARBOROUGH.

Stated in its simplest terms, this amendment would give the child who is placed with foster parents or in a foster home parity with the child who is living with parents or relatives who are required by their economic circumstances to seek governmental aid.

The Federal Government acknowledges the fact that it has a definite responsibility for the well being of our needy. This philosophy holds true especially when we concern ourselves with the plight of dependent children.

It is unfortunate, but true, that the law makes a distinction between a foster child and a dependent child living with his family. No child is more dependent on outside help than the child separated from his parents by death or disaster. Until now, because of an arbitrary distinction in the law, the government has, in practical effect, overlooked or ignored the plight of the foster child.

Aid to families with dependent children—AFDC—provided under the act we are amending, is a typical example. The purpose of this program is to provide needy children with the economic support they need for their health and development. Presently Federal law requires that a foster child receiving AFDC aid must have been placed in foster care by court order and he must also have received aid from the State AFDC program in or for the month in which court proceedings were initiated. Furthermore, AFDC funds are not available to children in public child-care institutions.

The committee bill does liberalize the present law to some extent. It provides that if a child were eligible for AFDC within 6 months prior to the court order, then this little fellow or girl is eligible for aid after the court orders he or she placed in a home. The only problem with this theory is that it only reaches about 9,000 foster children out of approximately 300,000 in State approved homes.

Although foster care is included in the definition of child-welfare services under title V, Federal funds are not earmarked specifically for foster care purposes.

Moreover, appropriations for title V programs are limited, and the results have been that States have seen fit to use Federal funds to bolster other child-welfare programs.

Today, approximately 8,300 children are in foster care in the State of New Jersey alone. The financial burden of providing care and services for these children falls primarily upon State and local governments and upon voluntary agencies supported by charitable contributions.

Because of the amendment I am proposing establishes a new program exclusively for children in foster care, funds received under this program would in no way reduce a State's share of Federal money for general child-welfare programs under title V of the Social Security Act. But, on the other hand, the States would be required to take appropriate steps to assure that Federal funds will not replace State and local funds now used to finance foster care services.

In order to qualify for assistance under this program, each State would be required to have its plan of welfare and related services for children in foster care approved by the Secretary of Health, Education, and Welfare.

Criteria for the State plan are modeled after those required for States for aid to families with dependent children.

The provision in this amendment for maximum Federal grants of $50 a month for children in foster family homes is intended to help more families assume responsibility for foster children. Except for the child who is unable to conform to a normal family life, it seems to be the consensus among the experts that foster family care is preferable to institutional care.

A foster child's needs are extremely complex. Their deeply imbedded hostilities toward adults make it extremely difficult for a foster couple to establish a true parental relationship with the child. In fact the turnover among foster parents runs as high as 33 percent a year. It is hoped that the provisions of this bill for professional services and the training of personnel will greatly assist remedying these situations.

I believe New Jersey is probably more advanced in its programs than most other States. In New Jersey each child boarding in a foster home receives $77 a month in State and local funds.

For children requiring specialized programs for treatment of physical handicaps or emotional disturbance, the State of New Jersey will pay up to $153 a month.

Although the New Jersey program is not substantially different in form from foster care programs in other States, there are, however, notable variations. In New Jersey the cost of foster care services generally is borne equally by the States and county governments. Several States rely almost exclusively on State funds. A few States, however, provide virtually no State money or administrative machinery for foster care programs, preferring instead to allow local governments and voluntary agencies to do the job.

Approximately 75 additional children each month enter the New Jersey foster care program. Presently, there are approximately 8,250 children boarded in foster homes in my State.

Numerous State and Federal officials with whom I have spoken express increasing concern. They view the already substantial increase in the number of foster children with alarm in view of the inadequate foster care services available. Many States budgets are now so overburdened that only limited numbers of new children can be admitted into foster care.

Under the provision presently in the bill, $100 per month is provided for each child. My amendment reduces this to $50 per month per child. As stated in the committee report, the present law is only reaching 9,000 children. I am hopeful that through my amendment, some 300,000 children will be helped. Because of this much greater cost, I have thought it wiser to provide for a lesser amount of money per child in order to reach a far greater number of children.

I am informed that this amendment is supported by the National Association of Counties, American Public Welfare Association, and the Child Welfare League.

When President John F. Kennedy successfully asked for the enactment of the AFDC of unemployed parents program, he stated:

> Under the aid to dependent children program, needy children are eligible for assistance if their fathers are deceased, disabled, or family deserters. In logic and humanity, a child should also be eligible for assistance if his father is a needy, unemployed worker.

The same logic and humanity is just as applicable in the case of children in foster homes. If we must limit our welfare efforts, the last place we should do so is with children, especially needy ones who have the added handicap inherent in foster children.

If we are to aid these children to develop—and not have the burden of aiding in their rehabilitation—then additional Federal assistance is mandatory.

There is only one small difference between the bill introduced by the Senator from Louisiana and my amendment. He called for a $100 contribution to the needy child in a foster home. The amendment I propose would provide for $50, half the amount provided in the bill of the Senator from Louisiana.

Mr. LONG of Louisiana. Mr. President, I do not take back a word I said that the Senator from New Jersey has put in the RECORD. I was convinced that the speech I delivered was right, and I have not changed my mind.

I submitted the amendment to the committee, and it was rejected by the committee. That was the situation, but the Senator from New Jersey has now cut the cost in half. I should like to do more for foster care children. But I am frank to say that it was the judgment of the majority on the committee that we had done a great deal in the welfare area and that the cost would be increased by at least $60 million if the amendment offered by the Senator from New Jersey were agreed to.

I have great sympathy for the proposal. I made the speech to which the Senator refers, and I do not take it back. It was a good speech, and I still think that it is right. However, that was not the judgment of the majority of the committee.

Mr. President, if any Senator wishes to speak in opposition to the amendment, I would be happy to yield time to him. Personally, I shall vote for the amendment, but that was not the view of the majority of the committee.

Mr. WILLIAMS of New Jersey. Mr. President, I am ready to have a voice vote on the proposal. I yield back any time I have remaining.

Mr. LONG of Louisiana. I yield back any time I have remaining.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment of the Senator from New Jersey. [Putting the question.]

The "ayes" seem to have it——

Mr. WILLIAMS of New Jersey. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second. The yeas and nays are ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. MANSFIELD (after having voted in the negative). On this vote I have a pair with the distinguished minority leader, the Senator from Illinois [Mr. DIRKSEN]. If he were present and voting he would vote "nay"; if I were permitted to vote, I would vote "yea." I withdraw my vote.

Mr. BYRD of West Virginia. I announce that the Senator from Nevada [Mr. CANNON], the Senator from Tennessee [Mr. GORE], the Senator from Arizona [Mr. HAYDEN], the Senator from Missouri [Mr. LONG] and the Senator from Ohio [Mr. YOUNG] are absent on official business.

I also announce that the Senator from Michigan [Mr. HART] is absent because of illness in the family.

I further announce that the Senator from Connecticut [Mr. DODD], the Senator from Mississippi [Mr. EASTLAND], the Senator from Florida [Mr. HOLLAND], the Senator from Minnesota [Mr. MCCARTHY], the Senator from Wyoming [Mr. MCGEE], the Senator from South Dakota [MCGOVERN], the Senator from Minnesota [Mr. MONDALE], the Senator from Florida [Mr. SMATHERS], the Senator from Georgia [Mr. TALMADGE], and the Senator from Indiana [Mr. BAYH] are necessarily absent.

I further announce that, if present and voting, the Senator from Nevada [Mr. CANNON] would vote "yea."

On this vote, the Senator from Michigan [Mr. HART] is paired with the Senator from Florida [Mr. HOLLAND]. If present and voting, the Senator from Michigan would vote "yea," and the Senator from Florida would vote "nay."

On this vote, the Senator from Wyoming [Mr. MCGEE] is paired with the Senator from Mississippi [Mr. EASTLAND]. If present and voting, the Senator from Wyoming would vote "yea," and the Senator from Mississippi would vote "nay."

Mr. KUCHEL. I announce that the Senator from Kansas [Mr. CARLSON], the Senator from Illinois [Mr. DIRKSEN], the Senator from Hawaii [Mr. FONG], the Senator from California [Mr. MURPHY], and the Senator from Pennsylvania [Mr. SCOTT] are necessarily absent.

The Senator from Kentucky [Mr. COOPER], the Senator from Wyoming [Mr. HANSEN], the Senator from South Dakota [Mr. MUNDT], and the Senator from Texas [Mr. TOWER] are absent on official business.

The Senator from Utah [Mr. BENNETT] is detained on official business.

If present and voting the Senator from Pennsylvania [Mr. SCOTT] would vote "nay."

The pair of the Senator from Illinois [Mr. DIRKSEN] has been previously announced.

On this vote, the Senator from California [Mr. MURPHY] is paired with the Senator from Utah [Mr. BENNETT]. If present and voting, the Senator from California would vote "yea," and the Senator from Utah would vote "nay."

On this vote, the Senator from Texas [Mr. TOWER] is paired with the Senator from Kansas [Mr. CARLSON]. If present and voting, the Senator from Texas would vote "yea," and the Senator from Kansas would vote "nay."

The result was announced—yeas 43, nays 30, as follows:

[No. 343 Leg.]

YEAS—43

Allott	Hartke	Morse
Anderson	Hill	Moss
Bartlett	Hollings	Muskie
Bible	Inouye	Nelson
Brewster	Jackson	Pastore
Brooke	Javits	Pell
Burdick	Kennedy, Mass.	Randolph
Byrd, W. Va.	Kennedy, N.Y.	Ribicoff
Case	Kuchel	Sparkman
Church	Long, La.	Symington
Clark	Magnuson	Tydings
Cotton	McIntyre	Williams, N.J.
Dominick	Metcalf	Yarborough
Gruening	Monroney	
Harris	Montoya	

NAYS—30

Aiken	Hatfield	Percy
Baker	Hickenlooper	Prouty
Boggs	Hruska	Proxmire
Byrd, Va.	Jordan, N.C.	Russell
Curtis	Jordan, Idaho	Smith
Ellender	Lausche	Spong
Ervin	McClellan	Stennis
Fannin	Miller	Thurmond
Fulbright	Morton	Williams, Del.
Griffin	Pearson	Young, N. Dak.

NOT VOTING—27

Bayh	Gore	McGovern
Bennett	Hansen	Mondale
Cannon	Hart	Mundt
Carlson	Hayden	Murphy
Cooper	Holland	Scott
Dirksen	Long, Mo.	Smathers
Dodd	Mansfield	Talmadge
Eastland	McCarthy	Tower
Fong	McGee	Young, Ohio

So the amendment of Mr. WILLIAMS of New Jersey was agreed to.

Mr. LONG of Louisiana. Mr. President, I move that the vote by which the amendment was agreed to be reconsidered.

Mr. WILLIAMS of New Jersey. Mr. President, I move that the motion to reconsider be laid on the table.

The motion to reconsider was laid on the table.

Mr. ALLOTT. Mr. President, I send to the desk an amendment and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The ASSISTANT LEGISLATIVE CLERK. On page 82, between lines 10 and 11, insert the following:

That the Social Security Administration cause a study to be made and reported to Congress relative to an increase in old-age insurance benefit amounts on account of delayed retirement.

Mr. ALLOTT. Mr. President, I shall not take more than a minute or two to explain this amendment. As many Senators are aware, I have had amendment No. 448 pending before the Senate for several days. It is an attempt to give some measure of equitable assistance to those Americans over 65 years of age who must delay their retirement, for one reason or another, to continue working. By law, these individuals are required to continue paying social security taxes. But, under the present law, no matter how many years they work after 65, or how much in social security taxes they pay, they do not receive an increase in social security benefits once they quit working.

I am fully aware of the situation that now prevails in the Senate at this late hour. I know that Senators are tired. I have discussed this with the Senator in charge of the bill and have also discussed it at great length with the junior Senator from Nebraska.

As the law now stands, it is clear that many Americans are discouraged from continuing their productive creativity until after they have reached the magic age of 65. Up to 1950, there was a provision in the Social Security Act which provided a 1-percent increase in benefits for every year a man worked after 65. I always thought it was a mistake that this provisions in the law was repealed. In fact, I would have voted to increase it. This was the basis for the amendment I originally offered and have now modified. The present situation in the Senate makes it obvious, at this hour, that the amendment I have offered would have little or no chance of passage because it would result in an increase in cost to the fund.

Mr. President, one of the most glaring inequities of the present Social Security Act concerns the man who, for one reason or another, must delay his retirement and continue to work past the age of 65. Under present law, this man must continue to contribute part of his wages to social security despite the fact that he would have been entitled to benefits if he had been able to quit working. This man's social security account receives double benefit if circumstances require that he continue working past the age of 65. The social security account continues receiving contributions while delaying distribution of benefits to which the man is entitled. The chances are slim that a man under these circumstances will ever receive benefits commensurate with his contributions.

There is an equally and perhaps more subtle impact here and that is the effect that the anomaly has upon the initiative of those elderly citizens who either need the additional income or who are able to continue to contribute their skills to the economy of this country.

Therefore, I have offered the amendment in the present form in order to cause the Social Security Administration to make a study of this problem and report its findings to Congress. It is my great hope that we can find, through such a study, an equitable way to treat these people who must continue to work after 65, but who not only continue to pay social security taxes but also receive no additional benefits. I do not see the junior Senator from Nebraska in the Chamber, but the Senator in charge of the bill is here, and I would hope that he would see fit to accept it.

Mr. LONG of Louisiana. Mr. President, I yield myself 2 minutes.

The PRESIDING OFFICER. The Senator from Louisiana is recognized for 2 minutes.

Mr. LONG of Louisiana. The Senator knows that the cost of this would be substantial, about $900 million a year. Still, there is a great deal of equity to it. We have considered this twice in years gone by and felt that we could not agree to it because of the great cost of the program, notwithstanding the great equity and merit of the amendment. Thus, the Senator has asked us to study the matter and was willing to modify his amendment.

On that basis, perhaps the study will show how we might better implement the suggestion. Therefore, I would be very happy to take the amendment to conference.

Mr. ALLOTT. I thank the Senator from Louisiana very much for his help and assistance.

The PRESIDING OFFICER. Is all time yielded back on the amendment?

Mr. ALLOTT. Mr. President, I yield back the remainder of my time.

Mr. LONG of Louisiana. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. All time has now been yielded back on the amendment. The question is on agreeing

to the amendment of the Senator from Colorado.

The amendment was agreed to.

AMENDMENT NO. 460

Mr. KENNEDY of Massachusetts. Mr. President, I call up my amendment No. 460 and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk proceeded to read the amendment.

Mr. KENNEDY of Massachusetts. I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered; and the amendment will be printed in the RECORD at this point.

The amendment offered by Mr. KENNEDY of Massachusetts is as follows:

On page 267, strike the period at the end of line 16 and insert in lieu thereof the following: ": *Provided*, That where the particular work concerned is not covered by the Fair Labor Standards Act, the wage rates shall not be lower than the rate applicable under section 303 of the Fair Labor Standards Amendments of 1966."

Mr. KENNEDY of Massachusetts. Mr. President, I yield myself 5 minutes.

The PRESIDING OFFICER. The Senator from Massachusetts is recognized for 5 minutes.

Mr. KENNEDY of Massachusetts. Mr. President, I have introduced this amendment in cosponsorship with 13 other Senators; namely, Mr. BROOKE, Mr. CASE, Mr. CLARK, Mr. HART, Mr. JAVITS, Mr. KENNEDY of New York, Mr. MCGEE, Mr. MCGOVERN, Mr. MONDALE, Mr. MORSE, Mr. MUSKIE, Mr. WILLIAMS of New Jersey, and Mr. YARBOROUGH.

Mr. President, this amendment has a simple purpose: to guarantee the payment of the Federal minimum wage on special work projects created under the terms of the Senate committee bill.

Just a year ago we in the Congress voted major changes in the Fair Labor Standards Act of 1938. These changes both increased the $1.25 minimum wage applicable to various jobs to $1.60, in stages, and broadened the coverage of the minimum wage to 8.1 million jobs not previously covered, such as certain agricultural workers, restaurant and food service employees, and Federal service contract employees.

The Senate committee bill now before us creates a new job category: Those in "special work projects." It would be an anomaly, I think, were the people in the jobs created at the instance of the Government, and financed by the Government, to be denied the benefits of the minimum wage. I do not think that Government-supported programs should pay less than the minimum wage.

The committee bill establishes a work incentive program to restore certain members of AFDC families to regular employment. This program, to be administered by the Department of Labor, would use regular counseling, training, and placement service techniques, but would also arrange for the creation of special work projects. These projects would be available to those who, for various reasons, could not find work through regular employment services.

Those individuals referred by the welfare agencies to the Secretary of Labor for participation in the work incentive program must be at least 16 years old, they cannot be mothers actually caring for children, and they cannot be ill or of advanced age. There are, in addition, certain other criteria defining those appropriate for referral. The Secretary of Labor would establish a number of priorities for those actually referred to him. The first priority would consist of those individuals suitable for regular employment or on-the-job training. The second priority would consist of those individuals who need some form of institutional training, whether classroom or work experience. The jobs for which the individuals in these two priorities will qualify would almost certainly be covered by the Federal minimum wage.

The third category, on the other hand, presents a different problem. It is in this third priority that the Senate bill make such a far-reaching and visionary change, and which can have such drastic effects in our urban areas of persistent and hard-core unemployment. For the third priority, those individuals for whom jobs in the regular economy cannot be found and for whom training may be appropriate, the bill creates special work projects. Under this proposal, the Department of Labor would contract with public agencies, and with private nonprofit agencies organized for a public purpose, to establish these special work projects. Participants in the projects would receive a wage from their employer, for time worked, instead of their regular public assistance grant. The public assistance grant for each participant would be paid by the State welfare agency to the Secretary of Labor, who would then reimburse the employers of the participants in the special work projects.

Participants in the projects are guaranteed that their total income while taking part in project will equal at least the amount of the public assistance grant to which they are entitled, plus 20 percent of the wages paid to them by their employer on the project. The important aspect of this feature of the bill is that in most instances the recipient would no longer receive a welfare check. Instead, he will receive a wage for work performed.

The example given in the committee report of how this work incentive program might operate bears summarizing at this point. The example postulates that 45 women and men—all of whom are in the exclusionary categories—are referred to the Secretary of Labor, and that seven can be placed immediately in jobs and another 32 immediately in job training. This leaves 11, in the example—10 women and one man—available for the special work projects. The local agency of the Labor Department might then enter into a contract with the local school board, under which the 10 women act as playground assistants in various schools and the man acts as a hall guard in a school with a severe discipline problem. The contract might further specify the hours of work and the wage to be paid.

My amendment would require that in no case could the wage be less than the Federal minimum wage specified in section 303 of the 1966 amendments to the Fair Labor Standards Act of 1938. These wages are those applicable to newly covered workers: $1 an hour until February 1, 1968; $1.15 the next year; $1.30 the next; $1.45 the next; and $1.60 thereafter.

This minimum wage is certainly just that—a minimum. Using a 40-hour week, and assuming a 50-week year, the present minimum wage—$1 an hour—figures out to a gross salary of $2,000 a year. This is more than $1,000 below the officially proscribed poverty level.

I do not think that, in conscience, we can permit acceptance of this committee proposal for special work projects without requiring that the minimum wage apply. The same arguments which were no persuasive last year, as we included Federal service contract employees and certain other Federal employees in the extended coverage of the FLSA, apply to this case. Whenever the Federal Government is responsible for the creation and financing of the jobs, then it should not back away from requiring the minimum wage, particularly as the minimum wage is so low.

Mr. President, I believe the Senate version of this work incentive program is far superior to the House version. It greatly ameliorates the harsh aspects requiring all members of AFDC families to take work, by exempting five specific groups of individuals and by giving State welfare agency personnel discretion in their referral function.

I think it would be extremely unfortunate if we were to pass a social security bill, and to provide in that bill for federally subsidized employment paying below the minimum standards voted by this body on other occasions.

Mr. President, I would hope this amendment would be accepted.

Mr. LONG of Louisiana. Mr. President, I yield myself such time as I may require.

Mr. President, the work program envisages putting people to work who have never worked before. It involves paying money to be used for welfare and work such as cleaning up hospitals or universities or schools or other public service, nonprofit organizations, to get people to do work that otherwise would be undone.

This subsidized work program does not envisage putting people to work on a job that would ordinarliy be taken care of by the labor force in this country.

The law provides that when a job is created for somebody and the Federal Government pays the overwhelming bulk of it with welfare money, if it is a job which would be a minimum wage job, the minimum wage shall be paid. But if it is not a minimum wage job, then we will have paid at least 20 percent more than a person would make otherwise, and we would pay what we would expect to pay to get that work done. To require the minimum wage for the most inefficient type of labor we have in America, when we provide the paying of a mini-

mum wage for much more efficient labor, does not make sense.

In other words, we are requiring the Federal Government to provide subsidized employment, to make a job for somebody that would not exist otherwise, even if it is just picking up trash from in front of one's own house, or picking up beer cans, which a person should do, anyway, if it is in front of his home. To pay a minimum wage for that kind of work, when it is not minimum wage work, does not make sense.

Any person doing a job that comes under the minimum wage standards under this work program would receive the minimum wage, but when a job is created that does not exist in the regular work force, anyway, but is just a job that would otherwise be undone—for example, leaf raking—and to say we must pay a minimum wage for it does not make sense.

I would hope the amendment would not be agreed to.

As I say, the bill provides that, if the work is a minimum wage job, they would get the minimum wage.

I would hope we would have this program as it is, rather than start paying people more for the kind of labor envisaged than could be justified on any other basis.

Mr. SYMINGTON. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield to the Senator from Missouri.

Mr. SYMINGTON. Mr. President, this evening and in recent days, votes have come up on which normally I would have voted differently. The record is clear that I have a deep and abiding concern for the working people of this country, as well as the less fortunate. With conditions as they are around the world today, it appears to me that the greatest disservice the Congress of the United States could do, not only to the less fortunate and working people, but to all except the very few, would be to establish new policies and programs that resulted in further disintegration in the value of the dollar.

As many of my colleagues know, upon returning from Europe and Asia last January, I predicted deep trouble for the British economy; and upon returning from Great Britain last September, despite the assurances of their Prime Minister that, under no circumstances would the pound be devalued, I predicted without reservation that it would be devalued.

This is mentioned because the matter simply got out of hand as far as what the Labor government could or could not do. At the end there was no possible way devaluation could be avoided, a step they had to take, even though it could well mean the fall of the government.

Because of this 19-year continuing unfavorable balance of payments, and the fact that, today, this Nation possesses less than $3 billion of free nonmonetized gold to pay off its current liabilities—less than $3 billion in gold bullion to pay debts of over $30 billion owed abroad, primarily to the foreign central banks—the question of whether or not we have galloping inflation instead of this normal inflation of recent years soon could not necessarily be a matter of decision for this Government. Already matters are slipping away from the International Monetary Fund to the control of the Committee of Ten.

We talk about whether or not we should allow our money to go to Great Britain. With the price of money in England today at 8 percent, we nevertheless say we do not intend to let money leave this country and to that end set the discount rate at 4½ percent instead of 4 percent.

In addition, there are estimates that our deficit will be as high as $30 to $35 billion; and in this connection there is much discussion going on as to whether we should or should not pass a tax increase, one which would result in additional revenue somewhere between $6 and $10 billion. I fail to see how all this is realistic, and question whether we are really facing up to the problems of the current deficit.

It is for these reasons, as said before, that I believe tonight we must face the fact that the economy of the United States is in serious trouble. By the end of this year, according to authorities, we are going to have outstanding $1 trillion worth of life insurance—$1,000 billion in the United States. There is not a public servant of the Government, in the military or outside of it, but who is thinking of his retirement benefits. There is not a union, big or little, that is not emphasizing to its members the value of the pension plans its leadership has recommended.

All of these counted upon future returns can be deeply affected, if not irreparably crippled, unless we maintain a certain realism with respect to what we are asking the American taxpayer to put up tonight; also what we have asked him to put up in recent days and months, and will be asking him to put up before the end of this year.

It is primarily because the greatest disservice we could do for all poor people and all working people is not to face up to what is happening to the value of the dollar that I have cast votes against programs which normally I would be glad to support.

Mr. LONG of Louisiana. Mr. President, we must keep in mind that many of the jobs created under this work program are designed to start people out with very trivial and unproductive work, with the idea that the Department of Labor would take a look at each individual under the program every 6 months to see if the individual could be placed in more productive regular employment.

Now, to require that there be a minimum wage to put somebody to work on some trivial job or meaningless task on the theory that it is better for them to do that than just be idle, and that they can better themselves by doing so, and to impose on the employer a minimum wage for doing something that is not minimum wage work, would be, to me, a very unrealistic burden on the program. I hope the amendment will be rejected.

If it is possible for the Secretary of Labor to upgrade these jobs, to make them into minimum wage jobs, I am sure he would do so. That would be his desire.

Mr. LAUSCHE. Mr. President, may I have 3 minutes?

Several Senators addressed the Chair.

The PRESIDING OFFICER. The Senator from Louisiana has the floor.

Mr. LONG of Louisiana. I yield 3 minutes to the Senator from Ohio.

Mr. LAUSCHE. I commend the Senator from Missouri for the very timely and pertinent statement which he made just a moment ago.

Britain, believing that it was in sound fiscal and monetary status, found itself compelled to devaluate the pound; and Britain, in order to save itself, has imposed the severest program of austerity imaginable upon its people. The raising of the interest rate to 8 percent, begging hard for the flow of hard currency into England, and the devaluation of the pound by 40 cents, causing economic difficulties to its people, it decided to bear.

While Britain has adopted the program of austerity, our country is going on in a mad, galloping fashion leading to identically the position that Britain now occupies. Today's demonstration here is an example. I voted to accept the Senate bill instead of the House bill. I thought when I did that, that would be the end of the giveaway program. But to my great grief and sorrow, it was only the beginning. Every half hour there is offered a new proposal, driving our country more deeply into difficulty on the basis of its fiscal and monetary position.

The Senator from Missouri performed a very valuable service. We had better take heed of what he says, and had better not follow the belief that trouble cannot reach us, that we are beyond the reach of the laws of economics, that regardless of what we do in the way of extravagant spending, those laws will never reach the United States.

They will. They are inexorable in their movement. They may be slow in coming, but they will eventually be knocking at the doors of the Capitol of the United States, saying, "You have been loose, you have been extravagant, you have been unmindful of the laws of economics, and now you had better pay the bill."

Mr. KENNEDY of Massachusetts. Mr. President, I yield myself 3 minutes.

This amendment is not concerned with the balance-of-payments question. What it is concerned with, is the payment of a minimum wage, under the new minimum wage standards, to people involved in these public work programs.

With the greatest respect for the distinguished Senator from Louisiana, this is not a question of jobs cleaning up in front of houses in a ghetto. These jobs are in programs developed by the Labor Department. It arranges these programs with public agencies, and it describes the work which shall be done. It will be special work.

But all we are talking about, Mr. President, is a dollar an hour minimum wage; and if we must say that involves our balance-of-payments problem to say that we are going to pay people a dollar an hour minimum wage in this country, I think things have come to a sorry pass.

Mr. President, there are 22 States which participate in the unemployed parents segment of the AFDC program. Of those 22 States, there are only four which would, under this amendment, be required to raise the amount of their payments to individuals participating in such special work programs. Only four out of the 22. What we are talking about, Mr. President—and I refer to page 298 of part I of the hearings, and the chart that is indicated thereon—is a very easy and fundamental question. It is whether or not we are going to have, effectively, slave labor in this country; whether we are going to say, "You can pay anything you want to; if you want a woman to clean out the latrines in the courthouse, you can have her for 35 cents an hour, or if you want someone to clean out the men's room, it will be 45 cents an hour."

All we are talking about in this amendment is paying such workers $1 an hour. One dollar an hour, to put them under the same minimum wage standards adopted by this body in 1966.

That will come to $40 a week. That is all it will amount to, and that is what the amendment would require.

I repeat, Mr. President, of the States that are already included in the program, to which the program would apply, there are only four of them—only four—which would have to upgrade the wages they pay. Only four. This amendment does not involve a great giveaway program. All it would do is to impress upon this legislation the imprimatur of the U.S. Senate, to say that if the Department of Labor is going to participate in a program, we are going to pay $1 an hour thereunder. That is what this amendment would do.

With the greatest respect for all those Senators who say we have been adding, hour after hour, all of these costly programs, I say that if they are a matter of concern, they will be worked out in conference.

My distinguished friends, the question before us is whether, in this particular provision of the pending measure, the Senate of the United States is going to say, "Well, on this question, you can just pay whatever the traffic will bear, as far as employment is concerned."

I am certainly hopeful that the Secretary of Labor will strive to do better, and make such accommodations and adjustments as seem to be realistic. It does seem to me, Mr. President, that it is not asking too much for the U.S. Senate to say in this bill, as to this particular provision, that anyone who is going to participate in these special work projects shall be paid at least $1 an hour.

Mr. SYMINGTON. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield the Senator from Missouri 2 minutes.

Mr. SYMINGTON. Mr. President, I am impressed by the remarks of the able senior Senator from Massachusetts. My remarks were not necessarily addressed to his amendment, nor were they addressed to the nevertheless serious balance-of-payments issue; rather they were addressed to the critical problems which will face this country if we have a further and major depreciation in the value of the dollar.

In 1949, this country had $24.6 billion in gold bullion. Last month our country's gold reserves dropped below $13 billion, the lowest figure since July 1, 1938. At the same time, the amount of money we owe abroad, primarily to foreign central banks, has now increased to more than $30 billion. Some day, it is becoming increasingly clear, there has to be a reckoning.

In the Bretton Woods Agreement which set up the International Monetary Fund, the dollar was made synonymous with gold, but so also was the pound. They are presently the two international currencies. They are tied tightly together. A recent editorial in the New York Times characterized the pound as the first line of defense of the dollar.

Now that first line of defense has fallen.

Let me repeat. No one is more sympathetic with the problems of the poor and the problems of the working people than is the senior Senator from Missouri. The record so demonstrates.

On the other hand, there has to be an end some day to this continuous printing of paper gold, a printing press operation that not only has been financing expansion in this country since World War II but also the expansion of trade all over the world; and the fact that we have now truly reached a danger point is best illustrated by what has happened in Great Britain during recent hours.

Mr. LONG of Louisiana. Mr. President, I yield myself 2 minutes.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. LONG of Louisiana. Mr. President, I yield myself 2 minutes on the bill, and I will be glad to yield the Senator equal time.

The PRESIDING OFFICER. The Senator from Louisiana is recognized for 2 minutes.

Mr. LONG of Louisiana. Mr. President, in my part of the country, they use farm labor. And that farm labor is hard to find. It is not unusual to pay 50 cents an hour to get some person to help in farmwork. And some of that work is pretty hard work.

They ask why people do not pay more. They cannot afford to pay more. If they have to pay more, a man will bend his own back and do that work for himself. To require that one pay a minimum wage for work that is not minimum wage work and is not classified as minimum wage work is just to place a tremendous burden on a program where a great number of the jobs to be filled will be very easy jobs, such as tending to a playground and watching children at play to make sure that they do not hurt themselves. Perhaps it will be work of a kind that people do to help keep their neighborhood clean.

Many people do this kind of work. I do it myself. Many people in government, when they have nothing better to do, go out and clean up the street in front of their homes.

The Secretary of Labor has the responsibility of upgrading these jobs as much as he can, and if he can find a minimum job, he should find that minimum job for a person. However, here we have a program with the Federal Government paying the bulk of the costs and the States participating in finding jobs for people who are unemployed—jobs that do not exist—and imposing a minimum wage requirement on that job. While the purpose is worthy, it would seem to me that it would be better not to put that barrier on the program, but we should try to get these people to work and then upgrade the program from there.

Senators are familiar with the problems in hospitals, universities, colleges, and schools where they have great difficulty in finding people to do some worthwhile work.

The kind of labor we are trying to put to work here is, for the most part, people who have never known what it is to work before. So, to impose a minimum wage requirement on this provision is to impose a terrible burden on a new project to try to get people to work and to train them, and if we cannot find jobs for them in any other way, we subsidize the cost of employing them and thus increase the burden of the taxpayer by making him pay a minimum wage for work that is not minimum wage work. It seems to me that it is an unreasonable requirement.

Mr. KENNEDY of Massachusetts. Mr. President, I yield myself 2 minutes.

The PRESIDING OFFICER. The Senator from Massachusetts is recognized for 2 minutes.

Mr. KENNEDY of Massachusetts. Mr. President, we are talking here about a family payment which averages $212 per month for the country as a whole. This is above the minimum wage, which would pay $160 per month. This is on page 298 of part I of the hearings. This is a tabulation relating to the 22 States concerning unemployed parents with dependent children.

That income comes to $212.65. That is way above the hourly requirement of the minimum wage. That is way above the fundamental, basic hourly minimum wage.

What we are trying to do is to equate, in this particular program, the minimum wage with the average welfare payment.

Mr. LONG of Louisiana. Mr. President, to what page is the Senator referring?

Mr. KENNEDY of Massachusetts. I am referring to the chart on page 298 of part I of the hearings of August 22, 23, and 24, 1967. That is a tabulation of the aid to families with dependent children, unemployed-parent segment.

It is my understanding that the unemployed-parents segment is a provision which applies to the special work program.

Mr. LONG of Louisiana. Mr. President, what the Senator is talking about, I submit, is 100 percent totally irrelevant to this.

We are not talking about the welfare payment to a child or an unemployed father or to a family or an unemployed parent. We are talking here about what we pay when we put somebody to work.

Mr. KENNEDY of Massachusetts. Exactly. What we are talking about here, if the distinguished Senator wishes to talk about certain parts of the country where they only pay 50 cents an hour, is why we should not pay $1. That is

very relevant here, because under the provisions of the welfare program they are already getting $212 a month, which is more than the minimum wage.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. KENNEDY of Massachusetts. I yield myself an additional 2 minutes.

The PRESIDING OFFICER. The Senator from Massachusetts is recognized for an additional 2 minutes.

Mr. KENNEDY of Massachusetts. They are already receiving $212 in various States. That is the average for the family. So, Mr. President, if we are going to say that we are only to pay $1 to people who cannot do any work in this country, we already know that they are getting more than $1 on the average in the 22 States which have the program. The average is $212, and under the special work program this $212 figure is used as a base to compute the wage to be paid.

All we are asking here is that the States which are not—and which cannot today—meet what is fundamental requirement and the basic minimum wage under the FLSA amendments of 1966, should be required to pay $1 an hour under contractual arrangements which are made with the Department of Labor to do any of the work to be included in these programs.

There will be only four States which will fall short of these provisions. It does seem to me that $1 an hour payment to do this kind of work is certainly not undesirable.

Mr. MILLER. Mr. President, will the Senator yield?

Mr. KENNEDY of Massachusetts. It is my understanding that my time has expired.

Mr. MILLER. Mr. President, will the Senator from Louisiana yield me 1 or 2 minutes so that I may ask a question of the Senator from Massachusetts?

Mr. LONG of Louisiana. Mr. President, I yield 1 minute on the bill to the Senator from Iowa.

Mr. MILLER. Mr. President, I ask the Senator if what he has just said would also cover the situation where it is permitted to pay students less than $1 an hour?

Mr. KENNEDY of Massachusetts. This has nothing to do with that particular program. The work program under this particular provision has nothing to do with the student aid programs.

Mr. MILLER. I understand that it has nothing to do with it. However, the Senator is talking about the minimum of a dollar an hour. I understand that the minimum may be reduced in the case of students. I wonder if there is any comparability between the category of a student earning less than $1 an hour and the people he is trying to cover under his amendment.

Mr. KENNEDY of Massachusetts. I would distinguish between the students receiving $1 an hour, and the people here who fall under the definition described in this bill. I think there is a significant differentiation.

Mr. KENNEDY of New York. Mr. President, I support amendment No. 460, which I was glad to cosponsor. This amendment is one of a group of amendments which a bipartisan coalition of 15 Senators announced yesterday were essential, in their opinion, to insure that this legislation is humanitarian in its effect.

This amendment deals with a critical aspect of the work incentive program adopted by the committee: the wage which welfare recipients will be paid when they are put to work on the special work projects established by the bill. The bill provides that the minimum wage will be paid on such work projects only where that wage is applicable. But most such projects will be work for public agencies or private nonprofit agencies where no minimum wage is applicable.

Mr. President, I believe the Government should never be in the posiiton of subsidizing or encouraging or supporting in any respect work at substandard labor conditions. Yet this is exactly what the bill would do, and it would do it with regard to people who have no choice. In effect, this is slave labor. Any welfare mother or father for whom regular, competitive employment cannot be found, or for whom training is not suitable, could be put to work in one of the special work projects under the bill. One can imagine what they are likely to be, given the definition of those who will be forced into them. Sweeping out the courthouse lavatory is one possibility. Raking leaves on the city hall lawn and shoveling snow off city streets are others. Cleaning out the drainage ditches near large farms and plantations is a favorite in some parts of the country. For all of these activities there would be no guarantee that the minimum wage would be paid. I think this is unsatisfactory.

The amendment is modest enough. It would treat workers in activities not otherwise covered by the minimum wage the same as newly covered workers are treated under the Fair Labor Standards Amendments of 1966. Thus, they would be paid $1 an hour until next February, $1.15 for the next year, $1.30 for the year after that, $1.45 for the following year, and $1.60 beginning February 1, 1971. Even at $1.60, 52 weeks of work yields only $3,328 a year, hardly a subsistence wage.

Mr. President, for the first time in the history of our country people are losing the right to choose the place where they will work. That is what this bill provides. For the first time people will have no conceivable right to bargain over what wage they will receive. And for the first time they will be penalized if they do not what the Government tells them to do. The compulsory labor provisions of this legislation are bad enough. Let us not make them slave labor in addition. I urge that the amendment be adopted.

The PRESIDING OFFICER. All time having expired, the question is on agreeing to the amendment of the Senator from Massachusetts. [Putting the question.]

Mr. PASTORE. Mr. President, I ask for a division.

The Senate proceeded to divide.

Mr. KENNEDY of Massachusetts. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

The PRESIDING OFFICER. All time having expired, the question is on agreeing to the amendment of the Senator from Massachusetts.

On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MANSFIELD (when his name was called). On this vote I have a pair with the distinguished minority leader, the Senator from Illinois [Mr. DIRKSEN]. If he were present and voting, he would vote "nay"; if I were permitted to vote, I would vote "yea." I therefore withhold my vote.

The legislative clerk resumed and concluded the call of the roll.

I further announce that, if present and voting, the Senator from Nevada [Mr. CANNON] would vote "yea."

On this vote, the Senator from Michigan [Mr. HART] is paired with the Senator from Florida [Mr. HOLLAND]. If present and voting, the Senator from Michigan would vote "yea," and the Senator from Florida would vote "nay."

On this vote, the Senator from Wyoming [Mr. MCGEE] is paired with the Senator from Florida [Mr. SMATHERS]. If present and voting, the Senator from Wyoming would vote "yea," and the Senator from Florida would vote "nay."

Mr. BYRD of West Virginia. I announce that the Senator from Nevada [Mr. CANNON], the Senator from Arizona [Mr. HAYDEN], the Senator from Missouri [Mr. LONG], the Senator from Mississippi [Mr. STENNIS], and the Senator from Ohio [Mr. YOUNG] are absent on official business.

I also announce that the Senator from Michigan [Mr. HART] is absent because of illness in the family.

I further announce that the Senator from Indiana [Mr. BAYH], the Senator from Pennsylvania [Mr. CLARK], the Senator from Connecticut [Mr. DODD], the Senator from Mississippi [Mr EASTLAND], the Senator from Florida [Mr. HOLLAND], the Senator from Minnesota [Mr. MCCARTHY], the Senator from Arkansas [Mr. MCCLELLAN], the Senator from Wyoming [Mr. MCGEE], the Senator from South Dakota [Mr. MCGOVERN], the Senator from Florida [Mr. SMATHERS], and the Senator from Georgia [Mr. TALMADGE] are necessarily absent.

Mr. KUCHEL. I announce that the Senator from Kansas [Mr. CARLSON], the Senator from Illinois [Mr. DIRKSEN], the Senator from Hawaii [Mr. FONG], the Senator from California [Mr. MURPHY], and the Senator from Pennsylvania [Mr. SCOTT] are necessarily absent.

The Senator from Kentucky [Mr. COOPER], the Senator from Wyoming [Mr. HANSEN], the Senator from South Dakota [Mr. MUNDT], and the Senator from Texas [Mr. TOWER] are absent on official business.

The Senator from Utah [Mr. BENNETT] and the Senator from Oregon [Mr. HATFIELD] are detained on official business.

If present and voting, the Senator from Utah [Mr. BENNETT], the Senator

from Kansas [Mr. CARLSON], the Senator from California [Mr. MURPHY], the Senator from Pennsylvania [Mr. SCOTT], and the Senator from Texas [Mr. TOWER] would each vote "nay."

The pair of the Senator from Illinois [Mr. DIRKSEN] has been previously announced.

The result was announced—yeas 31, nays 40, as follows:

[No. 344 Leg.]

YEAS—31

Bartlett	Javits	Pastore
Brooke	Kennedy, Mass.	Pell
Burdick	Kennedy, N.Y.	Prouty
Case	Magnuson	Proxmire
Church	Metcalf	Randolph
Griffin	Mondale	Ribicoff
Gruening	Montoya	Tydings
Harris	Morse	Williams, N.J.
Hartke	Moss	Yarborough
Inouye	Muskie	
Jackson	Nelson	

NAYS—40

Aiken	Fannin	Monroney
Allott	Fulbright	Morton
Anderson	Gore	Pearson
Baker	Hickenlooper	Percy
Bible	Hill	Russell
Boggs	Hollings	Smith
Brewster	Hruska	Sparkman
Byrd, Va.	Jordan, N.C.	Spong
Byrd, W. Va.	Jordan, Idaho	Symington
Cotton	Kuchel	Thurmond
Curtis	Lausche	Williams, Del.
Dominick	Long, La.	Young, N. Dak.
Ellender	McIntyre	
Ervin	Miller	

NOT VOTING—29

Bayh	Hansen	McGovern
Bennett	Hart	Mundt
Cannon	Hatfield	Murphy
Carlson	Hayden	Scott
Clark	Holland	Smathers
Cooper	Long, Mo.	Stennis
Dirksen	Mansfield	Talmadge
Dodd	McCarthy	Tower
Eastland	McClellan	Young, Ohio
Fong	McGee	

So the amendment of Mr. KENNEDY of Massachusetts was rejected.

AMENDMENT NO. 467

Mr. MANSFIELD. Mr. President, in the hope that I may set an example to the Senate for the remainder of this evening—and the hour is getting late—on behalf of the Senator from South Dakota [Mr. MCGOVERN], I call up amendment No. 467.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk proceeded to read the amendment.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered; and without objection, the amendment will be printed in the RECORD.

The amendment is as follows:

On page 306, line 11, after "(24)" insert the following: "effective July 1, 1968, provide that the standards used for determining the need of applicants and recipients for and the extent of aid under the plan, and any maximum on the amount of aid and other income will be no less than $4 per month per individual (determined on an average per individual in accordance with standards prescribed by the Secretary) above such amount of aid and other income available under the standards and maximum applicable under the plan on December 31, 1966, and"

Mr. MANSFIELD. Mr. President, if we may have order in the Senate, I do not intend to take more than 5 minutes, nor do I intend to ask for the yeas and nays.

Mr. President, there are 13 cosponsors of this amendment. The purpose of the amendment is to increase the levels of aid to families of dependent children by a percentage amount comparable to the increase already provided in H.R. 12080 for old-age assistance, aid to the blind, and aid to the totally and permanently disabled.

As to the method of calculation, on a national average, the $7.50 increase for old age assistance provided in the bill amounts to 11 percent of the average $68.70—as of July, 1967—received by people in that category. Eleven percent of the average $37.25 now accruing to individual AFDC recipients is a little over $4. The increase in AFDC consequently continues the present relationship between the two types of aid, and relies on the committee's calculations on old age assistance to determine the amount of increase required.

As to the number of people affected, as of July, 1967, a total of 1,212,000 families were receiving AFDC payments with a total of 4,978,000 recipients—including children and one or both parents or one caretaker relative—and 3,745,000 children.

As to the cost and financing, HEW estimates that the $4 increase would cost $79.4 million annually in Federal funds and $135.6 million annually in non-Federal expenditures.

On behalf of the distinguished Senator from South Dakota [Mr. MCGOVERN], who is unavoidably and necessarily detained, I ask unanimous consent to have his detailed statement in support of his amendment be printed at this point in the RECORD.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT OF SENATOR MCGOVERN

I would like first to commend the Finance Committee and its able Chairman, Senator Long of Louisiana, for the masterful work they have done on this legislation. They have produced an excellent bill, and the best testimony to that will undoubtedly be found by a comparison of the measure reported with the version ultimately approved by the Senate—I suspect there will be very few differences.

This amendment, which has the bipartisan sponsorship of fourteen Senators, would modify the bill only slightly and its terms are largely self-explanatory. It would provide an increase of $4 per month per individual as a national average for recipients of aid to dependent children. The raise would take effect next July 1, and the figure used as the base would be the amount of aid and other income available as of December 31, 1966.

The Department of Health, Education and Welfare has estimated its cost at $79.4 million Federal and $135.6 non-Federal annually, which figures out to about $6.6 million and $11.3 million respectively per month.

The $4 increase amounts to slightly less than 11 percent of the $37.25 national average monthly payment for AFDC recipients in July. It is thus closely comparable to the $7.50 per month increase already contained in the bill for recipients of old age assistance, aid to the blind, and aid to the permanently and totally disabled.

Consequently, amendment number 467 merely seeks to include dependent children in the general welfare increase to be supplied by H.R. 12080.

Both the House Ways and Means Committee and the Senate Finance Committee have expressed justifiable concern over the growth in the number of people receiving aid to families of dependent children. A substantial portion of the rise in the past ten years can, of course, be accounted for by the inclusion in 1961 of aid for children of the unemployed, but there is nevertheless reason to intensify our efforts to help people in this category of assistance, as well as in the others, to achieve self-sufficiency.

I urge Senators to recognize, however, that this amendment has no bearing on whether or not a given family would receive assistance. It would merely increase the level of aid to those who have been determined, by whatever standards are applicable, to be eligible. The level of aid is not a proper target for those who feel the standards are too lax.

I do not believe we can justifiably reduce the AFDC rolls by attrition. I do not believe we are going to end desertion and illegitimacy by allowing the support for children who have the ill-fortune to be born into such circumstances to become more and more inadequate. The Committee had determined that increases in the cost of living justify an addition of some 11 percent in cases of the elderly needy and those who are blind or disabled. The cost of supporting children whose father or mother is absent has risen as well.

In its testimony before the Finance Committee on September eighteenth, the Child Welfare League of America noted that . . .

"Meeting the minimal needs of children is essential to any program which seeks to protect them. The best social services in the world cannot feed the hungry child nor provide him with the necessities of life. Living in constant poverty is not the way to promote the healthy physical or emotional growth of the next generation on which this country must depend."

The National Social Welfare Assembly has said in reference to this bill:

"We hope that the bill as finally enacted will reduce the need for public assistance by improvements in social insurance benefits, especially for beneficiaries at the lowest levels. However, for those who must seek assistance more adequate levels of aid are essential if children are to grow up in health and self respect."

Just as significant is the statement from an ADC mother in South Dakota who told me: "I have reason to be proud. My children are learning to become citizens who will never ignore their responsibility to either family or country."

The welfare of the children involved must, in my view, be our overriding consideration in connection with this legislation. There is nothing to be gained—and a great deal to be lost—by punishing them for the misdeeds of their parents.

Moreover, in many, if not most cases, the remaining parent is innocent of any wrongdoing. Surely we should not turn our backs on a family deserted by the father or mother. Certainly we should be willing to supply adequate aid in cases such as those described by New York State Social Services Commissioner George Wyman: ". . . . included in the category of absent parents are United States servicemen stationed overseas, including Vietnam. When their allotments are inadequate to meet the needs of their families, or when they do not make an allotment, their children under present law are eligible for AFDC payments."

Amendment number 467 is fully warranted by increases in the costs of supporting a family under the obstacles already imposed by the circumstances to which it applies. The $6 increase in aid bears a direct relationship to the addition already provided

in the bill for other welfare recipients. It would have no effect on the standards for determining who is eligible; it would not prevent either more or less restrictions. Its aim is to protect and assist needy children, to improve their chances of leading useful, productive adult lives.

I urge your support.

Mr. LONG of Louisiana. Mr. President, I yield myself 5 minutes.

Mr. President, the pending amendment would require the States to increase income standards or maximums by $4 a month for each person in a family with dependent children; and it would do this without providing additional money to the States with which to do it.

The Federal cost is estimated to be $79 million. The cost to State and local governments would be $135 million to $140 million. Where would they get the money?

We voted yesterday, with the Harris amendment, for the States to make available aid to dependent children in families where the father is unemployed, and a family would receive the aid because the father is unemployed. The Federal Government would provide its share of the matching funds, but where would the State get its money?

Now we are requiring them to increase the cost of their program by $140 million and we do not provide the revenue to go with it. I am not worried about the increase to the Federal Government, but where are the States going to find the money? We have agreed to and voted upon big increases in the program such as providing day care facilities, help to train people, assistance in finding jobs, and help for errant fathers.

However, this proposal imposes an additional burden upon the States and I wonder how Senators are going to go home and tell their people, "I voted for that proposal but I did not provide the money. I said that you would have to come up with the money." Mr. President, that would be in addition to the money that was voted for unemployed parents yesterday.

We have placed the burden on the States to compel 28 States to extend their programs to cover fathers who do not have a job. This amendment would require the States to find $140 million that they do not have.

Mr. KENNEDY of New York. Mr. President, I was disappointed that this amendment—No. 467—was not considered with more care. It was a most important proposal, designed to erase a serious discrimination in the bill.

This amendment was simple enough. The bill provides that old-age assistance recipients, the disabled, and the blind would all receive mandatory increases of $7.50 a month in their welfare payments. As to dependent children on welfare, the bill provides only that their welfare standards are to be repriced yearly in accordance with the cost of living. This amendment, moderate as it is, would have required that the discrimination be erased only to the extent of increasing payments for dependent children by $4 a month. It should be recalled that children, somehow, always seem to come off worst in our system of welfare assistance. Look, for example, at the average per capita welfare payments in the various categories as of June of this year. The per capita average payment for AFDC children was $37.10. For old-age assistance it was $68.05. For aid to the blind it was $87.30. And for aid to the permanently and totally disabled it was $76.90. These disparities, these discriminations, have been built into the law for years and years. They have only widened as the years have passed. Welfare does not really provide a subsistence income anywhere in our Nation, and in some parts of our Nation it is not even the beginning of enough to live on. In Mississippi, for example, the typical welfare payment to a family of four on ADC is about $55 a month. No one would get rich on this amendment, but a few people would be a little bit better off. We would have fulfilled in just a slight, small improved way our obligation to provide help to those in need.

Mr. President, we must not blithely provide increases to other categories of recipients, deserving as they are, while ignoring the children of the poor. That is a sin for which no atonement would be sufficient. We should have rectified this omission by adopting the amendment.

Mr. MANSFIELD. Mr President, I yield back the remainder of my time.

Mr. LONG of Louisiana. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER (Mr. MUSKIE in the chair). All time having been yielded back, the question is on agreeing to the amendment of the Senator from Montana. [Putting the question.]

The amendment was rejected.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. PROUTY. Mr. President, I send to the desk an amendment and asked that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk proceeded to read the amendment.

Mr. PROUTY. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered, and the amendment will be printed in the RECORD.

The amendment, ordered to be printed in the RECORD, is as follows:

Beginning on page 130, line 7, strike through line 12 and insert in lieu thereof the following:

"COVERAGE FOR HOSPITAL INSURANCE BENEFITS FOR PERSONS NOT INSURED THEREFOR

"SEC. 139 (a) Subsection (a) (2) (A) of section 103 of the Social Security Amendments of 1965 as amended by striking out '1968' and inserting in lieu thereof '1969'.

"(b) The amendments made by subsection (a) shall be effective on and after the first day of the month after the month in which this Act is enacted."

The PRESIDING OFFICER. How much time does the Senator yield himself?

Mr. PROUTY. Mr. President, I yield myself 5 minutes.

The PRESIDING OFFICER. The Senator from Vermont is recognized for 5 minutes.

Mr. PROUTY. Mr. President, the medicaid bill of 1965 was composed of two parts: supplemental medical insurance and hospitalization insurance. Supplemental medical insurance is presently available to all Americans over age 65 at a cost of $3 per month regardless of their social security or railroad retirement.

Hospitalization insurance under medicare, however, is available only to those who are also eligible for social security or railroad retirement. This is the problem which my pending amendment is designed to rectify.

It is estimated by the Social Security Administration that aproximately 70,000 individuals who are ineligible for hospitalization benefits reach the age of 65 each year. These older Americans are excluded due to legislative oversight on the part of Congress. They are ineligible for hospitalization because of the requirement that they also be eligible for either social security or railroad retirement.

Mr. President, a large number of people are not covered by social security because they receive benefits under State and local retirement systems in States which have opted to retain their own pension plans in lieu of social security. These individuals are ineligible for hospitalization benefits under medicare because of their ineligibility for social security. An excellent analysis of these State and local systems was printed in a recent Social Security Bulletin. I ask unanimous consent that this article be printed in the RECORD immediately following my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. PROUTY. Mr. President, I also ask unanimous consent to have two tables prepared by the Legislative Reference of the Library of Congress inserted in the RECORD. These tables demonstrate percentages of State and local employees across the country who are not eligible for coverage under social security, and thus for hospitalization benefits under medicare.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 2.)

Mr. PROUTY. Mr. President, many of these State retirement systems are excellent and provide adequate benefits. Some provide better stipends than social security. However, not all have provision for health services. On page 5 of the Bulletin article, in fact, there is a table which indicates that of 51 general retirement systems studied, only 67 percent of the members covered under those systems had any health coverage. Many of these 67 percent did not have coverage comparable to that available under medicare. It is important to enable these citizens to have the opportunity to enjoy all medicare benefits. The Finance Committee has provided a long-range solution to the problem. Those reaching retirement this year, however, should also have an opportunity to share in hospitalization benefits even though they are not covered under the OASDI system.

Mr. President, who are these 70,000 citizens who will not be eligible for hos-

pitalization benefits under medicare in 1968?

Their numbers are drawn from the ranks of such dedicated public servants as schoolteachers who have worked their entire lives in States with options for State retirement systems rather than for social security. At last count there were 12 such States in the Union.

One exception to this ineligibility provision was made. Those State employees who had at some point during their lives previous to their 65th year accumulated a minimum of six quarters of coverage under social security laws, were included.

To cover these people, an amendment was adopted in 1965 to provide for the inclusion of those older Americans becoming age 65 in that year under all medicare programs. The provision was extended in 1967. However, those older Americans who become 65 on January 1, 1968, will not be eligible for hospitalization benefits because the law lapses at that time. It would be a great pity if these dedicated public servants in 12 States were denied coverage after the first of the year.

It was apparent to me earlier this year that the hospitalization benefits for the 70,000 who will become 65 in 1968 must not be allowed to lapse. I had an amendment drawn up to extend coverage for another year and was waiting for an opportune time to introduce it.

It was also apparent to me, however, that my amendment should only be considered a short-term solution. I was hopeful that the Finance Committee of the Senate itself would arrange for a permanent decision by adopting the Ribicoff amendment.

The Finance Committee has accomplished both ends and met both long-range and short-range needs. It has first, by incorporating the essence of the Ribicoff amendment into the Social Security Amendments of 1967, made arrangements for a permanent solution to the problem.

Essentially what is to be done is that the Secretary of Health, Education, and Welfare will be authorized to contract with the 12 States which have employees not insured for the hospitalization plan of medicare. These States, at their own option, will be allowed to determine whether or not they wish to have medicare made available to citizens not ordinarily eligible. If so, the States will reimburse the medicare program for the actual costs of benefits and other administrative costs incurred in the process of granting assistance to these citizens. The States' retirement and pension plans will in no way be jeopardized, nor will the State employees be forced to option for social security instead of their present retirement systems.

This is an admirable addition to the bill. I commend the committee. This provision will allow all Americans who reach 65 in the future to be covered without committing large amounts of Federal money on a long-term basis.

However, there will necessarily be some time lag between enactment and implementation. During this time additional people will reach the age of 65 and be ineligible for hospitalization benefits. Of particular concern are those who become 65 immediately after January 1, 1968. With this in mind the Finance Committee has written a provision into its amendments to allow some, but not all of the 70,000 whose hospitalization benefits under medicare lapse in January to continue to have coverage.

In order to be eligible for these benefits, a minimum of three quarters of social security coverage, as opposed to six required by existing law, are required by persons who become 65 after January 1. That required by individuals who are to reach 65 in later years will increase by three quarters each year until the regular insured status requirement is met.

In doing this, the Senate followed the lead of the House which included a like provision in H.R. 12080. In the committee report, the reason for the reduction of the minimum quarters required for coverage was explained. The report stated:

> Your committee believes that this initial increase of 6 quarters of coverage is too sharp, and the bill provides that the minimum amount of quarters of coverage required for entitlement under this special provision of persons attaining 65 in 1968 would be three quarters of coverage.

The President also recommended that the number of quarters required for coverage be reduced to three from six.

This is a step in the right direction, Mr. President, but only a step, because not all of these dedicated public servants will be eligible for hospitalization insurance under medicare.

Let us stop for just a moment and consider the person who, in 1968, will be ineligible for such benefits as 90 days of hospitalization and 100 days of extended health care.

We discriminate against such a person for several reasons. First, we discriminate against an older citizen whose birthday falls on the "wrong" day. The inequity of the House and Senate provision becomes apparent if we consider the cases of two individuals who become 65 at about the same time. Let us assume that neither is eligible for social security benefits. For example, John Jones becomes 65 on December 31, 1967; Bill Beauregarde reaches the same age on January 1, 1968. John Jones is eligible for hospital insurance under medicare. Bill Beauregarde, 1 day younger than John Jones, fails to qualify.

Second, Mr. President, we discriminate against dedicated State employees such as teachers who were too busy to take time off from teaching to moonlight enough to accumulate three quarters of coverage. He was too occupied serving the youth of his State to concern himself with earning a minimum amount of money to make himself eligible for social security should he ever need it.

What injustice, Mr. President. For example, suppose our Mr. Beauregarde, discussed above, who becomes 65 on January 1, 1968, too late for hospitalization benefits, had been a teacher in Shreveport, La., for all the productive years of his life. Such a person in Louisiana could very likely find himself in this inequitous position, for 87 percent of the State employees—and 67 percent of both State and local employees—of Louisiana are not covered by OASDHI insurance. A similar Mr. Beauregarde might reside in Ohio where 100 percent of both State and local employees are not covered by OASDHI, or in Massachusetts where 98 percent of State and 100 percent of local employees are not covered by social security and thus the hospitalization benefits of medicare.

But, back to Mr. Beauregarde. He is doubly unfortunate due to the inopportune time of his birth and his failure to moonlight. Our diligent, dedicated Mr. Beauregarde in all likelihood graded papers and prepared for additional classes during school holidays in Shreveport, La., rather than working part time in the city department store. His perseverance and concern for his students is now to be rewarded by an exclusion from one-half of the benefits of medicare.

And the amount which Mr. Beauregarde would have had to earn is ridiculously small—$50 a quarter. The amount which he and his employer would have had to contribute to make him eligible—at the current rate of 4.4 percent of contribution—would be a meager $13.20 for all three quarters. In other words, this individual is cut off because he has failed to contribute $13.20 to the social security fund.

We are told, Mr. President, that the cost of including all of the 70,000 individuals turning 65 in 1968 under hospitalization provisions would be a staggering $10 million the first year. This cost estimate was provided by the Social Security Administration. The cost might rise thereafter for a few years, but would then drop off because the 70,000 constitute a closed group whose members would be increasingly depleted by death annually.

Some of the 70,000 who will not be eligible for hospitalization costs when they turn 65 in 1968 will undoubtedly be eligible for hospitalization due to the reduction of coverage requirements. No figures, however, have presently been made available to me to indicate precisely how many would be eligible. However, even if all 70,000 are eligible because they have accumulated three quarters of coverage, I contend, Mr. President, that the cost to the Federal Government would be great.

For example, if all 70,000 have contributed $13.20 to the social security fund, this means that a total of $924,000 is presently available to pay for these benefits. However, Mr. Robert Myers of the Social Security Administration has informed us that the benefits would cost $10,000,000 in 1968. The difference between $924,000 and $10,000,000—or $9,076,000 would have to come from the Federal Government. The House committee has provided for the expense to come out of the general tax revenues.

By requiring that these 70,000 individuals have three quarters of coverage, Mr. President, we are saving the U.S. Government a staggering $924,000 in 1968. What savings. The President, the House and the Senate Finance Committee are to be commended for their thriftiness.

For an expenditure of only $924,000 more, though Mr. President—a figure

which represents the real cost to the Federal Government next year if no quarters were required for the 70,000 who will be ineligible for all medicare benefits—think how many individuals will benefit. Consider how many Mr. Beauregardes there may be among the 12 States and 70,000 individuals ineligible for hospitalization under medicare who can be saved from high expenses when they fall ill.

We should reward, not punish, the diligent public servants such as Mr. Beauregarde, who through misfortune, or miscalculation will fail to receive all the benefits of medicare in 1968. These are individuals who are looking forward to the leisure and joys of retirement. They are individuals who probably rejoiced at the enactment of medicare and anticipated that their needs would be met. Many will probably not discover that their hospital costs will not be met until they are ill and taken to the hospital Think of their discouragement.

Such an occurence is to be avoided at any cost—a small real cost is indeed all that is necessary.

This amendment is to insure that all 70,000 individuals becoming 65 in 1968 will be covered, Mr. President, for hospital insurance under medicare.

My amendment is very short and simple. It would merely eliminate the December 31, 1967, cutoff date for eligibility of persons 65 for hospitalization insurance under medicare, without also have to be eligible for social security or railroad retirement.

In this way, Mr. President, 70,000 Americans would be eligible for coverage under both parts of medicare. The cost of this would be $10 million the first year—only $924,000 more than that which the Senate bill currently costs. Yet, the inequities inherent in the present provisions would be alleviated. It is a small price to pay for the insurance benefits which will be made available to some of our elder Americans who have long served our country and who will soon enter their first and justly deserved year of retirement.

EXHIBIT 1

STATE AND LOCAL GOVERNMENT RETIREMENT SYSTEMS, 1966: PROVISIONS FOR EMPLOYEES NOT UNDER OASDHI

(By Saul Waldman*)

(NOTE.—The development of State and local government retirement systems in the last half of the nineteenth century represented one of the first efforts in this country to protect the worker against the major economic hazards of our modern society. The Social Security Administration, as part of its continuing concern with methods of providing protection against economic insecurity, has long included studies of State and local systems among its research activities. This article summarizes the findings of the 1966 survey of the State and local government retirement systems whose members are not covered under the Federal old-age, survivors, disability, and health insurance (OASDHI) program. The full findings of the survey are to be published as a research report in the coming months.)

Surveys of the State and local government retirement systems whose members are also covered under the Federal program of old-age, survivors, disability, and health insurance (OASDHI) have been made in recent years, and the findings of these surveys have been reported by the Social Security Administration.[1]

The present study of retirement systems not under the Federal program fills out the information on the protection afforded by these systems. The report, based on the study of 87 retirement systems with 1,000 or more members, includes discussion of the systems' provisions governing retirement for age and service, disability retirement, and death benefits. Special emphasis is given to the recent developments in providing survivor protection, and information is included on such matters of current interest as early retirement, vesting of benefit rights, and provision for increases in benefits for retired persons.

SURVEY METHODOLOGY

The Social Security Amendments of 1954 made coverage under OASDHI available, at the option of the State, for most employees under State and local government retirement systems if the employees involved vote in favor of coverage. As a result, some OASDHI coverage of retirement system members has been implemented in nearly all States.

The survey included all retirement systems with 1,000 or more members who were not covered under OASDHI, according to the 1962 Census of Government.[2] Systems with incomplete OASDHI coverage resulting from a "divided retirement system" election were omitted from the survey, since eventually all the members will be covered. Systems with incomplete OASDHI coverage on a permanent basis, which is permitted under certain other provisions, were generally included.[3] Excluded were (1) closed systems, which do not accept new employees, (2) supplementary systems, covering employees receiving substantial protection under another public retirement system, and (3) systems covering unsalaried employees such as volunteer firemen.

The systems selected were limited to those with 1,000 or more members. Though there is a relatively great concentration of small systems among those whose members are not covered under OASDHI, only an estimated 10 percent of employees were excluded for this reason.

The final listing of systems to be surveyed included exactly 100 retirement systems with an estimated 1.5 million members in January 1966 or about one-fourth of all State and local government employees under staff retirement systems. A questionnaire was mailed to the administrator of each system by the Bureau of the Census, acting as agent for the Social Security Administration. Sixty-three of the 75 general systems, with an estimated 94 percent of the members, responded to the survey. Only one of the 25 systems for policemen and firemen—a small one—failed to respond.

The systems for policemen and firemen are analyzed separately because their provisions tend to differ considerably from those of the general systems, though for the most part they are homogeneous among themselves. The term "general system" is used here to refer to all systems other than those for policemen and firemen (unlike the term as used by the Census Bureau). The terms "members" or "membership" refer to active members and are used synonymously with "employees."

TABLE 1.—GENERAL SYSTEMS IN SURVEY, BY STATE, JANUARY 1966

State (ranked by membership)	Number of systems	Number of members (thousands)
Total	63	1,302.8
Ohio	4	332.8
California	6	260.7
Illinois	9	216.8
Massachusetts	18	94.6
Louisiana	3	81.1
Florida	3	63.9
Colorado	2	59.2
Missouri	1	35.0
Maine	1	34.2
Connecticut	2	33.0
Kentucky	1	30.0
Nevada	1	18.2
Georgia	1	12.8
Minnesota	3	10.4
Texas	2	9.1
Alaska	1	3.2
Tennessee	1	2.7
New Jersey	2	2.4
Virginia	1	1.5
Nebraska	1	1.1

GENERAL SYSTEMS

Characteristics

Only 20 States were represented in the survey of general systems (table 1), since in many States the members of all systems, or at least all those with 1,000 or more members, have been brought under OASDHI. Measured by the number of employees, the survey is dominated by three States (Ohio, California, and Illinois) that together included 62 percent of all employees in the systems surveyed. Massachusetts contributed the largest number of systems—18 of the 63 systems—followed by Illinois with nine systems and California with six systems. The fact that the retirement systems within a State tend to have similar provisions has a significant effect on the results of the survey. The Massachusetts systems for example are virtually identical, and most of the Illinois and California systems are closely similar.

The two largest systems in the survey (one California system and one Ohio system) include 28 percent of the total membership represented in the survey and the eight largest have almost 60 percent of the total membership. About half the systems had fewer than 5,000 members, and this group included 5 percent of all employees in the survey (table 2).

TABLE 2.—GENERAL SYSTEMS IN SURVEY, BY SIZE OF MEMBERSHIP, JANUARY 1966

Size of membership	Systems		Members	
	Number	Percent distribution	Number (thousands)	Percent distribution
Total	63	100.0	1,302.8	100.0
Less than 2,000	18	28.6	25.7	2.0
2,000 to 4,999	14	22.2	41.8	3.2
5,000 to 9,999	6	9.5	39.1	3.0
10,000 to 24,999	9	14.3	153.2	11.8
25,000 to 49,999	8	12.7	277.0	21.3
50,000 to 99,999	6	9.5	399.0	30.6
100,000 or more	2	3.2	367.0	28.2

*Division of Program and Long-Range Studies, Office of Research and Statistics.

[1] Joseph Krislow, *State and Local Government Retirement Systems, 1965* (Research Report No. 15), Social Security Administration, Office of Research and Statistics, 1966, and Joseph Krislov, *A Survey of State and Local Government Retirement Systems . . . 1961*, Social Security Administration, Bureau of Old-Age and Survivors Insurance, 1962.

[2] Bureau of the Census, *1962 Census of Governments: Topical Studies, No. 1, Employee-Retirement Systems of State and Local Governments.*

[3] Under the "divided retirement system" provision, applicable in States specified in the Social Security Act, only those members who elect to be covered are brought under OASDHI, with all new members automatically covered on a compulsory basis. Under other provisions of the law, coverage may be arranged for only certain groups of members—the employees of various local governments who are members of a statewide system, for example—and the noncovered groups are permanently excluded, unless additional arrangements are made.

Major findings

The survey findings indicate that, during the postwar years, the retirement systems have considerably strengthened the protection they provide for their members. The greatest improvements have been in provisions for monthly benefits for disability and death—types of protection offered by nearly all the systems in the survey.[4]

The type of protection offered by OASDHI has been one of the factors influencing the direction of improvements of those systems whose members have not come under the Federal program (as well as the systems whose members were brought under coverage[5]). The influence on noncovered systems is most apparent in new provisions for monthly benefits to widows and children that resemble the provisions for survivors in the OASDHI program.

The study also reveals an apparent modification of the principle of individual equity (under which benefits are based solely on the contributions or credits of the member) that has been an important element of the benefit provisions of many systems. Relatively few systems in the survey, for example, still use the money purchase method of computing benefits, under which benefits are actuarially based on the contributions credited to the member's account. Modification of this principle is revealed too in the growing tendency toward providing full or substantial benefits, without regard to contributions or length of service, to disabled members and, especially, to the survivors of deceased members.

TABLE 3.—SUMMARY OF PROVISIONS, BY TYPE, JANUARY 1966

Type of provision	General systems		Systems for policemen and firemen	
	Number	Percent of members covered	Number	Percent of members covered
Total	63	100.0	24	100.0
Retirement for age and service	63	100.0	24	100.0
Involuntary retirement	54	79.0	19	79.5
Early retirement	53	93.6	6	48.8
Automatic adjustment of benefits	10	12.3	7	26.1
Health plan after retirement	51	67.6	23	93.7
Vesting	39	92.0	6	36.5
Retirement for disability, nonservice connected	62	99.9	22	96.5
Monthly survivor benefits, nonservice connected:				
Widow of active member, with children	60	99.5	24	100.0
Widow of active member, without children	58	99.1	24	100.0
Widow of retired member [1]	21	20.7	22	69.5

[1] Benefit specified in the law (excluding joint and survivor option).

Retirement for age and service

Eligibility.—The "normal retirement age" is considered here as the youngest age at which an employee may retire on his own volition and receive the full amount of retirement benefits to which he is entitled on the basis of his earnings and length of service. Similarly, where retirement based on length of service alone is possible, "normal" retirement is retirement at the earliest time full benefits become available. The earliest age at which retirement for age and service is possible, but with benefits reduced because of age, is defined as the "early retirement age."

To qualify for normal retirement, the member usually has to meet both an age and length-of-service requirement, typically age 60 with 10–20 years' service, but many systems permit retirement on the basis of age alone (at age 60–65) and a few on the basis of service alone (with 30–35 years). Many systems offer alternative eligibility requirements for normal retirement. They may, for example, permit members with long service to retire at an early age or to retire on the basis of service alone, without meeting any age requirement (table 4).

The normal retirement age specified under the age or age-and-service provisions is usually 60, but age 65 is also frequently found. Many employees continue to work beyond the age that normal retirement first becomes available.[6]

Involuntary retirement.—Although employees usually may continue to work beyond normal retirement age, under most systems they may be required, at the discretion of the employer, to retire at a specified age—commonly at age 70 and to a lesser extent at age 65. This type of provision is called a compulsory retirement provision. Some systems require the "automatic" retirement of their members, typically at age 70, with neither the employee or employer having any discretion (table 4).

Benefit amounts.—Except for one system with a money-purchase formula, the amount of the retirement benefit is always based on the member's average salary and length of service. The benefit amount is usually determined by computing a percentage of average salary for each year of service, commonly 1⅔ to 2½ percent.[7] The "final" average salary of the member is based usually on the 5 highest years of earnings, and many systems require that the years be consecutive or years during a specified period (usually the last 10 years) of employment (table 5). Some systems provide a minimum benefit amount, usually $30–$70 monthly or $6–$7 monthly for each year of service, payable for members who meet certain eligibility requirements, commonly 10–15 years' service.

TABLE 4.—GENERAL SYSTEMS: PROVISIONS FOR AGE AND SERVICE RETIREMENT AND INVOLUNTARY RETIREMENT, JANUARY 1966

Type of provision	Number of systems	Number of members (thousands)
Total	63	1,303
Requirements for normal retirement: [1]		
Age requirement only	35	313
Service requirement only	9	309
Age and service requirement	32	1,028
Normal retirement age: [2]		
55	6	91
60	30	708
62	1	6
65	26	498
With provisions for early retirement	53	1,220
Requirement for eligibility: [1]		
Age requirement only	25	141
Service requirement only	26	296
Age and service requirement	24	880
With provisions for involuntary retirement	54	1,029
Compulsory provision only	33	707
Age 65 to 68	8	321
Age 70 to 73	25	386
Automatic provision only	16	237
Age 65 to 68	8	54
Age 70	8	183
Compulsory and automatic provision	5	84

[1] Systems that provide alternative requirements are counted more than once.

[2] Earliest age required for normal retirement under the age or age and service provisions.

Illustrative median benefits[8] payable to members aged 65 with 10, 20, and 30 years of service would replace about 21, 40, and 54 percent of salary, respectively. Based on the actual experience of the system, the average benefit amount awarded to men in the fiscal year 1965 was about $235 monthly, for the 44 systems that supplied benefit data.

Early retirement.—Most systems permit employees to choose early retirement at a reduced benefit amount. The early retirement age is almost always age 55, and usually 20–30 years of service is needed to qualify (but several large systems require 5 years). Retirement for service alone (20–35 years) is offered, usually as an alternative requirement, by many systems (table 4). Several methods are used to reduce the benefit amount, but usually the reduction is, in effect, roughly actuarial.

Adjustment of benefits.—In recent years, there has been increasing interest in the problem of protecting the purchasing power of pension benefits after retirement. The laws of a few of the systems surveyed provide for an automatic increase in benefits to persons on the retirement rolls (usually annually) without requiring additional legislation. The automatic increase is usually specified as 1 percent or 1½ percent annually. For almost one-half the systems in the survey, additional legislation was enacted that provided an across-the-board increase in benefits during the 3 years 1963–65.

TABLE 5.—GENERAL SYSTEMS: CALCULATION OF NORMAL RETIREMENT BENEFITS, JANUARY 1966

Method of calculation	Number of systems	Number of members (thousands)
Total with benefits based on average salary	62	1,295
Determination of final average salary, based on average salary in highest—		
3 years	8	299
5 years	51	900
10 years	3	96
Determination of benefit amount:		
Percent of salary for each year of service:		
Less than 1.67	5	78
1.67 to 1.70	21	479
1.75 to 1.90	4	362
2.00 to 2.17	6	157
2.50	20	149
2 percentage factors	4	68
Other	2	28

[4] For a description of the retirement systems in the early 1940's, see Dorothy F. McCamman, *The Scope of Protection Under State and Local Government Retirement Systems,* Social Security Board, 1944. Although information is not available from that study on the specific systems in the survey, the improvements have been so widespread as to indicate revision of the great majority of systems.

[5] See Joseph Krislov, *State and Local Government Retirement Systems, 1965.*

[6] The survey questionnaire requested information on the number of retirees who were under age 62 (an age when employees of most systems could take normal retirement). The 42 systems that reported on the subject indicated that only 20 percent of the men and 28 percent of the women were under age 62 at the time of retirement in the fiscal year 1965.

[7] Some retirement systems reported the benefit as a specified percentage of salary (say, 40 percent) payable upon completion of a certain period of service. Percentages have been converted to a percent-per-year formula, where possible, in this analysis.

[8] The illustrative median benefits used throughout the article are based on a distribution of employees by the benefit amounts payable at specified ages and length of service, as indicated, and an assumed monthly salary of $400 and $600.

TABLE 5.—GENERAL SYSTEMS: CALCULATION OF NORMAL RETIREMENT BENEFITS, JANUARY 1966—Continued

Method of calculation	Number of systems	Number of members (thousands)
Provision for minimum benefit	19	716
Monthly benefit amount:		
Less than $30	1	3
$30 to $70	6	103
$70 to $100	3	28
Monthly benefit amount per year of service:		
Less than $4.00	2	36
$6.33 to $6.67	4	527
$7.50 to $7.80	2	13
Other	1	8

Health plan.—Participation after retirement in a group health plan established by the former employer provides a means of obtaining health insurance protection at a lower cost than is usually available on an individual basis, especially of course if part of the premium is paid by the employer. Most systems in the survey reported that a group health plan is available for retired employees and that the employer contributes to the cost. The plans with employer contributions, however, include only about one-fourth of the employees in the survey.

Vesting.—Unless a retirement plan has a provision for vesting of credits, a worker who leaves employment before retirement age loses any rights to a pension at retirement age. Vesting refers to the right of members to "all or part of their accrued pension benefits at retirement age, regardless of their employment status at that time." [9] Vesting provisions usually require that the employee leave his contributions in the fund when he leaves his job. Systems with nine-tenths of the membership had provisions for vesting. Eligibility for a vested right is dependent usually on completion of 10–20 years of service, but several of the large systems require 5 years (table 6).

TABLE 6.—GENERAL SYSTEMS: PROVISIONS FOR VESTING OF BENEFIT RIGHTS, JANUARY 1966

Vesting requirement	Number of systems	Number of members (in thousands)
Total	63	1,303
With provision for vesting of benefits	39	1,198
Service requirement only	36	1,139
1 to 5 years	8	633
10 to 15 years	17	320
20 to 25 years	11	185
Other requirements	3	60
Without vesting provisions	24	105

Retirement for disability

Eligibility.—Disability retirement was among the first types of protection provided by State and local government retirement systems. The 1944 report of the Social Security Board [10] indicated, however, that many systems did not provide for non-service-connected disability, and benefits were often limited to members with long periods of service. Sometimes the provisions were designed mainly to facilitate the premature retirement of older employees.

The present survey indicates a broadening of the scope of protection. Non-service-connected disability retirement, provided by all but one system, depends usually on meeting a length-of-service requirement of 5–10 years with the larger systems usually requiring 5 years; many small systems, however, require 15 years (table 7). Most systems use an occupational definition of disability under which the member must be unable to perform his usual job. The others generally require a determination that the member be unable to perform any type of work.

Benefit amounts.—Most systems compute the benefit in the same manner as for age-and-service retirement, often using, however, a smaller percent of salary for each year of service. There is somewhat greater diversity in the computation methods (table 7). Some systems use a modified formula or other method of computation under which the benefit amount is figured without regard to length of service or they provide a minimum benefit to all eligible members. This type of computation is used by 15 systems that include two-thirds of the employees.[11] An illustrative median benefit for a member aged 50 with 20 years of service would replace 39 percent of the member's salary. The actual benefit amount awarded, in the fiscal year 1965 (for non-service-connected and service-connected disability combined) averaged about $185 monthly, based on data for 37 systems reporting on disability benefits.

TABLE 7.—GENERAL SYSTEMS: PROVISIONS FOR NON-SERVICE-CONNECTED DISABILITY RETIREMENT, JANUARY 1966

Eligibility requirement and benefit formula	Number of systems	Number of members (in thousands)
Total with provision for disability retirement	62	1,302
Eligibility requirements for benefits:		
No requirement	8	64
Service requirement only	54	1,237
2 to 3 years	3	47
5 years	14	646
8 to 10 years	17	395
15 years	20	150
Formula for calculating benefits:		
Percent of salary for each year of service	44	949
Specified percent of salary	4	119
Based on benefit payable at normal retirement age	4	108
Money-purchase arrangement	9	125
Information not furnished	1	2

Survivor benefits

Monthly payments for survivors of active members who died from non-service-connected causes, now provided by nearly all systems in the survey, have been introduced comparatively recently into State and local government retirement systems. Many systems had long offered some type of death benefits, but the protection often was limited to service-connected death, was dependent on accepting a reduced annuity, or was confined to survivors of retired members. The benefit was often a lump-sum payment.[12]

Widows and children of active members.—All but three small systems provide monthly benefits to the windows with children of an active member who died from non-service-connected causes. Many of the provisions dealing with eligibility and the amount of benefits were modeled, when they were adopted, on those under OASDHI. Eligibility for benefits is usually acquired with 2 or fewer years of service (table 8). The typical benefit is a flat-rate amount of $150–$200 monthly for a widow with one child, $50–$75 for the second child, and a maximum family benefit of $235–$255 (or the amount is computed as a percentage of salary, with similar maximum family benefits).

TABLE 8.—GENERAL SYSTEMS: PROVISIONS FOR MONTHLY SURVIVOR BENEFITS FOR WIDOWS WITH CHILDREN, NON-SERVICE-CONNECTED DEATH, JANUARY 1966

Eligibility requirement and benefit formula	Number of systems	Number of members (in thousands)
Total with provision for benefits for widow with children	60	1,297
Eligibility requirements for benefits:		
No requirement	12	188
Service requirement only	45	1,103
1 to 2 years	32	904
3 to 5 years	9	178
10 to 20 years	4	21
Age-and-service requirement	2	5
Information not furnished	1	1
Formula for calculating benefits:		
Flat-rate benefit amount or specified percent of member's salary	44	1,209
Maximum family benefit:		
$150 to $200	24	241
$236 to $255	14	770
$275 to $330	5	197
Information not furnished	1	2
Based on accrued credits or contributions	16	87

Widows of active members without children.—Almost all of the retirement systems in the survey also provide benefits to the widow without children of a member who died in active service from non-service-connected causes (table 9). These benefits are usually limited to widows age 50–62 or to the widows of members with at least 15 years' service.[13] The benefit commonly is a flat-rate amount of $90 to $125 monthly but can sometimes be based, alternatively, on the member's accumulated credits. An illustrative median benefit for a widow, aged 55, of a member with 20 years' service would replace 22–24 percent of the member's salary.

TABLE 9.—GENERAL SYSTEMS: PROVISIONS FOR MONTHLY SURVIVOR BENEFITS FOR WIDOWS WITHOUT CHILDREN, NON-SERVICE-CONNECTED DEATH, JANUARY 1966

Eligibility requirement and benefit formula	Number of systems	Number of members (in thousands)
Total with provision for benefits for widow without children [1]	58	1,291
Eligibility requirements:		
No age requirements for widow	42	420
Service requirement of 15 years	3	126
Age requirement for widow	16	871
50	6	399
Service requirement of 15 years [2]	5	339
55	4	169
60	2	43
Service requirement of 15 years	1	8
62	3	242
Age not furnished	1	18
Formula for calculating benefits:		
Flat-rate benefit amount or specified percent of member's salary	42	1,193
Flat rate or maximum benefit:		
$65–96	7	538
$100–130	30	480
$200	4	169
No maximum	1	6
Based on accrued credits or contributions	16	98

[1] Generally, the deceased member must have met the same requirements as shown in table 8 for benefits for widowed mothers and children. The additional requirements imposed by some systems are indicated below.

[2] Benefits payable at age 62 if member had less than 15 years' service.

Widows of retired members.—About one-third of the systems in the survey provide specified benefits to the widow of a retired

[9] President's Committee on Corporate Pension Funds, *Public Policy and Private Pension Programs*, January 1965.

[10] Dorothy McCamman, *op. cit.*

[11] This analysis was made by selecting those systems in which the length of service does not substantially affect the benefit amount, including systems (1) providing a percentage of the member's salary for each year of service but basing this calculation on assumed service to or near retirement age; (2) providing a benefit amount based on that payable at normal retirement; (3) providing a specified percent of salary—and by selecting those systems with a minimum benefit amount that is not based on length of service.

[12] Dorothy McCamman, *op. cit.*

[13] Thirty-nine systems with about one-fourth of the members, provide benefits with neither an age requirement nor a 15-year service requirement, but except for Massachusetts they usually base the benefit on the members' accrued credit or contributions and thus, in effect, provide substantial benefits only for long service.

member. These benefits are usually computed as 50–75 percent of the member's retirement pension (table 10).

Most systems (including many of those with specified benefits) permit a member who is retiring to elect to take a reduced retirement benefit in order to provide a benefit for his widow. Under this joint-and-survivor option, the reduction in the benefit is usually actuarial, according to the age and life expectancy of the member and his wife. The experience of the systems, however, indicates that relatively few retirees elect this option.[14] That finding is consistent with those of other studies.[15]

Contributions

Joint contributions from both employees and the employing government were reported by all the systems in the survey. With a few exceptions, the amount of contributions from employees is based on the employee's total salary. The employee contribution rate is usually a single rate of 5–7 percent of total salary, but a few systems vary the rate according to age of entry into the system or type of work performed.

TABLE 10.—GENERAL SYSTEMS: MONTHLY BENEFITS FOR WIDOWS OF MEMBERS WHO DIED AFTER RETIREMENT, JANUARY 1966

Provision for benefits	Number of systems	Number of member (in thousands)
Total	63	1,303
With provision for specified benefits for widows	[1]21	270
Based on percent of member's retirement benefit	11	97
50	6	81
60 to 75	3	12
100	2	4
Based on accrued contributions or service	7	54
Based on percent of member's salary	3	119
Without provision for specified benefits	42	1,033
Joint-and-survivor option	39	1,015
No joint-and-survivor option	3	18

[1] Includes 15 systems that also provide joint-and-survivor option.

The employer rate, which was reported by about half the systems in the survey, is concentrated between 6 percent and 9 percent of total payroll. A system-by-system comparison of employee and employer rates indicates that the employer rate is typically larger than the employee rate.

SYSTEMS FOR POLICEMEN AND FIREMEN

Retirement systems for policemen and firemen were among the first State and local government systems established in the United States. Special considerations were believed to be involved in providing protection for uniformed policemen and firemen, including the hazards of disability and death connected with such service and the policy of many police and fire departments of maintaining a force of young and vigorous personnel. As a result, these systems generally provide normal retirement at a relatively young age and liberal benefits for service-connected disability and death. Information was obtained in the survey on such service-connected benefits.

Policemen and firemen were excluded from provisions of the Social Security Amendments of 1954, which made coverage under the Federal program available to most members of State and local government retirement systems. Federal legislation enacted in 1956 and later years, however, permitted coverage in States specified in the law. As of September 1967, 19 States, with about one-half of all policemen and firemen, had the authority to obtain OASDHI protection for their police and fire departments, and most of these States have implemented coverage for at least some systems.

Characteristics of the systems

Policemen and firemen are usually covered under special retirement systems limited to personnel of uniformed services, although the two groups are often included in the same system. The systems are predominantly locally administered and most of them are small. The 1962 Census of Governments counted a total of 1,651 systems for policemen and firemen exclusively (70 percent of all retirement systems), and they had 225,300 active members.

The 24 systems for policemen and firemen responding to the survey reported membership of 69,400 in January 1966. Many large systems, such as those covering the New York City policemen and firemen, were excluded from the survey because the members are covered under OASDHI. The exclusion of systems with less than 1,000 members means that only relatively large cities are represented, and the survey data are dominated by such cities as Chicago, Los Angeles, Detroit, Cleveland, New Orleans, St. Louis, and Dallas (table 11). Four State-administered systems were included—three of them systems covering State police. Generally speaking, the results of this survey thus refer to the larger systems not covered by OASDHI.

Twelve States are represented in the survey, and no State has more than four systems. The two largest systems include 36 percent of the total membership, and the 17 systems with less than 2,000 members account for 30 percent. This group includes five systems with slightly less than 1,000 members.

Retirement for age and service

Eligibility.—Most systems require the member to meet both an age (50–55 years) and length-of-service requirement (20–25 years) for normal retirement, but many permit retirement for service alone after 20 or 25 years of service. Systems of policemen and firemen generally do not offer alternative requirements for eligibility (table 12). The automatic retirement of the member, usually at age 63–65, is generally required.

Benefit amounts.—For all these systems, benefits are based on the member's average salary and length of service. The "final" average is usualy based on the highest 3–5 years of earnings, but some systems use the salary currently payable at a specified rank. The benefit formula (either a specified percentage of salary or a percentage of the member's salary for each year of service) usually provides 40–50 percent of the member's salary upon completion of the 20–25 year eligibility period (table 12). Many use "split" formulas under which the benefits for service after the completion of the eligibility period are less generous than those for earlier years. Such formulas are apparently designed to discourage continued employment beyond the time of eligibility for retirement. Illustrative median benefits for a member retiring at age 55 would replace 42–43 percent of the member's salary for 20 years' service and 56–57 percent for 30 years' service. The actual benefit awarded to men in the fiscal year 1965 averaged $334 a month for the 21 systems reporting benefit data.

TABLE 11.—SYSTEMS FOR POLICEMEN AND FIREMEN IN SURVEY BY NUMBER OF MEMBERS, JANUARY 1966

Retirement system	Number of members
Total, 24 systems	69,400
California:	
Los Angeles Fire and Police Pension System	8,600
Oakland Police and Fire Retirement System	1,300
Illinois:	
Chicago Policemen's Annuity Benefit Fund	10,000
Chicago Firemen's Annuity and Benefit Fund	4,400
Indiana State Police Pension Fund	900
Louisiana:	
New Orleans Firemen's Pension and Relief Fund	900
New Orleans Police Pension Fund	1,100
Michigan:	
Michigan State Police Pension, Accident, and Disability Fund	1,400
Detroit Policeman and Fireman Retirement System	6,200
Missouri:	
St. Louis Firemen's Retirement System	1,100
St. Louis Police Retirement System	2,000
New Jersey Police and Firemen's Retirement System	15,000
Ohio:	
Cleveland Firemen's Relief and Pension Fund	1,400
Cleveland Police Relief and Pension Fund	2,000
State Highway Patrol Retirement System	900
Oregon: Portland Fire and Police Disability Retirement Fund	1,400
Pennsylvania:	
Pittsburgh Firemen's Relief and Pension Fund	1,100
Pittsburgh Policemen's Relief and Pension Fund	1,600
Texas:	
Dallas Police, Fire, and Fire Alarm Operators Pension Fund	2,600
Houston Firemen's Relief and Pension Fund	1,300
San Antonio Police, Fire, and Alarm Operators Pension Fund	1,200
Houston Police Officers Pension System	1,300
Washington:	
Firemen's Pension Fund of Seattle	900
Police Relief and Pension Fund of Seattle	900

Adjustment of benefits after retirement.—Because policemen and firemen are usually eligible for retirement at relatively younger ages, their benefits are especially subject to erosion because of rising price levels. A provision for automatic increases in the benefits of retirees is included in the laws of about one-third of the systems. The adjustment is usually based on the increases granted active employees. This method would, of course, tend to provide substantial benefit increases. Only a few systems increased benefits under ad hoc legislation in the past 3 years.

Other provisions.—Comparatively few systems for policemen and firemen permit early retirement—a reflection of the fact that normal retirement is available at relatively young ages (table 3). Where retirement before the normal time is permitted, 50 is specified as the early retirement age or retirement is offered on the basis of service alone (20–25 years).

Vesting of benefit rights is provided by only six systems, and 10 or 20 years of service is required in order to qualify. Nearly all systems permit retired members to participate in a group health plan, but few contribute to the cost.

Retirements for disability

Non-service-connected disability.—Most retirement systems for policemen and firemen provide for retirement of members disabled from causes not connected with their work. Generally, there are no eligibility requirements or only a service requirement of 5 years or less, and most systems use an occupational definition of disability. The benefit is generally a specified percentage of the member's salary (usually 50 percent) or is computed as a percentage of salary for each year of service (1.5–2.0 percent) with a minimum benefit provision. An illustrative median benefit for a member aged 30, with either 5 to 10 years of service, would replace 41 percent of the member's salary.

[14] Of the 39 systems with a joint-and-survivor option and without specified benefits, 25 reported the percent of newly retired members electing a joint-and-survivor option. About one-half of these 25 systems indicated that less than 20 percent of the retirees elected the option.

[15] See, for example, James A. Hamilton and Dorrance C. Bronson, *Pensions*, McGraw-Hill Book Co., 1958; State of Ohio, Governor's Commission on Aging, *Industrial Pensions and Insurance Plans*, 1961; and Joseph Krislov, *State and Local Government Retirement Systems, 1965*.

TABLE 12.—SYSTEMS FOR POLICEMEN AND FIREMEN: PROVISIONS FOR AGE-AND-SERVICE RETIREMENT, JANUARY 1966

Type of provision and method of calculation	Number of systems	Number of members (in thousands)
Total	24	69.4
Requirement for normal retirement: [1]		
Age requirement only	2	17.0
Service requirement only	10	24.0
Age-and-service requirement	13	29.8
Retirement age: [2]		
45	1	.9
50 to 53	9	16.4
55	3	26.3
60	2	3.1
Service only (no age requirement)	9	22.7
Determination of benefit amount:		
Percent of salary for each year of service: [3]		
1.67	2	3.1
2.00	7	37.2
2.50	1	1.1
Specified percent of salary when eligible for retirement: [3]		
30 to 42.5	3	11.2
50	11	17.0

[1] Includes the requir ements of the one system that provides alternative requirements.

Earliest age required for normal, retirement under the age or age-and-service provisions.

[3] Two systems with a percentage-factor formula and 9 systems with a specified-percent formula provide an additional benefit, usually calculated as 1 to 1.67 percent of salary, after completion of the 20 to 25 years of service required for eligibility.

Service-connected disability.—All the systems provide benefits in case of service-connected disability, without any age or service requirements for eligibility. Most use an occupational definition of disability. The benefits are usually calculated as 50–75 percent of the member's salary. An illustrative median benefit for a member aged 30, for either 5 or 10 years' service, would replace 67 percent of the member's salary.

The actual benefit amount for men in the fiscal year 1965 (for non-service-connected and service-connected disability combined) averaged $348 monthly, based on data for 16 reporting systems.

Survivor benefits

Non-service-connected death.—All the systems pay benefits to a widow without children, at any age, and most provide additional benefits for children. Usually, there are no or only nominal eligibility requirements, but one-third of the systems require 5–20 years of service. The benefit for the widow is commonly computed as 20–40 percent of the member's salary; for a widow with two children it is 45–50 percent. Some systems, however, provide flat-rate benefits or base the basic benefit on the member's accrued credits and provide additional benefits for the children. An illustrative median benefit for a young widow and two children would replace, depending on the member's salary, 37–45 percent of salary; for a widow aged 50, it would replace 32–37 percent.

Service-connected death.—All systems provide benefits, generally with no eligibility requirements. For the widow alone the benefit was usually 50 percent of the member's salary, and it was 60–70 percent of the member's salary for the widow with two children. In some systems, the benefit was a flat-rate benefit amount. An illustrative median benefit for a young widow would replace 47–51 percent of the member's salary; for a widow with two children, it would replace 51–65 percent.

Widows of retired members.—Most systems pay specified benefits to the widow of a member who died after retirement, ranging from 25 percent to 100 percent of the member's retirement benefits but often 25–50 percent of the member's salary or a flat-rate benefit of $60–90. A joint-and-survivor option is generally available only in those systems without specified benefits. These provisions differ from those in the general systems, which make limited use of specified benefits.

Contributions

Employee contributions are mostly in the range of 5–8 percent of total salary; employer contributions (reported by 17 systems) are considerably higher, usually 9–18 percent. For the general systems, the employer's contributions are also generally larger, but the differential between employee and employer contributions is much larger for the systems for policemen and firemen.

TABLE M-27.—GROSS NATIONAL PRODUCT AND PERSONAL INCOME, BY TYPE, 1940–67

[Amounts in billions. Before 1960, data are for the 48 States and the District of Columbia, except where otherwise noted. Beginning 1960, includes Alaska and Hawaii]

Period	Gross national product	Personal income							
		Total	Wage and salary disbursements [1]	Social insurance and related payments [2]		Public assistance payments [3]		Other income [4]	Less: personal contributions for social insurance [5]
				Amount	Percent of personal income	Amount	Percent of personal income		
1940	$99.7	$78.3	$48.2	$1.7	2.1	$2.7	3.4	$26.4	$0.7
1945	212.0	171.1	117.5	2.9	1.7	1.0	.6	52.1	2.3
1950	284.8	227.6	146.7	6.7	3.0	2.3	1.0	74.7	2.9
1955	398.0	310.9	211.3	12.7	4.1	2.5	.8	89.7	5.2
1960	503.8	401.0	270.8	23.3	5.8	3.2	.8	112.9	9.3
1961	520.1	416.8	278.1	26.8	6.4	3.4	.8	118.2	9.6
1962	560.3	442.6	296.1	27.8	6.3	3.5	.8	125.5	10.3
1963	590.5	465.5	311.1	29.4	6.3	3.6	.8	133.2	11.8
1964	632.4	497.5	333.7	30.5	6.1	3.8	.8	142.0	12.5
1965	683.9	537.8	359.1	33.1	6.2	4.0	.7	155.1	13.4
1966 [6]	743.3	584.0	394.6	36.3	6.2	4.3	.7	166.7	17.9
1966 [7]									
June	736.7	581.1	393.9	34.4	5.9	4.2	.7	166.1	17.5
July		584.7	397.1	34.8	6.0	4.3	.7	166.8	18.3
August		589.1	399.8	36.0	6.1	4.3	.7	167.4	18.4
September	748.8	594.1	401.9	37.8	6.4	4.4	.7	168.4	18.4
October		597.5	404.8	38.6	6.5	4.5	.8	168.2	18.6
November		602.1	407.6	39.1	6.5	4.5	.7	169.6	18.7
December	762.1	605.0	410.0	40.1	6.6	4.6	.8	169.1	18.8
1967 [7]									
January		610.4	413.8	40.9	6.7	4.6	.7	171.1	20.0
February		612.6	414.2	41.4	6.8	4.7	.8	172.3	20.0
March	766.3	615.6	416.8	42.1	6.8	4.8	.8	172.6	20.1
April		616.5	416.7	42.4	6.9	4.8	.8	172.7	20.1
May [6]		618.2	417.2	42.8	6.9	4.8	.8	173.5	20.1
June [6]	775.3	621.9	420.0	43.1	6.9	4.8	.8	174.2	20.2

[1] Includes payments in kind; includes pay of Federal civilian and military personnel in all areas. Excludes earnings under work-relief programs in effect during 1935–43.

[2] Includes government transfer payments to beneficiaries under OASDHI, railroad retirement, public employee retirement, unemployment insurance, and veterans' pensions and compensation programs; cash and medical payments under workmen's compensation and temporary disability insurance; and court-awarded benefits for work injuries sustained by railroad, maritime, and other workers under Federal employer liability acts.

[3] Includes government transfer payments to recipients of direct relief under programs of old-age assistance, aid to families with dependent children, aid to the blind, aid to the permanently and totally disabled, and general assistance; includes, during 1935–43, earnings under work-relief programs and the value of surplus food stamps. Excludes payments made in behalf of recipients to suppliers of medical care (vendor payments).

[4] Includes proprietors' income, dividends, personal interest, and rental income; other transfer payments not enumerated in footnotes 2 and 3 (such as Government life insurance payments, World War bonus payments, mustering-out pay and terminal-leave benefits to discharged servicemen, subsistence allowances to veterans at school); and employer contributions to private pension and welfare funds and other labor income (except compensation for injuries).

[5] Includes life insurance premium payments for veterans.

[6] Preliminary.

[7] Seasonally adjusted annual rates, except public assistance and part of the "social insurance and related payments" category.

Source: Department of Commerce, Office of Business Economics. Data regrouped to highlight items of special interest to the social security program.

EXHIBIT 2

TABLE I.—*States which have not provided social security coverage for employees of the tSate itself and number of employees not covered*

Colorado	25,200
Illinois	87,700
Maine	10,100
Massachusetts	44,900
Nevada	4,800
Ohio	72,900

NOTE.—Colorado, Illinois, and Maine have covered civilian employees of National Guard units; Nevada terminated their coverage as of the end of 1964. Colorado has covered agricultural inspectors hired under an agreement with the U.S. Department of Agriculture. The Federal Government pays the employer social security contributions for these employees.

While the above States are the only States which have not covered any State employees (with the exceptions noted), there are other States which have covered a very small percentage of State employees. (See table II.)

TABLE II.—STATE AND LOCAL GOVERNMENTAL EMPLOYEES NOT COVERED BY SOCIAL SECURITY, BY STATE, JANUARY 1965

[Employment in thousands]

	All State and local employment			State employment		
	Total	Not covered by OASDHI	Percent not covered	Total	Not covered by OASDHI	Percent not covered
Alabama	116.0	6.0	5	32.0	4.4	14
Alaska	11.3	1.9	17	6.3	0	0
Arizona	65.5	5.7	9	18.4	3.5	19
Arkansas	64.2	5.7	9	20.3	3.5	17
California	783.7	541.2	69	168.5	109.4	65
Colorado	96.9	74.3	77	26.8	25.2	94
Connecticut	97.0	51.7	53	28.9	6.7	23
Delaware	20.0	2.4	12	8.5	1.9	23
Florida	230.0	103.9	45	51.0	15.4	30
Georgia	150.6	37.0	25	33.7	3.0	9
Hawaii	26.6	5.3	20	18.3	3.2	18
Idaho	31.0	0.1	0	9.4	0	0
Illinois	377.0	274.9	73	88.9	87.7	99
Indiana	190.6	31.6	17	52.6	14.2	27
Iowa	120.9	4.5	4	31.6	1.1	4
Kansas	107.1	9.2	9	29.5	5.2	18
Kentucky	102.8	37.9	37	31.6	0.3	1
Louisiana	141.2	94.6	67	50.4	43.7	87
Maine	41.3	30.9	75	12.2	10.1	82
Maryland	125.1	8.6	7	31.6	.1	0
Massachusetts	204.0	203.1	100	45.7	44.9	98
Michigan	330.9	52.8	16	81.8	22.0	23
Minnesota	155.3	99.0	64	39.4	8.5	21
Mississippi	89.7	10.5	12	23.5	1.1	5
Missouri	161.6	37.6	23	40.8	0	0
Montana	34.1	5.3	16	11.4	1.8	16
Nebraska	68.7	3.7	5	18.0	.2	1
Nevada	19.2	18.2	95	5.0	4.8	96
New Hampshire	29.3	4.4	15	8.3	0	0
New Jersey	232.4	27.6	12	41.8	1.3	3
New Mexico	42.7	9.1	11	16.8	4.5	27
New York	769.3	69.0	9	141.4	22.3	16
North Carolina	164.9	5.6	3	48.4	5.8	12
North Dakota	41.5	15.6	47	9.7	.2	2
Ohio	373.1	372.4	100	72.9	72.9	100
Oklahoma	104.5	19.8	19	35.7	8.0	22
Oregon	90.1	7.7	9	30.4	3.6	12
Pennsylvania	373.9	52.7	14	97.5	1.4	1
Rhode Island	31.7	6.9	22	12.1	.4	4
South Carolina	83.7	1.9	2	23.6	.6	3
South Dakota	35.4	5.1	14	10.2	1.7	16
Tennessee	141.5	41.5	29	33.9	7.8	23
Texas	384.0	183.5	48	89.3	1.2	1
Utah	46.2	1.0	2	15.6	0	0
Vermont	16.6	5.7	34	6.6	1.1	16
Virginia	152.7	6.1	4	48.7	2.5	5
Washington	137.8	4.6	3	40.8	2.3	6
West Virginia	66.6	5.0	8	25.5	3.7	15
Wisconsin	180.1	49.2	27	41.2	13.4	33
Wyoming	18.9	0.3	2	6.1	2.6	11

Mr. LONG of Louisiana. Mr. President, I yield myself such time as I may require.

This amendment would permit persons who are not covered by social security and who have paid no tax into the fund, to be covered by medicare.

We did have a provision of that sort as a transitional matter, so that people who had no coverage at all could come under medicare, even though they had paid nothing into the fund. The existing law required that those people should have at least six quarters' coverage in 1968 in order to be covered by medicare. The committee bill liberalized that to make it only three quarters. The bill also provides that State and local employees—one of the largest groups not presently covered by medicare—can buy in at cost. Other people have the option to elect to be covered by the tax or the option to elect not to be covered by the tax. It is difficult to see why State and local employees who have the right to elect not to be covered, should not remain out if they do not want to be included under a program of this sort. If we are going to continue to have amendments such as that offered by the Senator from Vermont, what would be the advantage? Why should States elect to have coverage of State employees when they do not need it, anyway? Under this amendment all those people could be blanketed-in free.

If there is going to be some incentive for people to pay their share of the tax in order to get their share of the benefits today, they should not come in with people who could get it free.

On that basis, I cannot support the amendment. If the amendment is agreed to, I am sure that there will be other amendments offered to get people in on the program free. State and local employees and various other groups who have the option to elect to be covered will elect not to be covered, when they expect to get medicare for free.

I therefore hope that the amendment will not be agreed to.

Mr. PROUTY. First, let me point out that there are 70,000 people in such States as Ohio, California, Illinois, Massachusetts, Louisiana, Florida, Colorado, Missouri, Maine, Connecticut, Kentucky, and Nevada who are affected.

Second, these people are not eligible for hospitalization benefits because they failed to contribute $13.20 into the trust fund. In want of this meager contribution 70,000 people may suffer.

Mr. LONG of Louisiana. Mr. President, Louisiana can buy in at cost. Louisiana is not asking for it free. They would be willing to pay for it, as I think other States would be willing to pay for it, if they want to buy in.

Mr. PROUTY. Mr. President, under the present bill they would not benefit this year. I am sure the Senator from Louisiana would agree that it will take time for the agreements between the States and the Secretary of Health, Education, and Welfare to be made. In the meantime, however, these individuals need coverage. I urge that we provide them with the privilege to share benefits available to most other older Americans.

In addition, we are dealing with a small cost of only $10 million here. I would hope that my dear friend and distinguished colleague from Louisiana, who is renowned for his fairness, could accept the amendment.

Mr. LONG of Louisiana. I appreciate the Senator's generosity. If Louisiana does not want to buy in I do not see why we should make the Federal Government pay for it.

If we want it, we will pay for it, and we should pay something for it, rather than asking other States to pay.

Mr. PROUTY. What happens to those who become 65 before Louisiana does take action?

Mr. LONG of Louisiana. Let me read from the committee report:

> The committee has added the House bill provision, permitting States and inter-State instrumentalities . . . as under present law.

We provide here for the States, if they want to, to make a contract with HEW to buy the benefits at cost.

Mr. PROUTY. What happens to those people who become 65 before these agreements are made?

Mr. LONG of Louisiana. If they have three-quarters of coverage, they can have that coverage.

Mr. President, let me say that we had an elaborate system of medical care in Louisiana long before the Federal Government had any.

Mr. PROUTY. I am well aware of that. Louisiana has an excellent retirement system; much of this progress promoted by the distinguished Senator's father. I am not so sure that Louisiana residents receive all the benefits granted under medicare, however. Residents of other States who are not covered by social security are even less fortunate. Mr. President, I call for the yeas and nays.

The yeas and nays were ordered.

The PRESIDING OFFICER. Is all time now yielded back?

Mr. LONG of Louisiana. Mr. President, I yield back the remainder of my time.

Mr. PROUTY. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. All time has now been yielded back on the amendment. The question is on agreeing to the amendment of the Senator from Vermont. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. BYRD of West Virginia. I announce that the Senator from Nevada [Mr. CANNON], the Senator from Arizona [Mr. HAYDEN], the Senator from Missouri [Mr. LONG], the Senator from Mississippi [Mr. STENNIS], the Senator from Ohio [Mr. YOUNG], and the Senator from Pennsylvania [Mr. CLARK] are absent on official business.

I also announce that the Senator from Michigan [Mr. HART] is absent because of illness in the family.

I further announce that the Senator from Connecticut [Mr. DODD], the Senator from Mississippi [Mr. EASTLAND], the Senator from Minnesota [Mr. MCCARTHY], the Senator from Arkansas [Mr. MCCLELLAN], the Senator from Wyoming [Mr. MCGEE], the Senator from South Dakota [Mr. MCGOVERN], the Senator from Florida [Mr. SMATH-

ERS], and the Senator from Georgia [Mr. TALMADGE] are necessarily absent.

I further announce that, if present and voting, the Senator from Nevada [Mr. CANNON], the Senator from Michigan [Mr. HART], the Senator from Wyoming [Mr. MCGEE], and the Senator from Florida [Mr. SMATHERS] would each vote "nay."

Mr. KUCHEL. I announce that the Senator from Kansas [Mr. CARLSON], the Senator from Illinois [Mr. DIRKSEN], the Senator from Hawaii [Mr. FONG], the Senator from California [Mr. MURPHY], and the Senator from Pennsylvania [Mr. SCOTT] are necessarily absent.

The Senator from Kentucky [Mr. COOPER], the Senator from Wyoming [Mr. HANSEN], the Senator from South Dakota [Mr. MUNDT], and the Senator from Texas [Mr. TOWER] are absent on official business.

The Senator from Utah [Mr. BENNETT] and the Senator from Oregon [Mr. HATFIELD] are detained on official business.

If present and voting, the Senator from Utah [Mr. BENNETT], the Senator from Illinois [Mr. DIRKSEN], the Senator from Pennsylvania [Mr. SCOTT], and the Senator from Texas [Mr. TOWER] would each vote "nay."

On this vote, the Senator from California [Mr. MURPHY] is paired with the Senator from Kansas [Mr. CARLSON]. If present and voting, the Senator from California would vote "yea" and the Senator from Kansas would vote "nay."

The result was announced—yeas 13, nays 61, as follows:

[No. 345 Leg.]

YEAS—13

Aiken	Griffin	Kuchel
Baker	Gruening	Nelson
Brooke	Hruska	Prouty
Case	Javits	
Cotton	Kennedy, Mass.	

NAYS—61

Allott	Hill	Muskie
Anderson	Holland	Pastore
Bartlett	Hollings	Pearson
Bayh	Inouye	Pell
Bible	Jackson	Percy
Boggs	Jordan, N.C.	Proxmire
Brewster	Jordan, Idaho	Randolph
Burdick	Kennedy, N.Y.	Ribicoff
Byrd, Va.	Lausche	Russell
Byrd, W. Va.	Long, La.	Smith
Church	Magnuson	Sparkman
Curtis	Mansfield	Spong
Dominick	McIntyre	Symington
Ellender	Metcalf	Thurmond
Ervin	Miller	Tydings
Fannin	Mondale	Williams, N.J.
Fulbright	Monroney	Williams, Del.
Gore	Montoya	Yarborough
Harris	Morse	Young, N. Dak.
Hartke	Morton	
Hickenlooper	Moss	

NOT VOTING—26

Bennett	Hansen	Mundt
Cannon	Hart	Murphy
Carlson	Hatfield	Scott
Clark	Hayden	Smathers
Cooper	Long, Mo.	Stennis
Dirksen	McCarthy	Talmadge
Dodd	McClellan	Tower
Eastland	McGee	Young, Ohio
Fong	McGovern	

So the amendment was rejected.

EXTENDING SOCIAL SECURITY COVERAGE TO MIGRATORY FARMWORKERS

Mr. WILLIAMS of New Jersey. Mr. President, I had intended to call up my amendment No. 461 to bring additional farmworkers under the social security coverage.

However, in view of the fact that this amendment was not a subject of the hearings conducted by the committee, combined with the fact that I believe the manager of the bill has a sufficient number of amendments to take to conference, I believe the more orderly legislative process is to withhold the amendment at this time. Additionally, I have been assured by the manager of the bill, the distinguished chairman of the Finance Committee, that the amendment will receive early consideration in hearings after the first of the year.

At the present time, a farmworker is eligible for social security if he receives $150 in cash wages from one employer during the year, or if he works for the same employer for cash wages for 20 days of more during the year.

All my amendment would do would be to place the farmworkers on all fours with the industrial workers for purposes of social security coverage. The amendment would do this by eliminating two provisions in the present law. First, it would eliminate the restrictive wage and work period qualifications applicable to farm employment. Second, it would eliminate the provision of the law which makes the crew leader the employer of the farmworker for social security purposes.

Very simply, Mr. President, this amendment would seek to place the lowest paid workers in the country—who are employed in some of the most backbreaking labor existing and in an area of employment which ranks third as the most hazardous as far as accidents are concerned—on a parity with their more fortunate industrial brothers.

Mr. President, I have a more detailed statement which I ask to be included in the RECORD at this point.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR WILLIAMS OF NEW JERSEY

My amendment brings in additional workers by—

First, eliminating the restrictive wage and period of work qualifications respecting farm employment under the Act, and

Second, eliminating the provision of the Act which, for Social Security purposes, makes the crew leader the employer of the farm worker unless a written contract with the farmer provides otherwise.

Presently, and since 1956, farm employment has been covered for social security purposes—

If the worker receives cash wages amounting to $150 from one employer during the year, or if he works for cash wages for the same employer for 20 days or more during the year.

In addition, the present law treats the crew leader as an employer for purposes of the Act unless a written contract between him and the farmer provides that the crew leader shall not be deemed the employer.

The rationale for the crew leader provision was that, although the employee might work on several farms, he would continue to work with the same crew leader and would have a better chance of meeting the annual requirements by treating the crew leader as the employer. Another reason for the crew leader provision was that inconvenience in bookkeeping would be caused the farmer if he were responsible to make and forward the social security withholdings of his employees.

More than a decade of experience with the farm worker provisions show that several critical problems flow from the present law, problems that will continue in varying degree until we provide coverage for farm workers on the same basis as industrial workers. The problems with the present law are numerous—

(1) The unethical crew leader is in a position to cheat and defraud the farm worker almost at will and the worker has little way of knowing or checking on whether the crew leader has illegally appropriated his social security withholdings.

(2) Many farm workers are excluded by the restrictive provisions of the Act, and the taxpaying public will pay, through welfare payments or otherwise, for the deficiencies and omissions in farm worker coverage.

(3) The farmer making his own withholdings is put to a guessing game as to which employees are covered, and to another guessing game on whether he might be liable for funds illegally appropriated by the unscrupulous crew leader.

CREW LEADER

The provision allowing treatment of the crew leader as the employer for Social Security withholdings, rather than promoting coverage of farm workers as intended by the Congress, has in fact served as a screen and a tool for evasion by the unethical crew leader; and it has all too frequently been used simply as another method of deducting from workers' wages for the crew leader's own benefit.

Difficulties in keeping track of crew leaders, for purposes of enforcing their responsibilities under the Act, have in past years been extreme. This situation was one of the factors leading to passage of the Farm Labor Contractor Registration Act in 1965.

The following quotation from the 1965 Report of the Subcommittee on Migratory Labor of the Committee on Labor and Public Welfare quite pointedly illustrates the fallacy of requiring the crew leader to withhold from covered wages—and I quote:

"The abuses most frequently attributed to crew leaders include the following:

"(3) Collecting wages from employers and then abandoning workers without paying them, failing to pay agreed upon wages, making improper deductions from workers' earnings, and failing to forward OASI and income tax deductions to proper authorities."

FARMWORKERS

Mr. President, farmworkers are among the lowest paid workers in the Nation, and they make up a large proportion of the minimum benefit group under Social Security. One-fourth of the 2½ million individuals now receiving the minimum $44 a month had some covered earnings from farmwork, either as farm operators or as farmworkers. This fact, alone, illustrates that current withholding practices do not enhance the farm workers' retirement status, but actually penalizes them.

It is most unfortunate that those most in need of social security benefits should be the subjects of special legislation which in effect deprives them of the opportunity for adequate coverage, solely because it is inconvenient for the employers to have to keep books—something a prudent businessman does as a matter of course.

The financial costs of making some minimum provision for these citizens, when they become too old to follow farm work or other gainful employment, must be shouldered by the general public. In other words, the limitations on coverage of these workers during their periods of gainful employment at farm work, although amounting to a minor benefit or convenience to the employer, will in the long run constitute a substantial detriment

to the general taxpaying public as well as the farmworker himself.

I anticipate that the vast majority of our farmworkers will be around for a goodly number of years beyond their productive years. They will be entitled to housing, shelter, food, clothing, and medical care. Every dollar that these citizens are allowed to pay for their own social security entitlement will lessen the financial burden on the taxpaying public during the workers non-productive years.

FARM EMPLOYERS

Under the present law, the farm employer has to engage in guessing games as to whether a particular employee will earn $150 a year, or work 20 days for him during the year, so that Social Security taxes may be withheld. Some of the larger employers actually start deducting from the employee on the 1st day of work on the assumption he is going to stay long enough to meet the present test even though he never does. This results in the farmworkers, the ones who can least afford it, paying for coverage they never receive, which is certainly not what the Congress intended.

However, the action of these large employers in deducting from wages prematurely is quite understandable due to the large sums of money which may be involved. To illustrate, an employer with a $100,000 payroll, under present withholding rates, might be liable for $4,400 contributed by the employees and an additional $4,400 representing the employer's matching contribution. No businessman can afford to sacrifice these sums due to an erroneous assumption.

In my work as Chairman of the Subcommitte on Migratory Labor, we have conducted numerous field trips in the farming areas throughout the nation. In recent years, we have encountered an increasing number of farm employers who have changed over from a policy of allowing the crew leader to make Social Security withholdings to the conventional method of the employer, himself, carrying out this responsibility. This is done despite the fact that present law requires a written contract between the farm employer and the crew leader he uses.

More and more farmers put themselves to the inconvenience of executing the contract in order to avoid possible liability where a dishonest crew leader might withhold large sums and then fail to forward the money to the proper authority. These growers have been advised by their own attorneys that, notwithstanding the provisions of the Act which allow the crew leader to be treated as the employer, they may well find themselves liable where the crew leader has failed in his responsibility. And I would emphasize that these change overs from crew leader withholdings to farmer withholdings have occurred by the farmers' own decision and initiative, not by advice or a regulation of the Social Security Administration.

In my judgment, Mr. President, the experience under this farm workers provision shows that the present law does not in a uniform way aid the farm employer and management in their business, and it does not serve the purpose of the public or the worker in achieving withholdings as contemplated by law.

Also, the bookkeeping inconvenience, whatever it amounts to, is not disposed of by a provision in the Act which purportedly eases the situation for the farm employer. Such a provision only postpones the bookkeeping problem, and, at best, transfers it to a less desirable source.

SOLUTION

In grappling with this problem of coverage for farm workers, there are two routes to take. The first, and the only sound solution for all parites concerned, is to eliminate the present limitations, in regard to wages earned and days worked, and to bring farm workers under coverage on a basis identical to industrial workers generally. A second method that has been favored by the Administration, is to reduce the amount of wages and number of days required to establish coverage. The specifics that have been advanced in this regard would reduce the required wages to $50 and the required number of days to ten.

Reduction in amount of wages and required number of days worked for eligibility would of course increase coverage for workers by an estimated 300,000 to 500,000 farm workers. However, there would nonetheless remain several harmful consequences which the Congress would do well to rid the farm economy of once and for all. In general, all of the harmful aspects coming from the present law will be carried forward and changed only in moderate degree. The same old guessing game will persist. The unscrupulous crew leader will still have his tool for cheating the workers. Some crew leaders of course will improve their methods of accounting and forward withholdings when they realize that a great many more workers are now in fact covered by the law. But, by the same token, there will be other crew leaders who will view the expanded coverage as an opportunity for withholding Social Security from everyone's check and thereafter, by a bookkeepers oversight, failing to forward the money.

The approach of treating the farmer as the employer and covering each worker on a daily basis is by far the most realistic and sound solution for the Administrator, the worker, the employer, and the public. It would eliminate the employers' bookkeeping problem of having to screen payrolls to decide who is covered and who is not; it would resolve the questions of his possible liability or default by removing the crew leader from the picture; it would better assure workers of some coverage and finally, it would assure the taxpayer that whatever these workers reasonably can pay toward their own maintenance in old age will be paid.

Mr. MILLER. Mr. President, I call up my amendment No. 457, and ask that it be stated.

The PRESIDING OFFICER. The amendment offered by the Senator from Iowa will be stated.

The legislative clerk proceeded to read the amendment.

Mr. MILLER. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment (No. 457) is as follows:

Beginning on page 57, line 18, strike out all through line 14, page 58, and insert in lieu thereof the following:

"SEC. 108 (a) Section 203(f) of the Social Security Act (as amended by subsection (a)) is further amended by adding at the end thereof the following new paragraph:

"'(8) Notwithstanding the foregoing provisions of this subsection, no individual shall be charged with excess earnings for any month in his taxable year, if the charging of such excess earnings to such month would (because of the application of subsection (b)) result in reducing below $2,700 the total income of such individual derived, during such taxable year, from (A) his earnings and other retirement income plus (B) monthly insurance benefits to which he is entitled under this title. Whenever, because of the application of the foregoing sentence, deduction under subsection (b) are prohibited from being made in the monthly insurance benefit of an individual, no deductions under such subsection (b) may be made from the monthly insurance benefit under this title of any other person on account of the excess earnings of such individual, if the monthly insurance benefit of such other person is based upon the same record of wages and self-employment income as that upon which the monthly insurance benefit of such individual is based.'

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

Mr. MILLER. Mr. President, I yield myself 5 minutes.

Let me begin by saying that I am well aware of the fact that my colleagues are all very tired, as I am. I am not going to take up very much time. Like a number of us, I sat through some amendments that took much longer this afternoon.

We are told that we have to dispose of the amendments this evening. I think I have two amendments that merit the consideration of the Senate.

This first one, unlike some amendments that have been offered, I am advised by Mr. Myers, would reduce the cost, as compared to the bill reported by the Finance Committee bill, by $125 million in 1968 and by $400 million in 1969.

My amendment has to do with the outside earnings test. It seems as though every 2 or 3 years we take up the problem of how much outside earnings a social security recipient may earn in addition to social security benefits before he is cut back. Every so often we increase the amount a recipient can earn. I think we are going at the problem in the wrong direction, because those with high social security income do not have to earn as much in order to maintain a reasonable standard of living as do those down at the bottom of the totem pole in social security earnings.

So my amendment provides that the present $1,500 will continue for any social security recipient without being cut back, but a recipient would be permitted to supplement his income so as to reach $2,700 of annual income, counting all earnings and social security benefits, without any penalty at all.

For example, if I had $500 of social security payments, I would be permitted to earn $2,200 without having my social security payments reduced. Someone else who had $1,200 in social security benefits could earn $1,500 without having his social security benefits reduced.

This I think, gets at the problem we are trying to solve by encouraging those who need to earn supplemental income to reach a reasonable level of income, and to do so without being penalized, and those who do not have to earn very much to reach that level will be penalized for going above it.

I think this proposal does equity and goes at the problem in the proper direction.

I would like to suggest to the Senator from Louisiana that this amendment be taken to conference so that the conferees can take a look at it. I do not claim any pride of authorship in it, although I understand this point has not been gone into before. It is a little different approach. I believe it does equity. I believe we have gone at the problem in the wrong way, by pyramiding the amount

of earnings permitted regardless of benefits the social security recipients received.

Mr. LONG of Louisiana. Mr. President, this proposal is known as the variable exempt amount under social security. It changes the retirement test under the social security law into a means test.

We have had very little occasion to study this proposal in the committee or on the Senate floor. It has been studied somewhat in the Department. There are a number of reasons given why this proposal should not be adopted. The Department states that, since benefits are based on earnings, people with low benefits generally have low earnings before retirement. It is not reasonable, then, to suppose that they will have high earnings after retirement. Thus, people with low regular earnings will not as a rule benefit from this provision.

Those are the people whom the provision is really intended to benefit.

In the second place, the people who would benefit from this proposal would in general be people whose major employment was in noncovered work, such as Federal employees who qualify for low social security benefits through part-time work or work after retirement from Government service.

They could get social security benefits—and probably also another public retirement benefit—while continuing to work for substantial earnings.

In the third place, even under the $1,500 annual exempt amount in present law, some people who get low benefits can continue to work full time at their usual level of earnings and get benefits every month. Providing, in effect, a flexible exempt amount which would range from $1,500—for beneficiaries getting $100 or more in monthly benefits—up to $2,100—for beneficiaries with monthly benefits of $50—the minimum benefit under H.R. 12080—would result in still more cases in which this situation would occur.

Fourth, any provision under which the exempt amount of earnings would vary according to a person's benefit level would complicate the administration of the retirement test. A beneficiary would not know how much he could earn and still get benefits until his benefit was computed, and any increase in his benefit amount would change the amount he could earn.

Mr. President, this is a whole new way of handling the retirement income test. If it is to be done, it is a matter that should be discussed in committee hearings, considered by the committee, and proposed as a whole substitute for the present retirement test. I would hope we would not try to change our entire way of doing business, which is the way we have been proceeding for quite a while, to a system which is of debatable value and has a number of reasons why it should not be done, at this stage of night, at 15 minutes before 10 o'clock, with a limitation of 15 minutes for debate on each side, two nights before Thanksgiving.

An amendment such as this unquestionably deserves very thoughtful study, which we just cannot give it here. I would hope the Senator would not insist on it at this time, but would submit it to us when we have more time to look into it.

Mr. MILLER. Mr. President, I yield myself 2 minutes.

First of all, one of the arguments the Senator makes, is that some of these people may be retired Government employees with retirement income, and a low social security amount. My amendment would meet that situation by requiring that earnings and other income be taken into account.

There was another matter raised, and that was that people will not know how much they can earn before losing their social security benefits, which will make it difficult for them.

Mr. President, these people usually know pretty well what they will be able to earn. That is pretty well established by the record. I point out that this amendment was presented on the floor of the Senate about a month ago, so that it could be considered by the Committee on Finance. It is not being looked at for the first time today at this late hour.

Furthermore, if the matter goes to conference and the conferees want to decide that they do not wish to get into the variable exemption credit feature, they can still use the House approach.

I point out that we have been adding an awful lot to this bill, and this amendment would save, according to Mr. Myers' estimate, $125 million in 1968 and $400 million in 1969.

I think we must recognize that the people who need more supplemental income are those in the low social security bracket, or those with low retirement incomes of other types.

Mr. PASTORE. Mr. President, will the Senator yield for a question?

Mr. MILLER. I yield.

Mr. PASTORE. Will the Senator explain what his amendment would mean to a widow who is not yet 65 years old, and who has one dependent teenaged child?

Mr. MILLER. My understanding would be that that widow could earn enough to equal $2,700, counting her social security and her earnings, before she is cut back.

If she has $500 of social security, she can earn $2,200. In any event, she can earn at least $1,500, so she is no worse off than under the present law; but if she is down in a lower social security bracket, she can earn that much more, and she ought to be entitled to do that, compared to some widow who may have, let us say, $1,800 of social security benefits, and needs only $900 to bring her up to the $2,700 level.

Mr. President, I ask for the yeas and nays on my amendment.

The yeas and nays were ordered.

Mr. MILLER. I am prepared to yield back the remainder of my time, if the Senator from Louisiana is prepared to yield back his.

Mr. LONG of Louisiana. Not quite. Mr. President, I yield myself 2 minutes.

The Department does not favor this amendment. This amendment would strike out one of the most positive things in the bill, a provision that has been applauded by everybody, which would permit all these retired people to earn more money, and keep more of it. For example, in 1969 they could earn $2,000 without its being charged against their social security benefit. That would be $500 more than they can earn now.

I dare say there is not a Senator on this floor, other than the sponsor of the amendment himself, who offhand could tell me how much a given person could earn or could not earn under this variable credit system, which changes the retirement income test into a "means" test.

This is certainly a late hour to come in and change our whole way of doing business, and it is not, as I say, approved by the Department of Health, Education, and Welfare. They do not agree with it, even though it would save money.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Iowa [Mr. MILLER]. On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. MANSFIELD (after having voted in the negative). On this vote I have a pair with the Senator from Illinois [Mr. DIRKSEN]. If he were present and voting, he would vote "yea." If I were at liberty to vote, I would vote "nay." I withdraw my vote.

Mr. BYRD of West Virginia. I announce that the Senator from Nevada [Mr. CANNON], the Senator from Arizona [Mr. HAYDEN], the Senator from Missouri [Mr. LONG], the Senator from Mississippi [Mr. STENNIS], and the Senator from Ohio [Mr. YOUNG] are absent on official business.

I also announce that the Senator from Michigan [Mr. HART] is absent because of illness in the family.

I further announce that the Senator From Connecticut [Mr. DODD], the Senator from Mississippi [Mr. EASTLAND], the Senator from Minnesota [Mr. MCCARTHY], the Senator from Arkansas [Mr. MCCLELLAND], the Senator from Wyoming [Mr. MCGEE], the Senator from South Dakota [Mr. MCGOVERN], the Senator from Georgia [Mr. RUSSELL], the Senator from Florida [Mr. SMATHERS], and the Senator from Georgia [Mr. TALMADGE], are necessarily absent.

I further announce that, if present and voting, the Senator from Nevada [Mr. CANNON], the Senator from Michigan [Mr. HART], the Senator from Wyoming [Mr. MCGEE], and the Senator from Florida [Mr. SMATHERS] would each vote "nay."

Mr. KUCHEL. I announce that the Senator from Kansas [Mr. CARLSON], the Senator from Illinois [Mr. DIRKSEN], the Senator from Hawaii [Mr. FONG], the Senator from California [Mr. MURPHY], and the Senator from Pennsylvania [Mr. SCOTT] are necessarily absent.

The Senator from Kentucky [Mr. COOPER], the Senator from Wyoming [Mr. HANSEN], the Senator from South Dakota [Mr. MUNDT], and the Senator from Texas [Mr. TOWER] are absent on official business.

The Senator from Utah [Mr. BENNETT] and the Senator from Oregon [Mr. HATFIELD] are detained on official business.

If present and voting the Senator from Utah [Mr. BENNETT], the Senator from Kansas [Mr. CARLSON], the Senator from California [Mr. MURPHY], the Senator from Pennsylvania [Mr. SCOTT], and the

Senator from Texas [Mr. TOWER] would each vote "yea."

The pair of the Senator from Illinois [Mr. DIRKSEN] has been previously announced.

The result was announced—yeas 26, nays 47, as follows:

[No. 346 Leg.]

YEAS—26

Aiken	Fannin	Miller
Allott	Griffin	Morton
Baker	Hickenlooper	Pastore
Boggs	Holland	Pearson
Brooke	Hruska	Percy
Case	Javits	Prouty
Cotton	Jordan, Idaho	Thurmond
Curtis	Kuchel	Williams, Del.
Dominick	Lausche	

NAYS—47

Anderson	Hartke	Moss
Bartlett	Hill	Muskie
Bayh	Hollings	Nelson
Bible	Inouye	Pell
Brewster	Jackson	Proxmire
Burdick	Jordan, N.C.	Randolph
Byrd, Va.	Kennedy, Mass.	Ribicoff
Byrd, W. Va.	Kennedy, N.Y.	Smith
Church	Long, La.	Sparkman
Clark	Magnuson	Spong
Ellender	McIntyre	Symington
Ervin	Metcalf	Tydings
Fulbright	Mondale	Williams, N.J.
Gore	Monroney	Yarborough
Gruening	Montoya	Young, N. Dak.
Harris	Morse	

NOT VOTING—27

Bennett	Hart	Mundt
Cannon	Hatfield	Murphy
Carlson	Hayden	Russell
Cooper	Long, Mo.	Scott
Dirksen	Mansfield	Smathers
Dodd	McCarthy	Stennis
Eastland	McClellan	Talmadge
Fong	McGee	Tower
Hansen	McGovern	Young, Ohio

So Mr. MILLER's amendment was rejected.

AMENDMENT NO. 463

Mr. MILLER. Mr. President, I call up my amendment No. 463 and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk proceeded to state the amendment.

Mr. MILLER. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered, and the amendment will be printed in the RECORD.

The amendment, ordered to be printed in the RECORD, is as follows:

On page 82, between lines 10 and 11, insert the following:

"COST-OF-LIVING INCREASE IN BENEFITS

"SEC. 114. Section 202 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"Cost-of-living increases in benefits

"'(w)(1) Effective for months after February 1968, each monthly insurance benefit payable under this title to which an individual becomes entitled on or after such first day shall be increased by the per centum rise in the price index, adjusted to the nearest one-tenth of 1 per centum, determined by the Secretary on the basis of the annual average price index for calendar year 1965 and the price index for the month of December 1967. December 1967 shall be the base month for determining the per centum change in the price index until the next succeeding change occurs.

"'(2) Each month after the first increase under this subsection, the Secretary shall determine the per centum change in the price index. Effective the first day of the third month which begins after the price index shall have equaled a rise of at least 3 per centum for three consecutive months over the price index for the base month, each monthly insurance benefit payable under this title to which an individual becomes entitled on or after such first day shall be increased by the per centum rise in the price index (calculated on the highest level of the price index during the three consecutive months) adjusted to the nearest one-tenth of 1 per centum.

"'(3) Eligibility for a benefit increase under this subsection shall be governed by the commencing date of each benefit payable under this title as of the effective date of an increase.

"'(4) The monthly insurance benefit of an individual under this title, after adjustment under this subsection, shall be fixed at the nearest dollar, except that such benefit shall after adjustment reflect an increase of at least $1.

"'(5) For purposes of this subsection, (A) the term "price index" means the Consumer Price Index (all items—United States city average) published monthly by the Bureau of Labor Statistics, and (B) the term "base month" shall mean December 1967 and any other month for which the price index showed a per centum rise forming the basis for a cost-of-living increase in benefits.

"'(6) In determining the amount of any individual's monthly insurance benefit for purposes of applying the provisions of section 203(a) (relating to reductions of benefits when necessary to prevent certain maximum benefits from being exceeded), amounts payable by reason of this subsection shall not be regarded as part of the monthly benefit of such individual.

"'(7) Any increase under this subsection to be made in the monthly benefits payable to or with respect to any individual shall be applied after all other provisions of this title relating to the amount of such benefit have been applied.'"

Mr. MILLER. Mr. President, I yield myself 5 minutes.

The PRESIDING OFFICER. The Senator from Iowa is recognized for 5 minutes.

Mr. MILLER. Mr. President, my amendment is one that I am very hopeful my colleague, the junior Senator from Louisiana, will see fit to take to conference for the reason that it does not take anything out of the bill.

It merely inserts a new policy which would give the conferees an extra option of what to do about social security benefit increases.

As things stand now, the conferees would have the House benefit increases, or just the Senate benefit increases.

I propose to give them another option. I propose to allow benefits to be increased according to the cost-of-living increase that has occurred since the last time we legislated benefit increases in 1965.

There is a further option they could have. They might take the House benefit increases. They might take the Senate benefit increases, and by changing a couple of words in the pending amendment they could have a follow-on cost-of-living increase in the same fashion that the civil service retirees now have.

There is nothing new about this approach. We did this in 1962, and we refined it again in 1965 for civil service retirees.

I point out that Mr. Myers states that if the pending amendment should be used in lieu of the other increases, it would amount to a 7.5-percent increase running through this December. That, of course, is not as much as the 12.5-percent House figure or the 15-percent Senate Finance Committee figure. However, that is what the cost of living has been.

My amendment would require no additional financing at all. I also point out that if the amendment should be agreed to; for future implementation on top of the present increases of the Finance Committee or the House Ways and Means Committee, there would be no requirement for future tax increases or wage base increases, at least in the near future.

In other words, because wages would tend to go up as the cost of living went up, this would be a self-financing proposal.

I hope my colleague, the junior Senator from Louisiana, will take the amendment to the conferees to give the conferees another option to consider, to preserve intact the Finance Committee approach in the tables. And I believe the amendment has some merit.

Even if the conferees should decide to take the table approach, they might well decide to go into the cost of living for the follow-on.

In 1965 we provided for civil service retirees that every 3 months they might have an increase to meet an increase in the cost of living.

I do not need to point out that the No. 1 problem for our social security pensioners today is the fact that their pensions are being eaten away by the increases in the cost of living.

Why should we not provide for an automatic increase for them just as we have done for civil service retirees?

I think it is something that the conference committee ought to have an opportunity to consider.

Mr. President, I reserve the remainder of my time.

Mr. LONG of Louisiana. Mr. President, Congress has taken a look at the cost of living and raised social security benefits in the years 1950, 1952, 1954, 1958, 1965, and now in 1967.

The only reason we have not raised the benefits every 2 years is that in some periods we have had relatively stable prices, so that there was no basis for a cost-of-living increase anyway.

There is a chart in the rear of the Chamber that shows how prices have gone up. And the green line at the bottom shows how we have raised social security benefits to meet the increases in cost of living.

It will be noted that this bill as reported by the Senate Finance Committee, which including the medicare benefits, does more than increase the benefits to offset the increased cost of living.

It goes beyond that, and that is not counting the hundreds of millions of dollars of additional benefits voted here on the Senate floor.

Mr. President, the way we have been going at this thing, it requires a periodic review. Every time the cost of living has gone up Congress looks into the matter and decides to raise the benfits to cover the increased cost of living and considers whether some additional benefits should be provided.

I do not think a case has been made for requiring that there be an automatic

increase every time the cost of living changes.

One can only speculate as to what would happen if we did this to social security and established precedents to do it to other programs. The Senator is correct with respect to this procedure being followed in the cost-of-living adjustments in the Government retirement program, and that program has a deficit of $43 billion. We would not want to do that with the social security program. Many Government employees are worried about their program, because the Federal Government appropriations to take care of these benefits have not been forthcoming by action of Congress. But Congress can vote to increase these benefits, as we are doing tonight, and we can provide additional benefits which we believe are justified, if we believe the United States can afford them.

I hope the Senate will reject the pending amendment. I believe we are doing a responsible job by looking at the program every 2 years, and that is the precedent that has been set. Every 2 years we take another look at the program and see how much of a benefit increase is required to offset the cost of living and to consider the problems of the people covered by social security.

In view of the fact that these matters are reviewed by Congress periodically, I do not believe the pending amendment is necessary. It might actually help to create inflation rather than merely to respond to it.

Mr. MILLER. Mr. President, I yield myself 2 minutes.

Mr. President, I believe that the arguments of the Senator from Louisiana should be answered.

In the first place, we have not been looking at this program—or, at least, we have not been acting on it—every 2 years. In 1965 we legislated the first benefits since 1958. How much purchasing power do you suppose inflation costs these older people? From 1958 until Congress got around to doing something about it in 1965, it cost $1.5 billion, due to the timelag.

Even when we legislated the 7-percent increase in 1965, their benefits were not worth as much as they were in 1958. From the time we legislated the 7-percent increase in 1965 until now, inflation has taken away another $2 billion of the purchasing power of these people. If the automatic increase were in effect, that would not happen.

If Senators speak with the people over 65, as I have—and I am sure that most Senators have done so—they will find that the No. 1 item these people are worried about is the increase in the cost of living; and they want something automatic to take care of that problem, instead of having to wait for Congress to take action, when and if it may.

I do not know of any reason why the pending amendment cannot go to conference for consideration of the conferees. I am not seeking to strike anything from the bill, and I believe it is only fair for the conference to consider this matter.

Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. LONG of Louisiana. Mr. President, I yield myself 2 minutes.

Mr. President, if Senators will look at the chart at the rear of the Chamber, they will see why there was no increase in 1961 and 1962. In 1958, Congress enacted a large increase in social security benefits. During the period to which the Senator has referred, the cost of living rose only about as much as it did this year. That is why Congress did not enact a major increase during that period. But Congress did consider the problem; and in due course, when there was an increase in the cost of living, Congress increased the benefits.

The PRESIDING OFFICER. Is all time yielded back?

Mr. MILLER. I yield back the remainder of my time.

Mr. LONG of Louisiana. I yield back the remainder of my time.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Iowa. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. BYRD of West Virginia. I announce that the Senator from Nevada [Mr. CANNON], the Senator from Tennessee [Mr. GORE], the Senator from Arizona [Mr. HAYDEN], the Senator from Missouri [Mr. LONG], the Senator from Mississippi [Mr. STENNIS], and the Senator from Ohio [Mr. YOUNG] are absent on official business.

I also announce that the Senator from Michigan [Mr. HART] is absent because of illness in the family.

I further announce that the Senator from Connecticut [Mr. DODD], the Senator from Mississippi [Mr. EASTLAND], the Senator from Minnesota [Mr. MCCARTHY], the Senator from Arkansas [Mr. MCCLELLAN], the Senator from Wyoming [Mr. MCGEE], the Senator from South Dakota [Mr. MCGOVERN], the Senator from Georgia [Mr. RUSSELL], the Senator from Florida [Mr. SMATHERS], and the Senator from Georgia [Mr. TALMADGE] are necessarily absent.

I further announce that, if present and voting, the Senator from Nevada [Mr. CANNON], the Senator from Michigan [Mr. HART], the Senator from Wyoming [Mr. MCGEE], and the Senator from Florida [Mr. SMATHERS] would each vote "nay."

Mr. KUCHEL. I announce that the Senator from Kansas [Mr. CARLSON], the Senator from Illinois [Mr. DIRKSEN], the Senator from Hawaii [Mr. FONG], the Senator from California [Mr. MURPHY], and the Senator from Pennsylvania [Mr. SCOTT] are necessarily absent.

The Senator from Kentucky [Mr. COOPER], the Senator from Wyoming [Mr. HANSEN], the Senator from South Dakota [Mr. MUNDT] and the Senator from Texas [Mr. TOWER] are absent on official business.

The Senator from Utah [Mr. BENNETT], the Senator from Oregon [Mr. HATFIELD], and the Senator from Illinois [Mr. PERCY] are detained on official business.

If present and voting, the Senator from Illinois [Mr. DIRKSEN], the Senator from California [Mr. MURPHY], and the Senator from Pennsylvania [Mr. SCOTT] would each vote "yea."

On this vote, the Senator from Illinois [Mr. PERCY] is paired with the Senator from Utah [Mr. BENNETT]. If present and voting, the Senator from Illinois would vote "yea," and the Senator from Utah would vote "nay."

On this vote, the Senator from Texas [Mr. TOWER] is paired with the Senator from Kansas [Mr. CARLSON]. If present and voting, the Senator from Texas would vote "yea," and the Senator from Kansas would vote "nay."

The result was announced—yeas 24, nays 48, as follows:

[No. 347 Leg.]

YEAS—24

Aiken	Griffin	Miller
Allott	Hickenlooper	Mondale
Baker	Hruska	Morse
Boggs	Javits	Pastore
Brooke	Jordan, Idaho	Pearson
Cotton	Kennedy, Mass.	Pell
Dominick	Kennedy, N.Y.	Prouty
Fannin	Kuchel	Thurmond

NAYS—48

Anderson	Harris	Morton
Bartlett	Hartke	Moss
Bayh	Hill	Muskie
Bible	Holland	Nelson
Brewster	Hollings	Proxmire
Burdick	Inouye	Randolph
Byrd, Va.	Jackson	Ribicoff
Byrd, W. Va.	Jordan, N.C.	Smith
Case	Lausche	Sparkman
Church	Long, La.	Spong
Clark	Magnuson	Symington
Curtis	Mansfield	Tydings
Ellender	McIntyre	Williams, N.J.
Ervin	Metcalf	Williams, Del.
Fulbright	Monroney	Yarborough
Gruening	Montoya	Young, N. Dak.

NOT VOTING—28

Bennett	Hart	Percy
Cannon	Hatfield	Russell
Carlson	Hayden	Scott
Cooper	Long, Mo.	Smathers
Dirksen	McCarthy	Stennis
Dodd	McClellan	Talmadge
Eastland	McGee	Tower
Fong	McGovern	Young, Ohio
Gore	Mundt	
Hansen	Murphy	

So Mr. MILLER's amendment (No. 463) was rejected.

Mr. HARTKE. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk proceeded to read the amendment.

Mr. HARTKE. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered, and the amendment will be printed in the RECORD.

The amendment, ordered to be printed in the RECORD, is as follows:

On page 219, between lines 19 and 20, insert the following:

"(4) The last sentence of section 223 (a) (1) of such Act is repealed."

Mr. HARTKE. Mr. President, this is a technical amendment to the bill.

The PRESIDING OFFICER. How much time does the Senator yield to himself?

Mr. HARTKE. Mr. President, I yield myself 2 minutes.

The PRESIDING OFFICER. The Senator is recognized.

Mr. HARTKE. Mr. President, I have no intention to ask for a rollcall vote.

This is a measure which was introduced on the floor of the Senate and which had over 40 cosponsors. It was introduced into committee and adopted. However, when it was adopted, the committee bill was intended to accomplish three goals: first, revision of the definition of blindness; second, reduce the number of required quarters; and, third, eliminate the requirement for meeting "inability to work" provisions by substituting merely meeting the blindness definition provisions.

What did not occur in the drafting was the striking of the provision which provided that for any month a blind person was employed, he could not receive disability. Yet the blind person is disabled by the fact that, even if he works, he must frequently hire sight in his employment. He is unable to attain employment of any significance without incurring more expenses than the average worker. This is a disadvantage and a disability.

If the amendment is to be effective, the blind must have some incentive to work. We have eliminated the "ability to work" provisions, and yet this alone would only encourage idleness if the blind cannot receive benefits merely by their disability; they will be reluctant to enter employment when their earnings will usually be small and meager, especially after having to hire sight.

Mr. President, this is a minor change of one-hundredth of 1 percent.

Mr. HICKENLOOPER. Mr. President, is this amendment printed?

Mr. HARTKE. The amendment is at the desk.

Mr. HICKENLOOPER. Is the amendment printed and is a copy available? I do not know what is in the amendment.

The PRESIDING OFFICER. The amendment is not printed.

Who yields time?

Mr. LONG of Louisiana. Mr. President, as I understand the matter, the pending amendment involves an amendment the Senator offered in committee which was agreed to regarding liberalization of benefits to the blind. The committee opposed that measure on the floor of the Senate last year and the Senate agreed to the amendment notwithstanding that opposition.

That being the case, Mr. President, I assume that the Senate would look at the matter in the same way. That is one reason I was persuaded to vote for the amendment in committee, believing that was what the Senate would want to do since the Senate expressed itself, although I did oppose it as did other Senators last year.

The Senator seeks by this amendment to deal with a matter that he believes was an oversight in the amendment he offered in committee.

Mr. HARTKE. The Senator is correct.

Mr. LONG of Louisiana. The matter would be in conference. In view of the fact that we agreed to the amendment, in committee, I am not opposed to the pending amendment which seeks to perfect the committee amendment. The Senator is merely trying to amend the provision which had been offered and accepted in committee.

The committee amendment would increase the bill by $165 million, and the pending matter would up it $20 million, but I understand that is about the amount that the Senate voted for last year.

Mr. HARTKE. If this perfecting amendment is agreed to, it is identical to the amendment which was adopted last year.

Mr. LONG of Louisiana. When I voted for the amendment in committee I thought I was agreeing to accept the will of the Senate last year after we debated the matter heatedly. I do not oppose the amendment. It will be in conference.

Mr. HARTKE. I yield back my remaining time.

Mr. LONG of Louisiana. I yield back my remaining time.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Indiana. [Putting the question.]

The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. PROUTY. Mr. President, I send to the desk an amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk proceeded to read the amendment.

Mr. PROUTY. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered, and the amendment will be printed in the RECORD.

The amendment, ordered to be printed in the RECORD, is as follows:

On page 82, between lines 10 and 11, insert the following:

"EXTENSION OF TIME FOR ENTITLEMENT TO BENEFITS PROVIDED AT AGE 72 TO CERTAIN UNINSURED INDIVIDUALS

"SEC. 114. Section 228(a)(2)(A) of the Social Security Act is amended by striking out '1968' and inserting in lieu thereof '1969'. Section 228(a)(2)(B) of the Social Security Act is amended by striking out '1966' and inserting in lieu thereof '1967'."

The PRESIDING OFFICER. How much time does the Senator yield unto himself?

Mr. PROUTY. Mr. President, I yield myself 2 minutes.

The PRESIDING OFFICER. The Senator from Vermont is recognized for 2 minutes.

Mr. PROUTY. Mr. President, this amendment would simply extend the Prouty amendment of 1966 for 1 year.

As Senators know, individuals reaching the age of 72 after December 31, 1967, will be ineligible for benefits under the Prouty amendment of 1966 unless they have three-quarters social security coverage.

The amendment I offer now would make it possible for individuals reaching the age of 72—and I emphasize that age of 72—before January 1, 1969, to be eligible for the special age 72 benefits, even if they had not worked under social security.

Mr. President, last March the Senate voted to accept an amendment which I offered to the Tax Adjustment Act of 1966. My amendment had the effect of "blanketing in" a group of older Americans who were not eligible for social security benefits due to the fact that they had not during their lifetimes accumulated enough quarters of social security coverage to qualify.

My initial proposal—which would have extended the minimum benefit of $44 a month to all those over age 70 not presently eligible for social security—although accepted by the Senate, was considerably watered down in the conference committee. The final version of the amendment provided for monthly benefits of $35 for persons reaching age 72 before 1968—$17.50 for a spouse aged 72 or over. In addition, however, a transition provision was included which required that persons reaching age 72 subsequent to January 1, 1968, have a few quarters of social security coverage.

I originally estimated that the potential beneficiaries of my amendment numbered 1.5 million. This estimate was revised downward to 300,000 following the changes made in conference.

Much to everyon's surprise, however, this 300,000 figure has been proven to be ridiculously low. In a press release issued by the Social Security Administration on November 4, 1966, it was announced that "more than half a million people 72 or older received their first monthly checks for new special benefits this week." As of January 1967, the number of beneficiaries had increased to 668,766. Now, Mr. President, I understand that nearly 800,000 Americans over the age of 72 are recipients of social security benefits under the Prouty amendment.

Original fears that my amendment would benefit primarily those people who needed no further assistance have proven unwarranted. In fact, more and more people have come to the realization that to large numbers of older Americans, the meager benefits enacted in 1966 are of vital importance in enabling them to exist precariously on the edge of poverty rather than plunging into its depths.

Apparently now, another Prouty "shoot the moon" proposal has gained respectability. One of the first indications of this was the inclusion of a provision to raise benefits to "Prouty" beneficiaries from $35 to $50 monthly in the administration bill. During hearings before the Finance Committee in August of this year, Charles Hawkins, legislative officer to the Social and Rehabilitation Service, argued in favor of increased benefits to Prouty amendment recipients on the grounds that an increase would have the effect of moving a large number off the public assistance rolls—if not completely out of poverty. He said, in a colloquy with the distinguished Senator from Indiana [Mr. HARTKE]:

Senator HARTKE. And the administration proposal is?

Mr. HAWKINS. It is $50.

Senator HARTKE. What would be the effect of that?

Mr. HAWKINS. About 350,000 persons would be removed (from the welfare rolls) by that provision.

The importance of liberalizing benefits under the Prouty amendment was also discussed in the House hearings on the social security bill before the Ways and Means Committee. In an interchange with the Honorable Wilbur Cohen, Under Secretary of Health, Education, and Welfare, Congressman BYRNES of Wisconsin aptly expressed my sentiments regarding the administration's change of heart over "blanketing-in." He said:

Mr. BYRNES. I was pleased to see that after all these years of opposing our attempts within the Committee to do something for individuals who were born too soon to earn Social Security coverage, the Administration is going along with our attempts to give them at least some benefits under the Social Security System.

Mr. COHEN. The liberalization is the increase in the monthly dollar amount from $35 to $50.

Mr. BYRNES. Is there any liberalization in the eligibility requirements?

Mr. COHEN. No, but the effect of raising the amount for the people who are uninsured is to make more people eligible, because people who receive old age assistance payments between $35 and $50 will leave the old age assistance rolls to get the special $50 payment.

Mr. President, the action taken by the Finance Committee in retaining the administration's increase to $50 is indicative of acceptance of the point made in the above dialog. That is, granting increased benefits to persons previously—before 1966—excluded from social security coverage will provide impetus to substantial numbers of older Americans to move off welfare rolls. It represents increased acceptance of the fact that increased universalization of social security is the main means of aiding impoverished older Americans.

As a recent research and statistics note from HEW pointed out:

As a major source of continuing income for the retired aged, for most survivor families, and for many of the totally disabled, the Social Security Program provides the most efficient and acceptable mechanism for assuring in advance that income will be maintained for individuals and families in these circumstances.

Or, is that indeed the case? If we regard the reported bills more closely we see that while they meritoriously raise the minimum benefit, they are notoriously negligent because they fail to make additional changes. By refusing to liberalize eligibility requirements in any other way, Congress in my opinion has failed to act as effectively and decisively as it might to alleviate poverty among the aged.

I am disappointed, Mr. President, that the Senate Finance Committee did not act to restore my amendment as it was originally enacted in the Senate.

I am disappointed, for example, because coverage was not extended to all older Americans over age 70 instead of 72.

I am also disappointed because the provision which excludes those on pensions from receiving benefits was retained. While it is beneficial to encourage people on public assistance to leave the welfare rolls, I believe it is unfair to force retired people who have earned meager pensions for such jobs as teaching to suffer reduced income under the Prouty amendment benefits. Ideally, the two small amounts should supplement each other.

The plight of many retired teachers who receive inadequate State pensions and are ineligible for regular social security benefits was recently revealed to me in a talk with Mr. Ernest Giddings, legislative counsel for the American Association of Retired Persons. Did you know, for example, that 39,348 retired teachers in eight States earn less than $1,000 a year? In addition, there are 113,637 retired teachers in 24 States who yearly earn less than $1,800.

I ask unanimous consent that information received from Mr. Giddings about teachers' pensions be printed in the RECORD immediately following my remarks.

These are areas in which changes could and should have been made in the Prouty amendment. Since the Finance Committee has not seen fit to make these changes, I will not propose amendments here to do so in the aforementioned areas.

However, Mr. President, there is one area in which no change was made which not only disappoints me but distresses me to such an extent that I feel forced to act. I refer now to the retention of the transitional benefits clause, which is of critical importance.

The detrimental effects of this clause are great enough to offset the increased benefit. They are great enough, in fact, to effectively and by transitional stages obliterate the Prouty amendment as it was originally envisioned.

The transitional clause is deceptively simple in substance but far reaching in effect. If it is retained, beginning in January 1968, individuals turning 72 will be required to have a minimum of three quarters of social security coverage. This requirement will increase year by year until present standards for coverage are met.

This, in my opinion, represents an approach which is grossly unfair, unrealistic, and hypocritical for several reasons. First, it unfairly discriminates against individuals who are born after a certain date.

Second, it is unrealistic because it prevents thousands of individuals from being eligible for benefits which could enable them to be removed from welfare rolls because they failed to contribute a miniscule amount of money to the social security trust fund.

Finally, it is hypocritical because it is another example of duplicity on the part of the administration and Congress. The action could be characterized as a reaching toward these people with one hand and a pushing them back with the other.

Mr. President, the transitional provision is inequitous because it arbitrarily determines who is to receive benefits on the basis of their date of birth. Consider this situation: John Jones and Bill Smith are both neighbors, retired men who subsist on meager amounts of money which they managed to save. They worked at jobs which were not covered by social security before they retired. Neither has any quarters of social security coverage to his credit.

John Jones will reach 72 on December 31, 1967. He will, therefore, qualify for the $35, or perhaps by that time $50, benefit provided by the Prouty amendment. This amount, although small, will substantially help him to raise his standard of living. Bill Smith, on the other hand, will become 72 on January 1, 1968. Therefore, because of his date of birth he will have to continue to make do on his present income. He is too old to go out and locate a job for a long enough period of time to qualify for coverage. Bill Smith will perhaps be frustrated, discouraged, and jealous of his neighbor, John Jones. He does not understand why Congress has capriciously acted to stretch out a helping hand to John Jones, while with the other arm it restrains him from benefiting as well.

The unfortunate plight of the Bill Smiths of this country can be seen in an even more absurd light when we consider our second point.

Bill Smith will be prevented from receiving any social security benefit because he failed to contribute $13.20 to the social security trust fund. Yes, Mr. President, thousands of individuals will be prevented from receiving aid under the Prouty amendment because they failed to work three quarters, earning $50 a quarter and thereby at present tax rates contributed with his employer $13.20 to the trust fund. If Bill Smith considers this fact, he will become even more bitter and disillusioned. For, a miniscule amount of money stands between him and $50 a month for the remainder of his life.

Mr. President, I realize that we cannot expect at this session of Congress to enact legislation which will effectively and completely alleviate the condition of over 7 million aged poor in this country. There are over 23 other million poor who must be aided. Our resources, although great, are limited. We are financing an expensive war. Nevertheless, Mr. President, it does not seem fair or just to extend benefits to citizens born in 1895—and thereby raise the hopes and expectations of many born a few years later—while refusing the same benefits a year later to citizens born in 1896.

This is the gist of my third argument. Can we consider that we have established a precedent by enacting legislation in 1966 which blanketed-in those who through no fault of their own retired before their jobs were covered by social security? Keep in mind that this legislation has been cited by both the Finance and Ways and Means Committees and the administration as having the beneficial effect of drawing older Americans off welfare rolls. If we have established a precedent, and I believe we have, can we realistically, equitably and fairly retract our promise, our glimmer of hope, and retreat again behind the old addage which dictates that all social security beneficiaries must contribute some amount, however small, to the trust fund in order to establish their eligibility for benefits?

I think not, Mr. President. I think not. It is imperative that this slender thread of hope be extended to those reaching 72 this year—that a glimmer of sunshine be allowed to penetrate the gloom of poverty and partially illuminate the dim, dark lives of thousands of older Americans who will turn 72 after January 1, 1968.

For these reasons, Mr. President, I submit to the Senate an amendment cosponsored by the distinguished Senator from New Hampshire [Mr. COTTON] which is very simple in words and intent. It merely extends the benefits first granted under the Prouty amendment of 1966 for another year. If you will look at the green pamphlet I have had passed out entitled "Special Payments for People 72 or Over" under the section "Payments for Single and Married People," you will see a table indicating the transitional requirements included in my amendment during the conference. My present amendment merely advances the date for each of the years listed there and allows senior citizens born in 1896 to be granted benefits without having to meet any coverage requirements.

I ask unanimous consent that the pamphlet I have cited be reprinted in the RECORD immediately following my remarks along with a revised table indicatin g the change which my amendment would make.

This is the least we can do to indicate our continued concern for a large group of older Americans. I ask for your support in this endeavor.

Mr. President, I ask unanimous consent for the following items to be inserted in the RECORD at this point:

First, a statement explaining my amendment.

Second, a brochure describing present Prouty amendment benefits.

Third, a chart showing teacher's pensions in the United States in relation to teacher's salaries by State.

Fourth, a memorandum describing legislative attempts at enacting pension legislation by States in 1967.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

EXPLANATION OF PROUTY AMENDMENT TO EXTEND ELIGIBILITY PERIOD FOR SPECIAL AGE 72 BENEFIT

This amendment would simply extend the Prouty Amendment of 1966 for one year.

In other words, individuals born in 1896 and reaching age 72 subsequent to January 1, 1969 would be eligible for such Social Security funds as provided for under the present bill without having to meet any eligibility requirements as to social security coverage.

Beginning in 1969, three quarters of social security coverage is required and in subsequent years an additional three quarters is required annually until three years is reached.

Attached are a brochure explaining the benefits provided under the Prouty Amendment of 1966 and a table indicating the change in the transitional provision of this amendment which I am now suggesting.

CHANGES UNDER PROUTY AMENDMENT

Those born in 1896 or becoming 72 subsequent to January 1, 1968 would be eligible for benefits under the Prouty amendment without having to meet coverage requirements. In following years coverage requirements would run as follows:

Year born	Need credit for this much work (years)	
	Men	Women
1897	¾	¾
1898	1½	1½
1899	2¼	(1)
1900	3	(1)
1901	(1)	(1)

[1] Same as for regular social security retirement benefits.

[From the U.S. Department of Health, Education, and Welfare, Social Security Administration]

SPECIAL PAYMENTS FOR PEOPLE 72 OR OVER UNDER A CHANGE MADE IN THE SOCIAL SECURITY LAW IN 1966

NEW SPECIAL PAYMENTS FOR OLDER PEOPLE

A change made in the social security law this year provides for special cash payments to men and women 72 or older who cannot qualify for regular social security benefits.

Under this new provision, people who were born before 1896 may receive a special benefit beginning at 72 even though they never worked under social security.

Men born between 1895 and 1900 and women born between 1895 and 1898 need credit for some work under social security to get these payments at 72, but not as much as is required for regular social security benefits.

This leaflet tells about the new payments, shows who is eligible, and tells what to do if you think you can qualify. These payments can be paid for October 1966, and the first checks will be mailed early in November.

WHAT YOU SHOULD DO

If you will be 72 or over in October and have already applied for hospital insurance protection, someone from your social security office will get in touch with you before October 1966. Until then you do not need to get in touch with your social security office or do anything at all.

But, if you are one of the few people who have not applied for hospital insurance protection and will be 72 or over in October, you should get in touch with your social security office now. Ask about hospital insurance protection, as well as the new special payment.

If you are not sure whether you can qualify, or there is something you do not understand, ask about it at your social security office.

If you reach 72 after October—If you will be 72 after October 1966, you can apply for the special payment 3 months before the month you reach 72.

PAYMENTS FOR SINGLE AND MARRIED PEOPLE

If you are a single man or woman and were born before 1896, you may receive the special payment of $35 a month. If you were born after 1895, you can receive these payments when you are 72 if you have credit for the amount of work under social security shown in the following table.

If you are a married man and both you and your wife qualify for the special payments, you may receive $35 a month and your wife may get $17.50 a month.

Year born	Need credit for this much work (in years)	
	Men	Women
1896	¾	¾
1897	1½	1½
1898	2¼	(1)
1899	3	(1)
1900	(1)	(1)

[1] Same as for regular social security retirement benefits.

Your payments begin for October 1966 if you are 72 or over that month. The October check will be mailed early in November. If you reach 72 after October, your payments can begin with the month of your 72nd birthday.

You can qualify for these payments only if:

You are a United States citizen or

You were admitted to the United States for permanent residence and have lived here continuously for 5 years.

The special payments can be made only to people who live in one of the 50 States or the District of Columbia.

PENSIONS AFFECT ELIGIBILITY

If a person is eligible for any periodic benefit under a governmental pension system, even if he has not yet applied for it, his special payments will be reduced by the amount of the pension or benefit.

This means generally that the amount of the special payment he can receive will be the difference between the amount of his governmental pension and $35 a month if he is single. If he is married, any governmental pension for which his spouse is eligible would also be taken into consideration in figuring the amount of the reduction.

"Governmental pension system" means any insurance system established by the Federal Government, a State, any political sudivision of a State, or a wholly government-owned instrumentality, which provides for the payment of pensions, retirement or retired pay, annuities, or similar payments on account of a person's personal services. This includes any social security or railroad retirement payment.

This reduction does not apply to any payment under any workmen's compensation law or any payment by the Veterans Administration as compensation for service-connected disability or death.

A person can ask at his social security district office for retailed information as to how this reduction would apply to him.

Cash Public Assistance Payments—A person cannot receive this special payment for any month he receives a State welfare cash payment. Nor can the special payments be made to a person for any month his spouse gets a cash welfare payment if his needs were taken into account in determining eligibility or the amount of the spouse's payment.

FINANCING

The cost of payments for people who have no social security coverage will be met from general funds of the U.S. Treasury.

TITLE: CHART SHOWING TEACHERS' PENSIONS IN THE UNITED STATES IN RELATION TO TEACHERS' SALARIES BY STATE

State	Average teachers' salaries			Per capita income			Median pension benefits			
	1960	1965	Percent increase	1960	1965	Percent increase	1960	1965	Percent increase	Recipients
Alabama	$4,002	$5,350	33.7	$1,487	$1,910	28.44	$927	$1,466	68.14	4,300
Alaska	6,859	8,598	25.4	2,821	3,187	12.97	1,884	?		?
Arizona	5,590	7,165	28.2	2,037	2,370	16.34	462	?		2,783
Arkansas	3,295	4,755	44.3	1,379	1,845	33.79	1,412	1,362	−3.55	3,195
California	6,600	8,600	30.3	2,705	3,258	20.44	2,840	?		30,177
Colorado	4,997	6,577	31.6	2,275	2,710	19.12	1,038	1,292	24.47	1,283
Connecticut	6,008	7,562	25.9	2,804	3,401	21.29	2,368	2,953	24.70	3,408
Delaware	5,800	7,532	29.9	2,735	3,392	24.02	1,980	?		?
Florida	5,080	6,378	25.6	1,954	2,423	24.00	1,776	2,650	49.21	5,000
Georgia	3,904	5,550	42.2	1,639	2,159	31.72	?	1,371		4,798
Hawaii	5,390	7,025	30.3	2,369	2,879	21.52	?	?		3,287
Idaho	4,216	5,856	38.9	1,845	2,395	29.81	832	1,009	21.27	985
Illinois	5,184	7,225	39.4	2,651	3,280	23.72	1,575	2,030	28.88	14,285
Indiana	5,542	7,292	31.6	2,194	2,846	29.71	?	1,950		10,019
Iowa	4,030	6,067	50.5	1,988	2,676	34.60	384	360	−6.25	12,421
Kansas	4,450	5,957	33.9	2,168	2,639	21.72	820	876	6.82	3,482
Kentucky	3,327	5,200	56.3	1,586	2,045	28.94	1,272	1,620	27.35	3,390
Louisiana	4,978	5,987	20.3	1,655	2,067	24.84	1,086	2,535	33.42	3,677
Maine	3,694	5,600	51.6	1,842	2,277	23.61	994	?		?
Maryland	5,557	7,105	27.9	2,347	3,001	27.86	?	2,483		1,563
Massachusetts	5,545	7,350	32.6	2,457	3,050	24.13	2,341	3,113	32.97	7,884
Michigan	5,654	7,200	27.3	2,321	3,010	29.68	1,369	1,954	42.73	12,283
Minnesota	5,275	6,800	28.9	2,115	2,666	26.05	1,215	1,334	9.79	2,361
Mississippi	3,314	4,327	30.6	1,204	1,608	33.55	?	689		5,742
Missouri	4,536	6,027	32.9	2,115	2,663	25.91	?	?		3,171
Montana	4,425	5,900	33.3	2,039	2,438	19.56	1,247	1,443	15.71	1,460
Nebraska	3,876	5,350	38.0	2,110	2,629	24.59	544	1,300	138.97	2,453
Nevada	5,693	7,322	28.6	2,862	3,311	15.68	1,740	?		1,103
New Hampshire	4,455	5,843	31.2	2,151	2,547	18.41	1,170	1,270	8.54	772
New Jersey	5,871	7,233	23.2	2,711	3,237	19.40	2,118	?		?
New Mexico	5,382	6,598	22.6	1,885	2,193	16.33	1,804	1,870	3.65	1,855
New York	6,537	8,400	28.5	2,740	3,278	19.63	?	2,410		16,005
North Carolina	4,178	5,523	32.2	1,560	2,041	30.83	912	1,097	20.28	8,396
North Dakota	3,695	5,375	45.5	1,718	2,279	32.65	600	1,132	88.66	1,060
Ohio	5,124	6,558	28.0	2,341	2,829	20.84	2,123	2,500	17.75	18,535
Oklahoma	4,659	5,894	26.5	1,867	2,289	22.60	1,092	1,404	28.57	4,603
Oregon	5,535	6,953	25.6	2,230	2,761	23.81	642	613	−4.52	8,679
Pennsulvania	5,308	6,830	28.7	2,241	2,747	22.57	1,553	2,174	39.98	23,075
Rhode Island	5,499	6,750	22.7	2,213	2,823	27.56	?	?		1,182
South Carolina	3,450	4,847	40.5	1,582	1,846	16.68	743	909	22.34	6,097
South Dakota	3,725	4,850	30.2	1,718	2,213	28.81	?	334		386
Tennessee	3,929	5,217	32.8	1,545	2,013	30.29	660	?		4,000
Texas	4,708	6,080	92.1	1,927	2,338	21.32	1,553	1,680	8.17	18,727
Utah	5,096	6,525	28.0	1,964	2,355	19.90	842	993	17.93	1,527
Vermont	4,466	5,808	30.0	2,012	2,312	14.91	1,167	1,581	35.47	655
Virginia	4,312	5,898	36.8	1,843	2,419	31.25	?	1,005		7,416
Washington	5,643	7,185	27.3	2,345	2,906	23.92	1,420	1,610	13.38	5,870
West Virginia	3,952	5,433	37.5	1,602	2,027	26.52	1,274	1,246	−2.20	5,955
Wisconsin	4,870	6,650	36.6	2,170	2,724	25.52	?	?		7,460
Wyoming	4,937	6,572	33.1	2,260	2,558	13.18	564	550	−2.49	1,014

PENSION LEGISLATION BY STATES, 1967

(Compiled by the National Retired Teachers Association, August 1967)

(Legislatures in all but a few States were in session during the first half of 1967 and most State RTA legislative programs included attempts to improve pension laws.

(Some of the following reports are stories of successes in the legislature. Some tell only of defeat, delay or frustration. In any case, we believe they are factual. The victory in a neighbor State should provide your officers some hope and guidance. The story of a lost battle this year may serve as an alarm and a challenge in looking to next year's campaign.

(State pension benefits show even a wider range between States than do either per capita income or average teacher salaries. This is in spite of the fact that costs of living vary little between the so-called well-to-do States and the less wealthy ones.

(In some States retired teachers are the victims of a reactionary legislature. In some they suffer because of the indifference of the Governor. In a few States it is due to a lack of cooperation from the Retirement System Secretary.

(The following reports should be helpful as RTA officers and Legislative Committees plan future campaigns for pension increases and cost-of-living adjustments.)

ALABAMA

In November 1966 legislation was passed which provides pension increases to 3700 of the 5000 retirees. This law in effect assured retired teachers with 30 years' service a pension of $150 a month, with proportional increases to those with fewer years of service.

During 1967, the ARTA has continuously urged the Governor and the Legislature to provide a 10% cost-of-living pension increase to all retirees. Vigorous activity to secure this legislation is continuing as of August 1, but no firm assurance of success has yet come from the Governor or the Legislature.

W. E. SNUGGS,
President ARTA.

ALASKA

1. Alaska teacher retiree pensions are exempt from State and municipal taxes and are not subject to execution, attachment, garnishment, or other process.

2. Cost-of-living allowance for permanent residence in Alaska is 10% of retirement income.

3. A post-retirement pension adjustment is payable when the cost of living has increased and the financial condition of the fund permits.

4. Eligibility for retirement income is changed from 25 years to 15 years with a minimum of 10 years in Alaska. Ten years is the maximum of out-of-state service. Full benefit may start at age 60.

5. Payment into the retirement system is 5% of the actual salary starting with 1966–67.

6. Retirement income is computed on the average of the highest three years times 1½% times the number of years of service.

7. A supplemental contribution of 1% of the salary provides a pension for the spouse equal to one half of the teachers retirement salary upon death.

8. No retired teacher receives a pension below $100 per month.

Mrs. LOLA C. LILLY,
President ARTA.

ARIZONA

Arizona teachers are retired under three retirement laws:

1. Teachers retiring before 1943 receive $170 per month. This is about 2% or 28 teachers.

2. Teachers retiring between 1943 and 1953 retired under Teachers' Retirement Act. This is about 22% or 300 teachers. They receive $3 per month for every year prior service (before 1943) and a very small annuity started in 1943. Many get less than $90 per month and the highest would receive very little over $125. They get no Social Security.

3. About 76% of our teachers (about 1070) retired after 1953. They are under the State Retirement Law which also includes State highway patrol, State and county employees. This group receives $3 per month (raised to $3.75) for each year of prior service before 1943, an annuity started in 1943, and Social Security. Most of this group receives over $200 per month.

Last March our State Legislature passed a law which increased prior service 25% (or to $3.75) for those under State Retirement Law. The bill increased the annuity payment from 3½% to 5% by the active teachers and the counties.

We got figures which showed how much the increase would cost if it were amortized over 20 years. This seemed to help get the bill out of the Education Committee where it had been held.

As the Legislature neared closing, legislators would tell us they thought it was too late to pass the bill. We took the attitude that there was plenty of time. Mr. Stewart was in Phoenix on the day before adjournment and the bill passed on the final day. Dont' give up.

R. V. KESSLER,
NRTA State Director.
GEORGE T. STEWART,
ARTA President.

ARKANSAS

The Arkansas Legislature passed Act 637 in 1967 which provides substantial increases for many retirees. As a result, any retirant on the rolls on May 1, 1965, with ten years or more of Arkanasas service will receive a

minimum of $40 times the years of proved service.

The Legislature also passed a law to provide State property tax exemption on Park View Tower, the Arkansas retired teachers' apartment building. There are now 46 names on the waiting list for admission to Park View Tower.

BERYL HENRY,
NRTA State Director.
JAMES B. ABRAHAM,
ARTA Legislative Committee.

CALIFORNIA

A.B. 98, the Retirement bill developed by the California RTA, was signed by the Governor, June 20, 1967. It provides graduated increases ranging from 2% to 23%. Specifically the increases are as follows:

Retirement year:	*Percent increases*
1956 and prior	23
1957	19
1958	14
1959	13
1960	10
1961	9
1962	7
1963	6
1964	4
1965	2

The increase is computed only on the first $300 of monthly retirement pension.

Biography of A.B. 98

Sept.–Dec. 1966: Conferences and preparation of first draft of bill; clearance with Legislative Council.

Jan. 10, 1967: Bill introduced in Assembly by Assemblyman Edward Elliott; numbered A.B. 98; read first time.

Jan. 11, 1967: Referred to Education Committee; to printer.

Jan. 12, 1967: From printer; to Education Committee.

Jan. 26, 1967: Withdrawn from Education Committee; re-referred to Committee on Retirement Systems.

Feb. 27, 1967: Amended and passed unanimously by Retirement Systems Committee; referred to Ways & Means Committee.

Feb. 28, 1967: Read second time in Assembly; sent to printer.

Mar. 1, 1967: From printer; reported correctly engrossed; re-referred to Ways & Means Committee.

Mar. 31, 1967: From Committee Chairman, with author's amendments; to amend and refer to Ways & Means Committee; read second time as amended; to printer.

Apr. 3, 1967: From printer; reported correctly engrossed; re-referred to Ways & Means Committee.

Apr. 6, 1967: From Committee, to amend; passed unanimously as amended.

Apr. 10, 1967: Read second time in Assembly as amended; to printer; ordered returned to second reading file.

Apr. 11, 1967: From printer; reported correctly engrossed; to third reading.

Apr. 12, 1967: Urgency clause adopted; read third time; passed in Assembly by vote of 71 to 0; title approved; sent to Senate.

Apr. 12, 1967: In Senate, read first time; referred to Committee on Governmental Efficiency.

May 3, 1967: From Committee, amended, and passed unanimously as amended; referred to Senate Finance Committee.

May 4, 1967: In Senate, read second time as amended; to printer, and to Senate Finance Committee.

May 16, 1967: From Committee Chairman to Senate with author's amendments; read in Senate as amended; to printer, and to Finance Committee.

May 23, 1967: Unanimous "Do Pass" by Senate Finance Committee.

May 24, 1967: Read second time in Senate as amended; to third reading.

June 7, 1967 Urgency clause adopted; read third time; passed in Senate by vote of 30 to 0; title approved; to Assembly for concurrence.

June 8, 1967 Notice in Assembly, concurrence in Senate amendments pending.

June 9, 1967 Senate amendments concurred in by Assembly; to enrollment.

June 13, 1967 Bill duly enrolled and sent to Governor at 1 P.M.

June 20, 1967 A.B. 98 signed by Governor Ronald Reagan, 3:30 P.M.

Comment

In other words, from its first draft to the final signature by Governor Reagan, a series of twenty-five steps were involved in securing the final passage of A.B. 98. In the process, the bill was amended five times, was printed five times, and ended with sixty-five Assemblymen and thirteen Senators listed as co-authors. Since the bill was heard in advance of final adoption of the State budget, separate letters of approval from the Governor also had to be obtained before being heard by the Assembly Ways & Means Committee and by the Senate Finance Committee. A.B. 98 is one of the very few measures passed unanimously by all four legislative committees and by both houses of the legislature.

The only serious "illness" in the career of A.B. 98 came after its final passage when the Senate removed the necessary appropriation of $9,500,000 from their version of the general State budget. This was put back in the budget by the Conference Committee of both houses.

Along with the many personal contacts with legislators, it takes a lot of patient persistence—and not a little legwork—to get a bill through the California Legislature, particularly when it involves a money appropriation.

R. C. GILLINGHAM,
Chairman, CRTA Legislative Committee.

COLORADO

The Colorado RTA, in 1967, tried for passage of a bill to provide (1) a 1½% increase per year on the basic retirement benefit, or (2) a cumulative annual increase based directly on the Consumer Price Index, if smaller. The bill was defeated in the Legislature.

OLGA A. HELLBECK,
CRTA State Director.

CONNECTICUT

The Connecticut RTA presented to the State Legislature a proposal for adjustment of pensions geared to recent increases in the cost of living. The cost of the original proposal was estimated at $3,750,000.

The Legislature passed its revision of the proposal, but it cut the benefits to retired teachers to $960,000. Under the version which was passed, teachers who retired before 1958 will receive increases in excess of 10%, with a limited number benefitting by increases of $1000 a year.

Members of the CRTA Legislative Committee and their officers expressed disappointment at their treatment by the Legislature. In their view the Legislature treated their case too much as a "welfare" problem.

JOSEPH A. FITZGERALD,
President CRTA.

DELAWARE

Delaware improved its Retired Teachers Pensions about two years ago by increasing by $50 a month the pension of persons who retired before 1954 who receive no Social Security.

Our penison until 1966 was a noncontributory plan with a maximum of $250 a month plus Social Security. Beginning in 1966 with a contributory plan, our maximum will be approximately $500 a month after 30 years of teaching; it will not become effective until 1971, except for teachers who retired in 1966 and up to 1971 with the qualified number of years who are able "to buy into" the plan.

Our Governor has recently (May 26) appointed a Pension Study Committee of eleven members from different walks of life—business, education, legislature. We are happy to have one of our members on the committee, since our DRTA is the largest single segment of pensioners. The General Assembly appropriated $25,000 for the use of this committee in its research. They will make recommendation following this research.

ANNA E. GALLAHER,
DRTA President.

FLORIDA

The Florida RTA has fought continuously and vigorously for good pension improvements in 1967. Results have been extremely limited, due largely to opposition from the Governor and neglect by the Legislature, or a combination of both.

One bill will provide specific help to very old retirees who do not have any Social Security income. For those with any Social Security benefits no increases or very meager increases will be the result.

The Legislature did pass a bill prepared by the Florida State Director which requires that a retired teacher be added to the Board of Trustees which manages the Teachers Retirement System.

A. R. MEAD,
NRTA State Director.

GEORGIA

We have made no progress as far as enacted bills are concerned in this 1967 Legislature. The Governor promised to help us, but reneged when the time came.

We had one main objective in this year's Legislature, viz, to get a retiree on the Board which governs the Retirement System. Since we as retired teachers, started this Retirement System, we think we should have representation in its administration. We are asking the Legislature to grant us this right. We had very able assistance from several members of the Legislature, but the members of the Retirement Board and the Executive Secretary do not want a retiree on this Board. They amended the bill to add two members of their choice, not retirees, which would cancel the effectiveness of a retiree completely. The bill was killed in Committee.

Due to the lack of cooperation of the Secretary of the Retirement Board, we have no way of knowing how many retirees are below $100, or $125 in monthly pensions. We do think there are many, as we get reports from Nursing Homes and individuals concerned. As to definite numbers, we do not know. We have no lists of retirees now receiving pensions and can not get this information from the Pension Office.

HANNAH S. FLANIGEN.
GRTA President.

HAWAII

The formula used to figure retirement pay for teachers and others has been revised twice within the last few years. The last change was effected in 1965.

This change amounted to 2% as against the former 1⅔% of one's average annual salary over the last five best years, multiplied by the number of years in service before retirement. A very handsome increase indeed. In addition, it provided that those retiring after June 30, 1965, are not required to have deducted from retirement pay $1.25 per month for each year spent in Social Security before retirement. This last item known here as the Social Security off-set could amount to a deduction of $50 a month for a teacher having taught 40 years.

We will request the 1968 Legislature to do away with this charge to those who retired between 1956–64 inclusive (Social Security began in 1956). This request is now being studied by the Retirement System.

Retirees now also enjoy a post-retirement annual increase of 1½%. This provision is also being studied by the system as we have requested it be increased to at least 2% in 1968.

JOHN FERREIRA, Jr.,
HRTA President.

IDAHO

The Idaho RTA bill passed in 1967 raises the pension from $3 to $4 for every year taught, for those teachers who retired before 1958. Before that time teachers did not receive Social Security. This will aid about 375 teachers.

In Idaho we have about 957 teachers retired from service. There are 617 who receive less than $100 per month, but one must consider years of tenure here. Some teachers do not draw their full amount each month, reserving a sum for a beneficiary. Drawing disabled benefits are 28 teachers, of whom 27 receive less than $100 per month.

RTA groups find every opportunity to acquaint legislators and those in influential positions about the real need of retired teachers.

BERTHA A. MAYER,
Former President IRTA.

ILLINOIS

The Illinois Retired Teachers Association succeeded in getting through the Illinois Legislature a bill for supplementary payments which would provide pensions up to $75 per year of service up to 45 years, the retiree paying $5 per year of service into the Supplementary Payments Fund, disability pensions to be increased from $1,000 to $1,500. As of August 1, the bill is in the hands of the Governor.

After the bill was formulated, a résumé was sent throughout the State, with an accompanying table showing how the bill would work, so that all retirees would be familiar with them.

When the bill was put in the hands of the Senator and Representative who would introduce it, a statement was sent to all retirees, again stating the proposals and requesting them immediately to write or talk with their legislators, asking them to support the bill. This the teachers did, so that when the bill came up for a vote the legislators were already familiar with the provisions and had committed themselves to their constituents.

When the bill was to come up for vote, bulletins were sent out asking all chapters to arrange for carloads of retirees to fill the galleries of the legislative chambers. Three hundred retirees filled the halls and galleries. The bill passed both House and Senate by astounding majorities. Now we await the Governor's action.

BESS HALE,
Legislative Chairman IRTA.

INDIANA

The Indiana RTA carried on an active legislative campaign in 1967 seeking to secure an automatic 1½% cost-of-living increment to the pensions of retired teachers. Several steps in the legislative process were cleared, but nevertheless the bill was not passed. It now appears that in the 1969 Legislature we can build on this year's progress and that there is a reasonable prospect of success at that time.

SAMPLE OF PENSION INCREASES PROVIDED INDIANA RETIRED TEACHERS SINCE DATE OF ORIGINAL RETIREMENT

Age group June 30, 1966	Number in group	Average Monthly benefit at retirement	Present average monthly benefit
80 to 84	854	$99.87	$165.27
85 to 89	360	76.13	168.97
90 to 94	104	55.34	160.86

HILDA MAEHLING,
President, IRTA.

IOWA

We believe the following facts are closely related to our problem of securing adequate pension adjustments in Iowa.

We have 12,421 retired teachers and their pension benefits from State and local pensions average $360 a year.

Our pensions have been supplemented by Social Security since Jan. 1, 1951. The result is that many of our teachers who retired before that date have not had the benefits of Social Security.

Average per capita income in Iowa in 1960 was $1,988. It had risen to $2,676 in 1965 according to the U.S. Department of Commerce. This shows an improvement in our Iowa economy of more than 36%. Nevertheless, the Retired Teachers Association has had very little success in securing pension improvements from the Legislature.

The average salary of the active teacher in Iowa in 1960 was $4,030. It was $6,067 in 1965, an increase of slightly more than 50%. However, the Legislature has not succeeded during those years in providing any substantial increase in the pensions of our older retired teachers.

Leaders and members of our Legislature could make a great contribution to the self-respect of their former teachers by providing them with more adequate pension. We believe our Governor and Legislature would do well to adjust pensions promptly in proportion to increases in costs of living and in accordance with the improved economy of our State.

GENEVIEVE D. JOHNSON,
NRTA State Director.

KANSAS

The Kansas annuity is the result of a combination of two funds. The first is the service annuity fund provided by the State. This fund provides for the top bracket with 25 to 35 years of service, inclusive, $3.50 per month for each year of service, the maximum being $122.50. Added to this is the savings annuity resulting from the deduction from all salary received of 4% to $5000. On June 1, 1967, there were 4816 retirees. The average annuity was $88.18. The maximum annuity was $155.61. At this time those receiving $100 or more number approximately 2300 and those receiving $125 or more number approximately 1300. These amounts will continue to increase as salaries are increased and the savings fund increases. The savings fund now pays 4% in each account. Also, all teachers retiring after January 1, 1955 are receiving Social Security.

Legislative techniques which I have felt successful are (1) Present a brief of not over three proposals that can be easily presented, based on facts and not overstated. (2) Secure the full support of the retirees as well as many other interested organizations. (3) Make personal contact with the legislators on the local level and especially by those in need of the proposed legislation. (4) A continuous flow of letters, telegrams and personal contacts. (5) A lobbying committee that can continually be on the alert for hearings and contacts while the Legislature is in session.

DONALD A. MCCONNELL,
Chairman, Legislative Committee.

KENTUCKY

The Kentucky Legislature did not meet in 1967. Our Legislative Committee decided on only two items for presentation to the 1968 Legislature.

1. That provision be made for a retired teacher on the Board of Trustees of the Retirement System.

2. That an increase of $10 per credit year be made in the pensions of all retired teachers.

This increase will have the effect of raising the average retirement pension to about $140 per month. In addition there is a 1% cost-of-living allowance which became effective July 1, 1967, which amounts to $1.25 to $1.40 per month for the average teacher.

Further, we will ask for better representation in the Kentucky Education Association.

Prior to July 1, 1966, when our 10% increase became effective, information secured from the Retirement Office showed the following pensions for members of the Kentucky Retired Teachers Association:

Amount of pension (monthly)	Percent of members	Number of retirees
$50 or less	1.7	52
$50 to $75	4.2	153
$75 to $99	11.3	413
$100 to $149	43.5	1,593
$150 to $199	26.7	977
$200 to $299	10.5	384
$300 or above	2.1	86

M. J. CLARKE,
President-Elect KRTA.

LOUISIANA

This year the Louisiana Retired Teachers Association sponsored two bills:

1. *H.B. 33.* In 1965, the Legislature changed the formula for computing the retirement benefit from 1½% to 2% of average salary for the best five consecutive years for each year of accredited service, effective July 1, 1965. H.B. 33 of 1967 provided that those retired prior to July 1, 1965, are eligible for a recomputation of their benefits under the new formula.

2. *H.B. 34.* Act 208 of 1966 provides a cost-of-living increase computed as follows: 1% of the original benefit for each year of retirement. H.B. 34 sought to increase the 1% to 2% and also to make eligible for the cost-of-living increase beneficiaries of deceased members who retired under Option 2, 3, or 4. The bill also provided for biennial adjustments in accordance with the Consumers Price Index.

Both of our bills passed both Houses of the Legislature with only one dissenting vote, but both were vetoed by the Governor.

P. C. ROGERS,
President LRTA.

MAINE

The Legislature did pass a bill providing paid-up life insurance for retired State employees (including teachers) and permitting the purchase of group insurance by the Retirement System. Up to now, the State employees have been covered only during the years of employment.

A new Board of Trustees to administer the funds of the Maine Retirement System has been appointed and rules governing the investment funds have been liberalized. A bank fiduciary will be elected by the new Board to handle the funds under the "prudent investor" plan; and it is hoped that greater returns will be realized, thus making it possible for larger pensions.

At this time, 364 retired teachers with 15 and 20 years experience are receiving less than $100 per month. I have been unable to obtain the exact amount for those retirees with 30–45 years of experience who receive less than $125 per month, but there are many. All of these retired several years ago under old low-salary systems. We have 3014 retired teachers on the pension list.

SUSIE SYLVESTER,
President MRTA.
LEORA E. PRENTISS,
State Director.

MARYLAND

In Maryland, in the spring of 1967, we were successful in having the Maryland Legislature pass, and the Governor sign, House Bill 23, which provided for a minimum of $2000 yearly for retired teachers who had served twenty-five years. This means that, begin-

ning in August 1967, no teacher retiree of 25 years experience will receive less than $166 per month. To accomplish this:

1. We had teachers from all parts of the State contact their Senators and Delegates, preferably by personal conference.

2. Then we wrote by the hundreds to our newly-elected Governor.

3. Our Legislative Committee and others attended hearings and made a point to talk to the Members of the Ways and Means Committee.

4. Examples were given and individual letters were read at the hearings telling of the hardships of teachers receiving less than the requested minimum.

5. Follow-up work was done through further contacts with Legislators, getting information about the time of introduction of the bill into each House, so that someone could be present from our group at the time of voting.

6. Finally, letters of thanks and appreciation were sent to all who had a share in our successful accomplishment.

RUTH P. EASON,
President MRTA.

MASSACHUSETTS

On June 28, 1967 the Commonwealth of Massachusetts passed a Cost-of-Living Adjustment Act which applies to all of its retired teachers. The original law passed in 1966 affected only those pensions under $5,000. The revision passed in 1967 makes the adjustment applicable to all pensions below $6,000.

HUGH NIXON,
Legislative Committee, MRTA.

MICHIGAN

Since in their public utterances the Governor and many members of the Legislature had made it very plain that no legislation which called for additional appropriation would be passed in the 1967 session, the passage of such legislation became of primary importance. The difficulty of getting agreement on a fiscal reform program had so monopolized the time of the Legislature that little attention has been given to any pension changes and it seems almost certain that none will be made during the current session.

The Board of Directors of the Michigan Retired Teachers Association has adopted the following guide lines for the Legislative Committee which states in quite general terms the objectives of the Association.

1. Work for fiscal reforms, including a State income tax of not less than 2½% on individuals and appropriate percentage taxes on corporations and financial institutions.

2. Work for an annual appropriation sufficient to cover current pension payroll and in addition provide a sufficient reserve to cover the need for pension payroll for at least three years.

3. Work for legislation which would remove the limit on years of service and average the final compensation for certain groups of retirees not now included among those who have this advantage.

4. Work for legislation which would provide for postretirement increases which would reflect economic conditions.

5. Work for legislation which would increase the amount a retired school employee can earn in public educational services without any loss of pension.

FORREST G. AVERILL,
President MRTA.
GEORGE SCHUTT,
Legislative Committee Chairman.

MINNESOTA

As a result of the efforts of the Minnesota RTA and the eight State Retired Teacher Divisions, meetings were held around the State, legislators were contacted, and letters rolled in. Before the session ended all retired teachers were given a 15% supplemental annuity except those retired teachers whose pensions were coordinated with Social Security and they were given 10%. We were glad to have this gain, although this still leaves some 700 retirees with pensions of less than $1200 a year and about 750 retirees with pensions of less than $1500 a year. There are a total of about 2150 annuitants.

Mr. Harvey W. Schmidt, Executive Secretary of the State Teachers Retirement Association, worked closely with us and spent many hours with the legislators getting sponsors for the bills and explaining the needs. He was most effective.

ELLIS SCHWEICKHARD,
President MRTA.

MISSISSIPPI

This is my report of Mississippi retired teachers who receive pensions of less than $100 a month.

Percentage of the total number of retirants

Pension per month:

$13.70 or less	10
$13.70 to $26.25	15
$25.25 to $40.28	25
$40.28 to $49.73	25
$57.62 to $64.99	10
$65.00 to $100.00	15

The last report of the National Council on Teacher Retirement (1965) shows there are 5742 retired teachers or beneficiaries who receive pensions and that their median annual retirement allowance is $689.

W. H. BARNARD,
Past President, NRTA.

MISSOURI

The State Legislature of Missouri met January 1 to June 30, 1967. Retired teachers presented a bill that would have aided early retirees who retired *after* July 1, 1957, on very low pensions, many with more than 35 or 40 years of service. The total number of teachers in this group receiving less than $150 monthly pension is 1757. This includes Kansas City, St. Louis and outstate teachers. The 1757 teachers for whose benefit the 1967 bill was intended (it failed of passage) does not include a considerable number of early retirees who were benefitted by a law passed in 1965 that gave each retiree who retired *before* July 1, 1957, the sum of $75 monthly, provided that amount did not increase his total retirement beyond $150 a month. Even with an increase of the $75 a month, many of the 1330 still receive much less than $150 monthly pension.

The source of funds for each bill was the general revenue appropriation, and not the State Retirement Systems of which there are three: Kansas City, St. Louis, and the outstate public schools. If the Governor should call a special session of the Legislature, there will be an attempt made to have the bill reintroduced at that session.

It seems that personal friends who are members of the State Legislature give the most assistance to those who are working on legislation for retired teachers.

RUTH T. GIBSON,
State Director MRTA.

MONTANA

The Montana State Legislature had to have an extra session to get its legislation passed since the Senate and the House could not agree. The Montana Education Association succeeded in getting the ceiling of $7,000 on which pensions were previously based abolished. Future retirees will have good pensions. The MRTA sponsored a cost-of-living flexible plan but it failed to pass. We are now making plans and hope to get our plan adopted in the next Legislature. The MEA has assured us that we would have strong support from it in the next Legislature in bringing retirement salaries for presently retired teachers up to date. They failed to give us support this year as they were anxious to get their plan adopted. We also failed in not getting started soon enough, in not informing our locals about what was going on, and not contacting our legislators.

We have around 300 retirees receiving less than $100 in monthly pensions. The minimum is $100, but they receive less because of the lack of teaching years.

MARGARET BETTLE,
President MRTA.

NEBRASKA

The following is a report of our labors and accomplishments in the current Legislature of Nebraska.

L.B. 238 was passed in the early part of June and signed by the Governor. This gives those teachers who retired before 1955, when Social Security was not in effect, $17.50 per month in addition to their former annuity. Some get only $52.50. L.B. 237 was killed. It would have helped those who retired after 1955 up to 1967 by giving them $2.25 per month for each year of service.

What remains of this bill, L.B. 237, has been put into L.B. 494 which is the active teachers retirement bill and goes into effect in 1968. However, it does effect *all* retired teachers and they will get $1.50 per month for each year of service, the 35 years stipulation having been removed. So there will be a few extra dollars for those who retired after 1955 and have taught more than 35 years.

ALICE MUSSELMAN,
State Director.

NEVADA

Nevada is on a State Retirement System—teachers, State, County, City, and other employees. Retirement is based on 20 years of service at 50% of total salary of the highest of the last ten years of service. 1.5% is added for each year above 20 and up to 30 years.

Forty-five retirees receive less than $100, with forty-one receiving less than $125 out of a total of 447. The others from a total of 986 retirees have split their retirement so that either wives or husbands may benefit when the retiree passes on. This makes it exceedingly difficult to determine the total under $125 but it is safe to say that very, very few of these are under $125 since splitting of $125 for a dependent would leave practically nothing.

We tried to get the retirement board to sponsor our bill to increase pensions by 20% for those who retired prior to 1960 and 15% for those who retired before 1964. The Board approved our proposal but the secretary meets with the Legislature. We must try again but this time making sure that the secretary is instructed to carry out the proposals of the Retirement Board.

EARL WOOSTER,
Legislative Chairman.

NEW HAMPSHIRE

The New Hampshire General Court (legislature) passed a bill in 1959 which was written to affect teachers who retired before July 1, 1957. Part One was a cost-of-living provision. Part Two guaranteed each retiree a minimum pension of $40 times the years of service up to and including 30 years.

In 1967 the October 1966 cost-of-living index was written into the law and the $40 per year of service was increased to $46, thus assuring the retiree with 30 years of service a pension of at least $1380.

It is of paramount importance to remember that no progress can be made unless close and friendly liaison is constantly maintained between teachers and the legislators who are ultimately responsible for action.

ELIZABETH J. DONOVAN,
NRTA State Director.

NEW JERSEY

In September 1966 the Social Security offset on New Jersey Pensions was eliminated and full payment on both Social Security and pension was received by all those retired or who will be retired in the future.

That pension adjustment applies to all State employees.

Having achieved that goal, we immediately started to prepare legislation which would provide cost-of-living adjustment for all members of the pension fund. The New Jersey Education Association appropriated sufficient funds ($5000) to study the cost of such legislation. When this information was available, a bill was prepared providing for a 90% adjustment whenever the cost of living increases. This adjustment is to be calculated each year. To date that legislation has not been reported out of committee but we are all busy building a favorable climate so that when it comes for vote we hope to be certain of its passage.

It appears to be a long process for those not familiar with legislative procedure, but it is one of the protections of our democracy.

Our State Pension Fund has always refused to give us exact figures on the number of retirees receiving less than $100 or $125 per month, but a rough estimate is 200 approximately. Those, however, are teachers who have had limited service in the New Jersey public schools. Certainly none with as much as 20 years' membership in our pension fund would be included in our estimate of 200. That problem was eliminated by previous pension legislation.

During the last two years, the New Jersey Education Association, with its more than 58,000 members, has spent more than $10,000 in research and communication with legislators, public relations work, and various other media toward bettering the financial status of our 3,000-odd members. Without the New Jersey Education Association, we would feel quite inadequate to accomplish our aims.

CHARLES V. ANDERSEN,
President, NJRTA.
CHARLES L. STEEL,
Legislative Chairman.

NEW MEXICO

Improvements in the New Mexico retirement law in 1967 are termed the "most important since the contributary system was set up in 1957." The changes include:

1. Increasing retirement benefit formula from 1½% of the first $4,000 of the last five-year average salary, or best five consecutive years average, plus 1% of the excess, to 1½% of the first $6,600 of such average salary plus 1% of the excess for each year of service credit.

2. Granting a cost-of-living increase effective July 1, 1967, to all persons retired prior to that date, based upon the change in cost of living from the date of last retirement to July 1, 1967.

CHARLES L. MILLS,
President, NMRTA.

NEW YORK

New York State Retired Teachers Association made no direct gains this year. The reasons are as follows:

1. The Legislature adjourned early because this is the year of a State Constitutional Convention.

2. This is not an election year.

A step was taken which may bear fruit in 1968. A cost-of-living supplementary pension passed one house but failed to emerge from committee in the other house. However, the bill has been before the legislators and ready for 1968.

The minimum annual retirement allowance on superannuation is $175 per month for those who have primary Social Security benefits and $200 per month for those with no Social Security or with secondary benefits.

This distinction between those having primary benefits (which the individual has earned for himself) and those having secondary benefits (which a wife receives through her husband's having earned a benefit) is unfair. Efforts are being made to remove this discrimination.

The State-wide legislative committee has a member from each of the ten zones of the State. As chairman in his own zone, he has a committee to assist in each county or designated area which again is sub-divided.

The committees try to make close contact with all legislators and where possible through teachers who already know the legislators personally, perhaps as former students.

Mrs. EMILY T. BARHYDT,
Vice President, NYSRTA.

NORTH CAROLINA

The 1965 State Legislature increased the monthly benefits from a minimum of $70 to a minimum of $85 for teachers with twenty or more years of teaching experience.

The 1967 Legislature increased the monthly benefits for all teachers who have retired since 1942, by the following schedule: (1) All teachers retiring in 1966 and 1967 will receive a 5% monthly increase.

(2) All other teachers retiring from 1942 through 1965 will receive the above 5%, and an additional 1% for each year of retirement.

For example, a teacher retiring in 1965 will receive 5% plus 1%, a total of 6% increase. A teacher retiring in 1942 will receive 5%, plus 24%, a total of 29%. The increase is based on the present retirement income. No teacher will receive less than a $10 increase.

Most qualifying teachers who retired between 1942 and 1956 will receive from $95 to $110.

THOMAS L. LOOPER,
NRTA State Director.

NORTH DAKOTA

The 1963 Legislature raised the annuity of all teachers retiring before 1947 by 25%. The annuity of many of these was $25 to $30 per month.

Through the efforts of the newly organized NDRTA, resolutions were adopted and presented to the 1965 Legislature. This resulted in a law fixing $60 as a minimum monthly annuity for retired teachers with 25 years of service.

As of January 1, 1967, there were over 500 annuities receiving less than $100 per month. The annuities of approximately 235 of these retirees, over age 70, will move up to $100 per month as a result of our 1967 law. Another 265 of the annuitants will receive $60 per month.

ARTHUR E. FIELD,
NRTA State Director.

OHIO

Senate Bill No. 59 passed the Senate in July and as of August 9 is before a favorable subcommittee of the House.

1. For those retired before 1955 it would provide an average increase of 22%.

2. For those retired after 1954, it would provide a cost-of-living increase to restore the purchasing power of the original allowance.

3. It would provide automatic increase of allowance annually when the increased cost of living amounts to 3% or more.

A. O. MATHIAS,
Legislative Representative, ORTA.

OKLAHOMA

The Oklahoma RTA sponsored seven bills during the 1967 session of the State Legislature. Six bills were amendments of the basic retirement law. One bill proposed an appropriation. All bills were adopted as introduced except the appropriation voted was less than requested.

The amendments were as follows:

"To participate in benefits a member must have been employed and contributing a minimum of ten years; benefits to those retiring between ages of 60 and 62 with 30 years service will be the actuarial equivalent of that computed at age 62; maximum annual contribution by a member increased from $300 to $480; teachers who re-instate memberships by re-depositing withdrawals must also pay interest increases from 3% to 4% payment of benefits to a surviving spouse of a deceased member may be in lump sum or monthly amounts."

Two other bills sponsored by other interests were adopted. One permits investment of retirement funds in securities of insured banks and the other permits a member to authorize with-holding from the monthly check the amount to pay the premium for hospital and medical insurance.

ORTA as a department of the Oklahoma Education Association utilizes the services of the parent organization in legislation. The Chairman of the ORTA Legislative Committee is a member of the OEA Legislative Commission. Officers, directors and designated individuals assist in communication with legislators. The Executive Secretary of ORTA accepts a major responsibility for legislation.

As of June 1, 1967, there were 1,504 retirees receiving less than $100 per month and 808 receive between $100 and $125 per month.

G. T. STUBBS,
Chairman, ORTA Legislative Committee.

OREGON

There are 9500 retired teachers in Oregon. The average pension is $49.50 per month. There are 300 retired teachers receiving no pensions.

Teachers already retired receive bonus checks from accumulated interests on their contributed money. By an Act of the 1967 Legislative this money may be invested in common stocks. This is expected to raise the interest amount which should result in larger checks.

The Retirement Program passed by the 1967 Legislative applies only to those who retire on or after January 1, 1968. No action was taken by the Legislative to provide pension benefits for persons already retired. Immediate action for such legislation is urgently needed.

MYRTLE R. CLARK,
ORTA President, Retired 1967.
MAY E. PHINNEY,
ORTA President.

PENNSYLVANIA

In the previous legislative session two measures were passed, one that raised minimum annuities from $100 to $150 a month for those who had retired as early as 1919. The other provided an opportunity for those whose annuity suffered some reduction when Social Security benefits were first granted to recover that reduction.

The chief legislation that passed both Houses unanimously was a cost-of-living increase in annuities for all employees of the State. The increase is the product of the retirement allowance determined at the time of retirement and prior to optional modifications and the percentages that were listed in the bill. The percentage range from 150% increase for those retired prior to 1933 to 6% for those retired in 1964.

Cost-of-living addition, sponsored by eighteen State Senators and as enthusiastically adopted by the Senate and the House of Representatives in record time, was the result of the State-wide campaign supported by the Pennsylvania State Retired Teachers Association in cooperation with the Pennsylvania State Education Association, and especially by the members of the headquarters staff. Thousands of retirees' letters and other means of contact aroused the legislators' interest in the plight of many retirees of yesteryear.

Dr. SYDNEY A. FARBISH,
NRTA State Director.
WINIFRED V. ISAACS,
Chairman, Legislative Committee.

RHODE ISLAND

As a result of a 1967 law, Rhode Island now permits the retired teacher to substitute 75 days without loss of pension benefits.

Another bill passed this year and became effective July 1, 1967, to compute the retirement allowance on the three highest consecutive years of service rather than on five. The Legislation was secured with the most complete cooperation between the Rhode Island Education Association, the Retirement Office, and our Rhode Island RTA.

MARIE R. HOWARD,
Chairman, Legislative Committee, Rhode Island RTA.

SOUTH CAROLINA

On March 1, 1967, our Governor signed a bill which gives an average retirement increase of 15% to all State employees. We are working for a cost-of-living increase as part of this years program for 1967–1968. Our State Retirement System does not give out any figures on the number of teachers in any pension bracket.

The South Carolina Retired Teachers Association Legislation Committee meets in June of each year to make plans for our proposed legislative program for the ensuing year. This program is then presented to the Executive Committee for Board approval.

In July, the SCRTA Legislation Committee presents this approved program to the South Carolina Education Association Legislation Commission. In August, the SCEA Legislative Commission studies this program and, if approved, incorporates it into their overall State Program. In October this program is presented to the SCEA Council of Delegates. Then the SCEA Legislative Commission takes action to bring the proposed Legislative Program to the attention of key members of the State Legislature.

In the meantime, the South Carolina Retired Teachers Association's Legislative Committee keeps in close contact with the Legislation Committee Chairmen in each county. These committees in turn, keep in close contact with members of the State Legislature of their own counties to make sure they are informed on proposed Legislative programs.

EMMA F. DAVIS,
President SCRTA.

SOUTH DAKOTA

The South Dakota Retirement Law did not go into effect until 1959. At first, membership in it was optional, but beginning July 1, 1964, membership was mandatory.

The only State support received have been yearly appropriations for the operation of the Retirement System. However, the 1967 Legislature struck that provision from its books, so there is no more State support. Last year our Association worked in conjunction with the South Dakota Education Association Legislative Committee for the improvement of our present Retirement Laws. Two bills, both affecting the now active teachers, were passed. In essence these were: (1) raise the base on which premiums are paid from $4800 to $6000; (2) more diversification of investments of Retirement Funds.

The two bills affecting the Retired Teachers were killed or tabled by the Appropriation subcommittee. In brief, these bills were: (1) every retired teached in the State with 20 years experience in South Dakota would have received a pension of at least $60 per month; (2) benefits for service prior to 1959 would have been increased from two-tenths of one percent to eight-tenths of one percent.

As of February 15, 1967, the largest straight life annuity paid to a retired teacher was $58.40; the smallest was $6.39. Twelve retired teachers are drawing straight life annuities of less than $10 per month payable for life. Only a very small number of teachers who retired prior to 1959, with twenty years or more of experience, receive a pension of about $43 a month. This pension comes from a former Retirement System, but when Social Security was available to teachers this System was discontinued and the majority of the members withdrew the money they had put into it. I will cite one specific case. One retired teacher taught fifty-one years and receives a South Dakota retirement check of $40 per month.

FLORENCE KRIEGER,
KRTA State President.

TENNESSEE

The involvement of the Tennessee Education Association with the Tennessee Legislative Council has paid off handsomely. The minimum benefit law was not changed for eighteen years because there was no organized demand for change. Beginning in 1963, rapid improvements occurred in retired teacher benefits. The Tennessee Retired Teachers Association had become a Department of TEA, and the TEA had included the TRTA program as a part of its retirement benefits program. A plan was developed for counting previous years of service. The following new provisions were written into the retirement law in 1967:

1. Retirees with no Social Security who were over age 65 at time of retirement will qualify for $5 times the years of service. For teachers who retired earlier than age 65, the $5 will be actuarially reduced but not below $4.34. (Class B as defined in the law.)

2. Retirees with Social Security will receive a basic minimum benefit not less than $4.34 times the years of service. The Legislature also placed a limit on this group: that the retirement allowance plus his Social Security shall not exceed the retiree's average salary for his ten highest years. (Class A as defined in the law.)

3. With required proof, the retiree with 15 years of teaching in Tennessee may establish "years of service" rendered before 1945 which may then be used in calculating benefits.

C. H. MOORE,
President, Tennessee RTA.

TEXAS

The 1967 session of the Texas Legislature authorized increases, across the board, in monthly benefits of already retired teachers by the amount of $1.50 multiplied by the numbers of years each such retired teacher has been retired. For instance, a retired teacher who has been retired for ten years received an increase of ten times $1.50, or $15 per month, or $180 a year. This increase is in addition to each retired teacher's regular retirement benefit payment. The above formula serves to give early retirement teachers the largest increases since they were receiving the smallest regular benefits.

A previous Texas legislative enactment specified that no retired teachers entitled to State benefits is to receive less than $100 per month.

The Legislative program effecting the above stated increases was indorsed by the Texas State Retired Teachers Association and Texas State Teachers Association and other State organizations. The bill was unanimously passed in both houses of the Legislature.

The officers and membership of the Texas State Teachers Association were *most* effective in promoting the passage of our bill.

L. W. FOX,
Chairman, Legislative Committee.

UTAH

Four bills relating to pensions were introduced in the Utah Legislature. Two were introduced into the House and two in the Senate. The two in the House were sponsored by the URTA. The two in the Senate were sponsored by the Utah Educational Association, the Retirement Board, and the Society of Superintendents. This, I believe, was a mistake because there should be greater unity among these groups.

The two bills introduced into the Senate were passed and became law. Senate bill 205 (1) increased the pensions materially for those who will retire in the future, (2) unified all pension systems covering public employees, and (3) provided a 3% increase in pensions for those now retired to cover a cost-of-living increase (which the URTA feels is far from adequate for those now in retirement). Senate Bill 57 gave to that segment of retirees who retired from 1954 to 1961 a $17 a month increase, because this group was still penalized by a 70% offset for those who were receiving Social Security. The 1961 Legislature had repealed the 70% penalty for those retiring after 1961, thereby giving them full coverage under State pensions. There are still inequities existing which we hope may be corrected in the future.

Some of the techniques that we feel were effective were:

1. Candidates seeking election to the legislature were contacted before the elections in the Fall of 1966. This was done to learn of their attitude toward better pensions for retired teachers.

2. Graphs and charts depicting the inequities in the pensions of retired teachers in relation to other public employees were distributed among the legislators.

3. Newspaper coverage and letters of explanation of inequities were written and publicized in the forum and other news media.

4. Many personal contacts were made during the legislative session.

Much more could be said about the mistakes made in our efforts and also about the lessons we learn from our endeavors that should help materially in our efforts in the future.

MERRITT L. POULSON,
President, URTA.

VERMONT

On April 17, 1967, Governor Hoff signed H. 54 which provides for an increase in the minimum retirement allowance from $1500 to $2100 annually for those retiring with 35 or more years of service credit; with proportionate deductions for those with less than 35 years of service.

The increase from $1500 to $2100 will take effect on July 1, 1967, and will bring larger benefit payments to those with a high five-year salary average of less than $4200 at the time of their retirement. Approximately 416, or 57.8% of the 720 retired members, will receive increased payments.

Another Act, H. 214, also became law, which increases from $600 to $960 annually the pensions available to former teachers who were 65 or over July 1, 1962, and had taught no less than 14 years. Some 58 elderly retired members benefit from this worthy enactment. H. 68, an Act to increase the maximum interest rate on retirement funds from 4% to 5%, was also passed.

FRANK O. STILES,
President, ARTV.
LYMAN C. HUNT,
NRTA Legislative Council.

(NOTE.—Both Mr. Hunt and Mr. Stiles are members of the State Legislature and serve on the House Education Committee.)

VIRGINIA

The Virginia General Assembly did not meet in 1967. The VRTA legislative program stands as presented in "Trends in Pension Legislation", dated December 20, 1966, plus the following additions: Our Association will urge the 1968 session of the General Assembly to vote a $200 per year increase for those with 30 years service who retired before 1952. This would bring their retirement allowance up to $1,742.48.

BESSIE M. MOTTLEY,
President, VRTA.

WASHINGTON

A three part amendment to the Washington State Teacher Retirement Act became effective July 1, 1967.

The inequity of basing pensions for those who retired prior to July 1, 1964, on a maximum of 35 years of service credit, was cor-

rected. From now on all pensions will be based on the total number of years of service credit established with the State Retirement System.

The second portion of the Act increases from 45 to 75 the number of days a retiree may teach in a Public School in a year without pension loss.

The third major provision of the amendment applies to the older retirees who receive no Social Security of any kind and who are not able to qualify for such benefits. They will receive a pension based on $5.50 per month for each year of established service credit. Thus a retiree with 40 years of creditable service will receive a monthly pension of $220.

The bill moved rapidly and on final passage there were only three dissenting votes.

There was no special promotional technique used but the preparatory work done by the WSRTA before the opening of the Legislative Session could have been a determining factor in the outcome.

Early indorsement by the Washington Education Association and the State Retirement System was secured. School forces presented a united front and this was particularly evident at committee hearings on the bill.

Pre-election time was gainfully used to familiarize prospective legislators with the urgent need for this proposal.

Legislators, who were proven political leaders and experienced in legislative strategy, willingly sponsored the bill.

MABEL HAUGEN,
Chairman, Legislative Committee, WSRTA.

WEST VIRGINIA

In 1967 the West Virginia Association of Retired School Employees tried for the third increase in retirement benefits in three years. The 1967 session was a most difficult one in which to work because the State Legislature was involved in study and extensive discussion in regard to a tax proposal to obtain more state revenue. The tax proposal was defeated and funds were not available for increased pensions.

It has been the practice of WVARSE to determine their own legislative objectives. This is done after a year-long study by the State Legislative Committee, a report at the Annual WVARSE meeting and final decision of the goals by the delegates. Full responsibility for the promotion of the legislative program is assumed by the WVARSE. The Legislative Committee prepares letters and publications for use with the Legislators, the Governor and other State Officials. Arrangements for conferences with the Governor and Legislators are made and executed by retired school employees. The WVARSE legislative committee obtains sponsors for the bills, arranges hearings in the Legislature and makes the presentations. While advice and suggestions are sought from the Executive Secretary of the Teacher Retirement Board and the West Virginia Education Association, the final decisions are made and the major work done by the WVARSE. It is believed that retired people working in their own associations should take the initiative in deciding upon their goals and implementing them. Moreover, the Association believes that retired persons can be most effective in speaking and working in their own behalf.

M. TITUS,
Vice President, NRTA, Area 3.

WISCONSIN

For a number of reasons, chief among them that new legislation was passed in 1965 and effective in 1966, nothing new has been presented to the 1967 session of the legislature by WRTA up to this date.

However, research is under way toward presenting legislation for a cost-of-living adjustment to be presented not later than 1968.

The law that went into effect in 1966 provides a minimum pension along with primary Social Security to equal $5 per month per year of experience for those teaching from 20 to 32 years in the public schools of the State. When equated on the basis of straight life insurance this guarantees a minimum income of from $100 to $160 per month after the age of 60 years.

The first year of this law has helped about 1,100 retired teachers receive about $600,000 with an average of about $45 per month.

We think that the most useful elements for success in legislation are:

1. A carefully prepared bill backed by adequate facts and sound research.
2. A hard working, competent legislative committee with plenty of time and know-how.
3. Personal contacts of legislators and others of influence by a large number of well informed members.
4. Letters and more letters by the same membership.

H. C. WILKERSON,
President WRTA.

WYOMING

Seven bills were introduced in the 1967 Session of the Wyoming Legislature to amend the retirement statutes. Five of these bills were passed by the legislature and signed by the Governor.

These bills made the first important changes in the Retirement System since 1953 and have improved the benefits to the retirees.

One amendment reduced the minimum service requirement from 5 years to 4 years to qualify for a monthly retirement allowance at age 60.

Another amendment provides for payment of interest to a member who withdraws his contributions, providing he has less than the minimum service requirement of 4 years.

A third amendment provides for member and matching contributions of 5% each, beginning July 1, 1969. This will increase the retirement benefits after 1969.

Another change in the Law provides that a member may, when he retires, elect one of several options, such as naming his wife as a co-beneficiary to receive retirement allowances upon his death. The same bill also provides that a retired member may be employed on a part-time basis up to 42 hours per month without loss of retirement benefits. Also in the same bill is a provision to permit the Retirement Board to increase the allowances to members now on retirement and to those retiring in the future by the same amount. The estimated increase was from 20% to 30%. This increase in benefits has been received by members since April 1, 1967.

GEORGE E. LINDELL,
NRTA State Director.

DISTRICT OF COLUMBIA

The District of Columbia retired teachers received a cost-of-living adjustment in their February 1967 checks. This was the result of legislation signed July 7, 1966, which provides a cost-of-living adjustment whenever the U.S. Civil Service retirees receive one. No teacher retired from the District of Columbia schools receives less than $125 a month.

ELSIE GREEN,
State Director, DCRTA.

To: RTA Presidents and NRTA State Directors:

The foregoing reports were submitted during July and August 1967 by RTA or NRTA officers. In a few cases we summarized the original report in the interest of brevity. In those reports, however, we tried hard not to distort your facts or explanations.

As you have discovered, the State legislative developments show a wide range in degree of success. One State enacted a pension bill affecting 30,000 retired teachers, while some others met only defeat or opposition this year at the hands of the Legislature or the Governor. A few States produced almost entirely new retirement laws while others needed only to correct inequities.

In some States the RTA, the active teachers association, and the retirement officials seem to work together in perfect harmony. In a few others, friction and misunderstanding obviously have hindered a successful legislative program this year.

Techniques in securing commitments from the Governor or legislative leaders are mentioned when it seemed they would be helpful in other States. Methods of reporting to the RTA membership are described in a few cases for the same reasons.

Several copies of "Pension Legislation by State, 1967" are being sent to RTA State Presidents, State Legislative Chairmen and NRTA State Directors. These officers are invited to request additional copies as needed for other officers and committee members.

We appreciate very much the splendid and effective cooperation of all who contributed to the foregoing summary.

ERNEST GIDDINGS,
Legislative Representative, NRTA.
WASHINGTON, D.C.

Mr. PROUTY. Mr. President, I reserve the remainder of my time.

Mr. LONG of Louisiana. Mr. President, this amendment pursues the same theory or principle as the amendment the Senator from Vermont offered earlier with regard to medicare.

We provided that during the transitional period people who attain the age of 72 could have social security coverage if they had three quarters' coverage. Then, we said in due course that coverage must be six quarters under the transitional period.

Mr. President, this measure would push the transitional period off 1 more year.

Mr. President, it was the judgment of the committee and the Senate at the time and the conference that this very liberal coverage provision should be only a transitional matter and people would have to have six quarters of coverage in 1969 and thereafter.

I believe the House-Senate conferees' judgment was sound in that regard and the Senate accepted it. It is difficult to see why people should receive benefits without paying any amount. The cost of the proposal would be $19 million.

While the estimate on this is $19 million by the Department, the original Prouty amendment was estimated to cost $135 million, but the cost of that has turned out to be $700 million. That is five times as much.

I cannot support the amendment and would hope that it would be defeated. I do not quarrel with the Senator from Vermont for offering his amendment, but I do not believe this is the time to extend coverage to people who contribute nothing to the fund. I believe the time will come when we may have to decide about going in that direction. But I speak on behalf of those who, in good conscience, contribute to and support the fund and expect to get some benefits from it over those who have no relationship at all to it.

Mr. PROUTY. I ask for the yeas and nays on the amendment.

The yeas and nays were ordered.

Mr. PROUTY. Mr. President, I was proud, last year, to introduce an amendment which provided $44 a month for people who did not qualify for benefits under social security because they lacked

sufficient coverage under the act. Last year, the Senate voted for the amendment.

The Senate agreed that anyone at the age of 70 should be entitled to a minimum of $44 a month. When it went to conference, it was changed considerably. A maximum benefit of $35 a month was provided and the age at which entitlement to benefits occurred was raised to 72. Over 800,000 have been aided by this watered down version. Are we to refuse to help those turning 72 this year?

Mr. President, do we have the type of society in this country, where we take the aged and the infirm out to the fields or to the woods and let them die?

Mr. President, you would be amazed at the letters I have received from people all over the country expressing gratitude for so little—$35 a month. We must continue to help these people, despite a cost estimated by Mr. Robert Myers of the SSA to be $19 million. I consider this estimate high.

Mr. President, at 4 p.m. today I received an additional estimate from Robert J. Myers, Chief Actuary, Social Security Administration. Earlier in the day based on public statistics of the Social Security Administration my staff, in conjunction with actuarial advice, computed the cost of this amendment to be $229,000. This was based on the fact that there would be 4,090 beneficiaries during the year 1968. This was determined after realizing that only a little over 700 beneficiaries were added under this provision by the Social Security Administration during March, April, May, and June.

It has since come to our attention that the Social Security Administration had a backlog of pending cases relative to special benefits for individuals over age 72. Therefore, approximately 12,000 cases were processed during the month of August. Naturally this additional information makes our estimate of $229,000 a little bit low. However, let me assure you that Mr. Myers' figures are a lot too high. They are too high, Mr. President, because even assuming that 30,000 individuals would be eligible for this benefit, not every one of those individuals would become eligible during the first month of enactment. Therefore, Mr. President, when figuring cost it is safe to take the maximum payable benefits of $50 a month and multiply it by 15,000 individuals for a period of 12 months. This would result in a cost figure of approximately $9 million. That figure, Mr. President, is pretty small when you consider that the increases alone contained in this bill total over $6.1 billion.

Mr. President, we cannot neglect these people. We wish to extend the benefits for only 1 year.

The figures printed in the Social Security Bulletin indicate that in March of 1967, 711 individuals qualified under the proposed amendment; in April, 717; in May, 725, and in June, 729. This is a rate of increase of about 720 a month.

Then suddenly, in August, before this was brought to the Senate floor, apparently 12,000 people have qualified. Mr. Myers, with whom I have had some disagreement in the past about the figures which he has suggested—12,000 qualified in August and prior to that, in preceding months, 711, 717, 725, and in July, 721. I can understand Mr. Myers' problems.

Mr. LONG of Louisiana. Mr. President, I yield myself 3 minutes on the bill.

The PRESIDING OFFICER. The Senator from Louisiana is recognized for 3 minutes.

Mr. LONG of Louisiana. The Senator from Vermont cannot, really, complain too much about the estimate which the department has given on the Prouty amendments. Last year, when they took the Prouty amendment and tried to find some way to keep the cost down, we took as much of it as we thought we could afford.

The Department estimated that the Prouty amendment last year would cost $135 million, but it wound up costing $700 million in the first year of its operation—five time as much. It certainly worried some that people who were never intended to be covered by the program, should draw $565 million a year which Congress did not intend to vote. Some people were happy, I must admit. May I say that a lot of good came out of the amendment although it cost a lot of money.

I heard that some dear old ladies in California were not too happy about it. They thought they might go to jail by taking the money. They went down and talked to their lawyers to make sure that we really did intend to give them this money, because they could not understand why we were sending them money when they had never contributed social security taxes.

We thought enough of the Prouty amendment to "up" it this year. So this amendment comes in to "up" it again—with something for everyone; everyone in the program gets more.

But, Mr. President, every time we put more people into the program who were never intended to be in it, that means we make it more expensive.

Mr. President, I appreciate the Senator's good intentions. His heart is 1 million percent on the side of the aged, the little people, and those who have been ignored. But most people to benefit by this situation have no social security anyway.

Mr. PROUTY. Mr. President, I yield myself 2 minutes.

The PRESIDING OFFICER. The Senator from Vermont is recognized for 2 minutes.

Mr. PROUTY. Mr. President, we are extending this for just 1 year. I recall, as I suggested earlier during debate, that we exceeded the public works appropriations and authorizations by $465 million.

This cost of even $19 million, is small indeed when we consider that benefit increases in this bill exceed $6.1 billion. I sincerely hope that Members from both sides of the aisle will support this amendment.

Mr. President, I yield back the remainder of my time.

Mr. LONG of Louisiana. I yield back the remainder of my time.

The PRESIDING OFFICER. All time has now been yielded back on the amendment.

The question is on agreeing to the amendment of the Senator from Vermont [Mr. PROUTY].

On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. BYRD of West Virginia. I announce that the Senator from Nevada [Mr. CANNON], the Senator from Tennessee [Mr. GORE], the Senator from Arizona [Mr. HAYDEN], the Senator from Missouri [Mr. LONG], the Senator from Mississippi [Mr. STENNIS], the Senator from Ohio [Mr. YOUNG], are absent on official business.

I also announce that the Senator from Michigan [Mr. HART] is absent because of illness in the family.

I further announce that the Senator from Connecticut [Mr. DODD], the Senator from Mississippi [Mr. EASTLAND], the Senator from Minnesota [Mr. MCCARTHY], the Senator from Arkansas [Mr. MCCLELLAN], the Senator from Wyoming [Mr. MCGEE], the Senator from South Dakota [Mr. MCGOVERN], the Senators from Georgia [Mr. RUSSELL and Mr. TALMADGE] are necessarily absent.

I further announce that, if present and voting, the Senator from Nevada [Mr. CANNON], the Senator from Michigan [Mr. HART], and the Senator from Wyoming [Mr. MCGEE] would each vote "nay."

Mr. KUCHEL. I announce that the Senator from Kansas [Mr. CARLSON], the Senator from Illinois [Mr. DIRKSEN], the Senator from Hawaii [Mr. FONG], the Senator from California [Mr. MURPHY], and the Senator from Pennsylvania [Mr. SCOTT] are necessarily absent.

The Senator from Kentucky [Mr. COOPER], the Senator from Wyoming [Mr. HANSEN], the Senator from South Dakota [Mr. MUNDT], and the Senator from Texas [Mr. TOWER] are absent on official business.

The Senator from Utah [Mr. BENNETT], the Senator from Oregon [Mr. HATFIELD], and the Senator from Illinois [Mr. PERCY] are detained on official business.

If present and voting, the Senator from Illinois [Mr. DIRKSEN], the Senator from Illinois [Mr. PERCY], and the Senator from Texas [Mr. TOWER] would each vote "nay."

On this vote, the Senator from California [Mr. MURPHY] is paired with the Senator from Kansas [Mr. CARLSON]. If present and voting, the Senator from California would vote "yea," and the Senator from Kansas would vote "nay."

On this vote, the Senator from Pennsylvania [Mr. SCOTT] is paired with the Senator from Utah [Mr. BENNETT]. If present and voting, the Senator from Pennsylvania would vote "yea," and the Senator from Utah would vote "nay."

The result was announced—yeas 21, nays 52, as follows:

[No. 348 Leg.]

YEAS—21

Aiken	Fannin	Miller
Allott	Hartke	Mondale
Baker	Jackson	Morse
Boggs	Javits	Pastore
Brooke	Jordan, Idaho	Pearson
Cotton	Kennedy, N.Y.	Pell
Dominick	Kuchel	Prouty

NAYS—52

Anderson	Hickenlooper	Muskie
Bartlett	Hill	Nelson
Bayh	Holland	Proxmire
Bible	Hollings	Randolph
Brewster	Hruska	Ribicoff
Burdick	Inouye	Smathers
Byrd, Va.	Jordan, N.C.	Smith
Byrd, W. Va.	Kennedy, Mass.	Sparkman
Case	Lausche	Spong
Church	Long, La.	Symington
Clark	Magnuson	Thurmond
Curtis	Mansfield	Tydings
Ellender	McIntyre	Williams, N.J.
Ervin	Metcalf	Williams, Del.
Fulbright	Monroney	Yarborough
Griffin	Montoya	Young, N. Dak.
Gruening	Morton	
Harris	Moss	

NOT VOTING—27

Bennett	Hansen	Mundt
Cannon	Hart	Murphy
Carlson	Hatfield	Percy
Cooper	Hayden	Russell
Dirksen	Long, Mo.	Scott
Dodd	McCarthy	Stennis
Eastland	McClellan	Talmadge
Fong	McGee	Tower
Gore	McGovern	Young, Ohio

So Mr. PROUTY's amendment was rejected.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. KENNEDY of Massachusetts. Mr. President, I send to the desk an amendment which is cosponsored by the Senator from New York [Mr. JAVITS].

The PRESIDING OFFICER. The amendment offered by the Senator from Massachusetts will be stated.

The assistant legislative clerk proceded to read the amendment.

Mr. KENNEDY of Massachusetts. Mr. President, I ask unanimous consent to dispense with further reading of the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 407, after line 5, add a new section as follows:

"STUDY OF FAMILY AND CHILD ALLOWANCE PROPOSALS

"SEC. 405. (a) The Secretary of Labor is authorized and directed to conduct a study and investigation of the various proposals for family allowances and child allowances. In such study and investigation, the Secretary of Labor shall give consideration to (1) the effect of enactment of any of these proposals upon the various Federal-State assistance programs, and (2) the savings which might accrue to the United States Government and to the various State governments from the enactment of such proposals.

"(b) In carrying out this study and investigation, the Secretary of Labor shall consult with the Secretary of Health, Education, and Welfare, and with all other appropriate government departments and agencies, and with such other organizations and individuals as he deems appropriate.

"(c) On or before January 15, 1969, the Secretary of Labor shall transmit to the President and to the Congress a report which shall contain a full and complete statement of the findings of fact and the conclusions of such study and investigation including appropriate recommendations for congressional action."

Mr. KENNEDY of Massachusetts. Mr President, I will not take much time on this amendment. This amendment, which is cosponsored by the Senator from New York [Mr. JAVITS], would require the Secretary of Labor to carry out a yearlong study of the feasibility of the various family and child allowance proposals.

There has been wide public debate and discussion of these various proposals for income support, culminating in President Johnson's announcement in his 1967 Economic Report to the Congress that he would appoint a commission to examine them. The President said:

Completely new proposals for guaranteeing minimum incomes are now under discussion. They range from a 'negative income tax' to a complete restructuring of Public Assistance to a program of residual public employment for all who lack private jobs. Their advocates include some of the sturdiest defenders of free enterprise. These plans may or may not prove to be practicable at any time. And they are almost surely beyond our means at this time. But we must examine any plan, however unconventional, which could promise a major advance. I intend to establish a commission of leading Americans to examine the many proposals that have been put forward, reviewing their merits and disadvantages, and reporting in 2 years to me and the American people.

There has not yet been the announcement of such a commission. Let me cite briefly some of the other activity in this field:

On December 9, 1966, the U.S. Chamber of Commerce conducted a "National Symposium on Guaranteed Income," hearing from a wide range of experts from private and public life on this subject, which included discussion of family and child allowances;

In 1966, the President's Council of Economic Advisers, the White House Conference on Civil Rights, and the National Commission on Technology, Automation, and Economic Progress all recommended further and intensive study of this concept;

In February of 1967, Walter Reuther urged the initiation of an immediate study of the concept; and

In 1966, the Senate Subcommittee on Executive Reorganization, in its hearings on the Federal role in urban affairs, received many statements of the advantages of close study and possible implementation of some of the proposals.

This summary of the many different individuals and groups suggesting the need for quick action in studying the family and child allowance concept is indicative of the widespread interest in it. It is also indicative of the widespread support the proposal has.

There are almost as many variant proposals as there are proponents of the concept. To cite just two:

Prof. Daniel P. Moynihan of Harvard, former Assistant Secretary of Labor, proposes a program of family allowances, based on the number of children in a family with regard to a means test; and

Alvin L. Schorr of HEW also favors family or child allowances, but he would couple a larger allowance per child with an elimination of the income tax exemptions for children, which would reduce the windfall to rich families.

Most of the proponents of these plans share a number of common dissatisfactions with existing income support programs, such as the public assistance provisions of the Social Security Act, the unemployment insurance programs, and the veteran's pension plans, to cite only a few. These dissatisfactions hinge upon both the high cost of supporting the administrators of these programs, and the often humiliating interferences of these administrators in the lives of their clients. The cost of welfare would be less, and the lives of recipients better, the argument goes, if a more comprehensive form of cash assistance were substituted.

The House-passed 1967 Social Security Amendments, and the Senate committee bill, both contain new programs designed to increase reliance upon wages and to decrease reliance upon welfare. These programs can be very productive, I believe, but only if modified to reduce their coercive and harsh nature. The Senate bill is a great improvement over the House bill in this regard, and some of the changes made on the Senate floor have improved it still further.

But there are millions of Americans who cannot work—they are too young. Yet they all must eat. They all need medicines and doctors. They all need shelter and clothes. The issue is, How can we best bring these rudiments to them?

Their numbers are not small. In May 1967 there were 3,739,000 AFDC children.

Various of the proposals would apply to all families, irrespective of need. Others would apply only to the poor. Some rely upon the income tax machinery. Others operate independently of it.

All of the proposals have some merit to recommend them. What we need, I think, is a high-level, exhaustive study of the advantages and disadvantages both of the general concept and the specific proposals.

The amendment I offer gives the Secretary of Labor broad discretion to consult with a wide variety of experts in developing an information base and a series of recommendations as well as requiring him to consult the Secretary of Health, Education, and Welfare. The Secretary is required to report on January 1, 1969, to the 91st Congress, on these findings and recommendations.

We Americans live in a country of incalculable riches. We have the resources to eliminate hunger and want. We have the abilities to offer everyone a life of security and dignity.

We must not lack the will to bring these fruits of our progress to all Americans. The cost of our failure to do so will be far higher than the cost of putting reforms into effect—cost measured in human suffering and cost measured in dollars.

But before we can reform we must have knowledge. That knowledge will be available if the study my amendment proposes is carried out.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. KENNEDY of Massachusetts. I yield.

Mr. JAVITS. Mr. President, this amendment has been confined, at my request, to family and child allowances, although originally, as printed, it dealt with many others, including guaranteed income.

I believe that this is the essence of the one real scheme which might have some promise in view of what there is happening in the whole welfare field, which has been testified to extensively.

I may point that over 40 countries in the world have family and child allowance plans. I think it would be worthwhile to look into it, and I hope the Senator from Louisiana will take the amendment to conference.

Mr. LONG of Louisiana. Mr. President, I am willing to take the amendment to conference.

I yield back my time.

Mr. KENNEDY of Massachusetts. Mr. President, I yield back my time.

The PRESIDING OFFICER. All time on the amendment has been yielded back.

The question is on agreeing to the amendment.

The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. BAYH. Mr. President, I send an amendment to the desk and ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 57, line 18, strike "(1) (A)".

On page 57, line 21, strike "$140" and insert in lieu thereof "$200".

On page 57, line 24, strike "$140" and insert in lieu thereof "$200".

On page 58, line 1, strike "(2)" and insert in lieu thereof "(b)".

On page 58, lines 1–2, strike paragraph (1) and insert in lieu thereof subsection (a).

On page 58, strike lines 4–14.

Mr. BAYH. Mr. President, in recent years both the President and Congress have brought to the problems of the aging a new perspective. To the elderly themselves, this has brought a new hope. As a society, we are today committed to the simple and just proposition that those who have labored long to build this Nation have a right to live out their later years in dignity. How can we insure that necessary feeling of self-respect? The answer, simply, is to see that our senior citizens are self-sufficient; that they are not dependent upon welfare payments; that they are not subject to the embarrassments that come from outright dependence upon their children.

Older Americans, unfortunately, have on the average only half the income of other age groups. Most of those aged 65 and over depend almost entirely upon fixed incomes—incomes that do not reflect the continually rising cost-of-living. As a result, elderly Americans are forced to spend two-thirds of their disposable income on food, shelter, and health care—the basic necessities. Younger age groups, in contrast, spend only one-half of their disposable income on these three items. Obviously, our senior citizens do not have the financial resources to enjoy retirement. For the great majority of the retired the said fact is that they have little to look forward to after a lifetime of labor. Retirement is a time to be dreaded. Is that the American dream?

Yet many of these citizens have a great deal to offer society. They want to be—and can be—productive members of their communities. It is our task here in Congress to facilitate the employment of the elderly—as we recently did in passing a measure prohibiting age discrimination in employment. But we need to do more. We must encourage the aged to contribute to society. Are we so wealthy that we can afford the luxury of supporting these citizens? The plain truth is that we are not. Our society is facing a crisis—both in our urban areas and in our rural communities. We need the talent and experience of these senior citizens—in business, in agriculture, and in education. Let us provide them with this opportunity.

Mr. President, one of the most direct ways we can provide the incentive for employment is to liberalize the earnings limitation test in the social security law. I realize, of course, that the basic purpose of retirement benefits is to serve as a partial replacement for income from work. In order to determine when a worker eligible for retirement benefits has actually retired, the law includes an earnings test. The retirement test is an essential element of the social security system—to provide insurance against the loss of earned income.

The present test, however, is an unrealistically low $1,500. Thus, for every dollar a social security beneficiary earns over $1,500 he will lose some or all of his benefits. Earned wages from $1,500–$2,700 will result in the loss of $1 in benefits for every $2 earned. Anything above $2,700 and the recipients will suffer the loss of $1 in benefits for every $1 earned. The President has recommended, and the House approved, an increase in the basic limitation to $1,680—a step in the right direction. The Senate Finance Committee, realizing the need to modernize the earnings test, has raised the level to $2,000, beginning in 1969—a step further along the right path. I congratulate the distinguished chairman of the Finance Committee, Mr. LONG, for his efforts.

Mr. President, I believe it is necessary to raise the earnings limitation even further. It must be increased to a level that will not discourage—and in fact will encourage—as many social security beneficiaries as possible to continue making a contribution to their communities. Despite the action of the Finance Committee, a great many people would still be discouraged from earning a reasonable amount.

While only $1 in benefits would be withheld for every $2 earned between $2,000 and $3,200, any additional income would result in the loss of $1 in tax-exempt benefits for each $1 of taxable wages. Continued employment, therefore, is less profitable.

Mr. President, these people want to work—and should have the opportunity to work—but where is the incentive?

My amendment, very simply, would raise the minimum amount to $2,400 a year. In other words, a person could earn $200 a month before he lost any social security benefit. For every $2 earned between $2,400 and $3,600, the beneficiary would lose $1 in benefits. Beyond that, a dollar in earnings would result in the loss of a dollar in benefits.

This amendment would do two things, Mr. President. First, it would give elderly people an opportunity to supplement their social security incomes. It is not a dole; it would give them an opportunity to work for that money. Many of them want to. The dollars are important to them. Even more important than the dollars, moreover, is the fact that they would have a chance to make a positive contribution.

Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

The PRESIDING OFFICER. Who yields time?

Mr. MILLER. Mr. President, will the Senator from Indiana yield to me briefly for a question?

Mr. BAYH. I am happy to yield.

Mr. MILLER. As I understand the Senator's amendment, it would permit $2,000 of outside earnings without any deduction?

Mr. BAYH. Two thousand four hundred dollars of outside earnings. Two hundred dollars a month.

Mr. MILLER. Two thousand four hundred dollars of outside earnings without any reduction?

Mr. BAYH. That is correct.

Mr. MILLER. If I am a social security recipient, and I receive $500 in a year, and the Senator is a social security recipient receiving $1,200 in a year, in either case, under the Senator's amendment, we would be permitted to earn $2,400 per year?

Mr. BAYH. That is correct.

Mr. MILLER. I appreciate the Senator's response.

My objection, Mr. President, as I pointed out in connection with a previous amendment, is that the Senator, with $1,200 in benefits, will not have to earn as much as I, with only $500, in order to reach a decent level of income. That is why I think a variable level of earnings is so important.

Mr. BAYH. I appreciate the Senator's argument. In essence, what the matter amounts to is that if Senators want people to be able to earn up to $200 a month without being penalized, they will vote for my amendment; if they do not, they will vote against it.

Mr. HARTKE. Mr. President, I endorse the amendment of my colleague. I offered, in the committee, an amendment which would have excluded all earnings. Unfortunately, that did not succeed. I am hopeful that the Senate can agree to the more moderate amendment of my colleague from Indiana.

Mr. YARBOROUGH. Mr. President, will the Senator yield?

Mr. BAYH. I yield to the Senator from Texas.

Mr. YARBOROUGH. What would the Senator's amendment cost the Treasury?

Mr. BAYH. This amendment would cost the Treasury about $450 million more than the present increase. The increase the committee recommends would eventually cost—I believe I am correct, though the chairman may disagree—either $450 million or $500 million. The

increase from $1,500 to $1,680 in the first year will cost $140 million; the increase from $1,680 to $2,000 a year will cost $450 million, and the increase I am suggesting would cost an additional $450 million a year. It would cost exactly the same amount that the $320 increase in the present bill would cost.

Mr. YARBOROUGH. The Senator's amendment, then, would cost no more than the present bill?

Mr. BAYH. No, it would cost that much in addition.

Mr. YARBOROUGH. Oh, in addition to the present bill; the last addition?

Mr. BAYH. Yes.

The chairman of the committee points out that this would cost some money, and I am not trying to hide that. The question is whether it is worth the cost to permit these people, in their twilight years, to get out and earn some income.

Mr. YARBOROUGH. In other words, the present bill would add $450 million, and the Senator's would add $450 million more?

Mr. BAYH. Well, the first increment would cost $140 million. In other words, the present limitation is $1,500 a year. When that increases to $1,680, it will cost an additional $140 million. When it goes to $2,000, it will cost an additional $450 million. My amendment, with the exemption raised to $2,400 a year, would cost another $450 million.

Mr. YARBOROUGH. I thank the Senator.

Mr. MONRONEY. Mr. President, will the Senator Yield?

Mr. BAYH. I yield.

Mr. MONRONEY. Would these retired employees be paying social security taxes on their exempt earnings on the job?

Mr. BAYH. Mr. President, I stand corrected. I believe that they would pay social security tax on their income if they continued to earn.

Mr. MONRONEY. I think the greatest tragedy we face is the presentation of a gold watch on reaching the age of 65, and the trusted employee being pushed out into retirement.

He is happy with his gold watch. He and his wife go to Florida for 2 weeks; they have the trip they have dreamed of, and they come back home and face a life of utter boredom. I think psychologically we are destroying the initiative and the utilization of many, many wonderful citizens. I have had friends, apparently in good health, who have died shortly after retirement.

I have heard of industries in my State which have advertised for messengers. Age being no disqualifying factor, they have had dozens of men who had been junior executives in their time, or had been skilled workers, applying and begging for the job of messenger, so they would have something to go to work to every morning, after they had overcome the 1 or 2 months of how wonderful retirement can be.

I think one of the most cruel things we do in our social security system is put so many good men on the shelf. I have been pressing the Civil Service Commission, now that we find ourselves hard pressed in many areas of this country for good, intelligent, reliable, honest, responsible employees to carry the mail or to sort the letters, and have been begging them to accept applications of men over 65 years of age, and give them an opportunity to go on, perhaps at a lesser number of days a week, but to be able to feel that they are useful in this world.

It is above and beyond the matter of money. It is the matter of finding work and things to do, for men who have been trained to a lifetime of work habits and, after a brief pause for retirement, find it is utter and discouraging boredom.

Mr. BAYH. If the Senator will yield, it seems to me that we have here a double-barreled increase in benefits. First, income to the citizen who needs it. Second, society also stands to benefit from the services such persons can still render.

Mr. MONRONEY. Certainly the Government can do this. Certainly they would benefit by being able to recruit able men to replace some of the men, frequently practically unemployable, upon whom they are now forced to depend.

Mr. LONG of Louisiana. Mr. President, I yield myself 3 minutes.

Most people do not retire under social security until approximately age 67. It used to be age 68. The big cost of increasing this earnings test is because the retired people who would draw benefits are people who really are not retired.

Mr. President, the two Senators from Indiana, may I say, have taken my laurels many years ago, as far as being for more aid to the needy, the aged, and the poor.

I can recall the years when I used to be the one with the billion dollar amendment and the $2 billion amendment. I thought I made some pretty good speeches for some fairly costly amendments. I cannot recall that I ever put a tax on one of my amendments to pay for the benefits.

I thought that that would come out of the Treasury or just increase the deficit or would come out of the trust fund.

I cannot quarrel with Senators who make amendments of that sort. Then it never occurred to me that I might sometime have to resist amendments because of the cost.

The senior Senator from Indiana went the junior Senator from Indiana one better. He wanted to let everybody above the age of 65 draw his full social security benefits.

The best argument I have against the amendment is that it would cost $2 billion a year, and there are other ways we might find to help other people who are more in need of help and where the benefits could be distributed to greater advantage. That is the best argument against it. Moreover, the amendment would increase the cost of the bill over what we have done here by another $600 million in 1968. In 1969 it will increase the cost of the bill by $450 million over what we have provided.

The reason that the increase in cost would not be as much in 1969 as in 1968 is because the committee bill provides an earnings test of $2,000 a year and a person can keep one-half of the next $1,200 that he makes.

The amendment will be popular with people who receive the additional benefits, but it is an expensive thing.

While on this subject, the record might as well indicate that the senior Senator from Indiana, as well as having the courage to take the retirement test off completely so that there would be no limit to the income received, is also in favor of a 20-percent social security increase with a $100 minimum.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. LONG of Louisiana. Mr. President, I yield myself 1 minute.

I cannot keep up with my friends from Indiana as to what they are willing to do in this area.

Mr. COTTON. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. COTTON. Mr. President, when the Senator speaks of the cost to the Treasury, he is talking about the fact that there may be less dollars that these old people will have to kickback to the social security because they work and earn something. Is that what the Senator refers to as cost to the Treasury?

Mr. LONG of Louisiana. This would pay out about $600 million more next year without bringing any more in. That is what this amendment would do.

Mr. COTTON. In other words, the only cost involved is that these old people do not have to sacrifice some of their social security and are allowed to earn a little more without sacrifice. That is what is meant by cost to the Treasury.

Mr. LONG of Louisiana. It would cost the fund money in 1968. It would put the national income accounts $600 million more in the red. It would do that. There would though still be a surplus flowing into the fund. I would be prepared to concede that.

Mr. BAYH. Mr. President, I yield 1 minute to my distinguished colleague from Indiana, the senior Senator from Indiana.

Mr. HARTKE. Mr. President, I say to my distinguished chairman, as he well knows, that this bill is overfinanced approximately $2 billion. I only agreed to that in order to get the bill out of the committee.

The Senator well knows that there is $2 billion in the bill that the committee would not take out, and that the people will pay the social security tax.

This is a fact of life, and the truth is that every coupon clipper, every rent collector, and every man with a bank deposit drawing interest can keep every penny, but if one works with his hands, there is something that soils that person and he cannot be allowed to keep that money.

I think there ought to be equity among people who work as well as among those who earn their money on unearned income.

I hope that the amendment of my colleague from Indiana is agreed to overwhelmingly.

Mr. LONG of Louisiana. Mr. President, I yield myself 1 minute.

The PRESIDING OFFICER. The Senator from Louisiana is recognized for 1 minute.

Mr. LONG of Louisiana. Mr. President, in 1968 the fund will not collect enough new money to pay for the projected new benefits and will retain only enough funds to pay 1 year's benefits under the pending bill.

That fact is severely criticized, may I say, in the minority report filed by the Republican members of the committee.

If the pending amendment is agreed to, the fund will be $600 million worse off in that respect, and the Government would be in a worse deficit position.

Mr. BAYH. Mr. President, I thank my friend, the Senator from Louisiana, for the very favorable comparison.

I do not really think it is deserved. I do not think the Senator was irresponsible in those early years. And I do not think that the suggestion I am making here this evening is irresponsible. There are people under the present bill who, despite the committee's work, will be earning only $70 for a single individual and $105 a month for a couple. Are we going to begrudge them $200 a month if they go out and earn it with their hands?

This is not a giveaway program. These people pay social security tax and income tax on the money they earn.

Mr. LONG of Louisiana. Mr. President, I yield back the remainder of my time.

Mr. BAYH. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. All time having expired, the question is on agreeing to the amendment of the Senator from Indiana. On this question the yeas and nays have been ordered and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. BYRD of West Virginia. I announce that the Senator from Nevada [Mr. CANNON], the Senator from Tennessee [Mr. GORE], the Senator from Arizona [Mr. HAYDEN], the Senator from Missouri [Mr. LONG], the Senator from Mississippi [Mr. STENNIS], and the Senator from Ohio [Mr. YOUNG] are absent on official business.

I also announce that the Senator from Michigan [Mr. HART] is absent because of illness in the family.

I further announce that the Senator from Connecticut [Mr. DODD], the Senator from Mississippi [Mr. EASTLAND], the Senator from Minnesota [Mr. MCCARTHY], the Senator from Arkansas [Mr. MCCLELLAN], the Senator from Wyoming [Mr. MCGEE], the Senator from South Dakota [Mr. MCGOVERN], the Senators from Georgia [Mr. RUSSELL and Mr. TALMADGE] are necessarily absent.

I further announce that, if present and voting, the Senator from Nevada [Mr. CANNON], the Senator from Michigan [Mr. HART] and the Senator from Wyoming [Mr. MCGEE], would each vote "yea."

Mr. KUCHEL. I announce that the Senator from Kansas [Mr. CARLSON], the Senator from Illinois [Mr. DIRKSEN], the Senator from Hawaii [Mr. FONG], the Senator from California [Mr. MURPHY], and the Senator from Pennsylvania [Mr. SCOTT] are necessarily absent.

The Senator from Kentucky [Mr. COOPER], the Senator from Wyoming [Mr. HANSEN], the Senator from South Dakota [Mr. MUNDT], and the Senator from Texas [Mr. TOWER] are absent on official business.

The Senator from Utah [Mr. BENNETT], the Senator from Oregon [Mr. HATFIELD], and the Senator from Illinois [Mr. PERCY] are detained on official business.

If present and voting, the Senator from Illinois [Mr. DIRKSEN] would vote "nay."

On this vote, the Senator from California [Mr. MURPHY] is paired with the Senator from Utah [Mr. BENNETT]. If present and voting, the Senator from California would vote "yea" and the Senator from Utah would vote "nay."

On this vote, the Senator from Illinois [Mr. PERCY] is paired with the Senator from Kansas [Mr. CARLSON]. If present and voting, the Senator from Illinois would vote "yea" and the Senator from Kansas would vote "nay."

On this vote, the Senator from Pennsylvania [Mr. SCOTT] is paired with the Senator from Texas [Mr. TOWER]. If present and voting, the Senator from Pennsylvania would vote "yea" and the Senator from Texas would vote "nay."

The result was announced—yeas 50, nays 23, as follows:

[No. 349 Leg.]

YEAS—50

Aiken	Griffin	Morse
Allott	Gruening	Moss
Baker	Hartke	Nelson
Bartlett	Hollings	Pastore
Bayh	Inouye	Pearson
Boggs	Jackson	Pell
Brewster	Javits	Prouty
Brooke	Jordan, N.C.	Proxmire
Burdick	Jordan, Idaho	Randolph
Byrd, W. Va.	Kennedy, Mass.	Ribicoff
Church	Kennedy, N.Y.	Sparkman
Clark	Magnuson	Spong
Cotton	McIntyre	Symington
Dominick	Metcalf	Tydings
Ervin	Mondale	Yarborough
Fannin	Monroney	Young, N. Dak.
Fulbright	Montoya	

NAYS—23

Anderson	Hill	Morton
Bible	Holland	Muskie
Byrd, Va.	Hruska	Smathers
Case	Kuchel	Smith
Curtis	Lausche	Thurmond
Ellender	Long, La.	Williams, N.J.
Harris	Mansfield	Williams, Del.
Hickenlooper	Miller	

NOT VOTING—27

Bennett	Hansen	Mundt
Cannon	Hart	Murphy
Carlson	Hatfield	Percy
Cooper	Hayden	Russell
Dirksen	Long, Mo.	Scott
Dodd	McCarthy	Stennis
Eastland	McClellan	Talmadge
Fong	McGee	Tower
Gore	McGovern	Young, Ohio

So Mr. BAYH's amendment was agreed to.

Mr. HARRIS. Mr. President, I send to the desk an amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk proceeded to read the amendment.

Mr. HARRIS. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered; and, without objection, the amendment will be printed in the RECORD.

The amendment is as follows:

On page 164, between lines 5 and 6, insert the following:

"SEC. 149c. (a) Section 1861(r) of the Social Security Act (as amended by sections 127, 149a, and 149b, of this Act) is further amended by—

"(1) striking out 'or (5)' and inserting in lieu thereof '(5)', and

"(2) inserting before the period at the end thereof the following: ', or (6) a psychologist licensed or certified as such by the State, but only for purposes of 1861(s)(1) and 1861(s)(2)(A) and only with respect to functions which he is legally authorized to perform as such by the State in which he performs them'.

"(b) The amendments made by subsection (a) of this section shall take effect with respect to services furnished after March 31, 1968."

Mr. HARRIS. Mr. President, I yield myself 3 minutes, which is all I will use, and I will not request a rollcall vote.

This amendment would create a new subsection 149c to include under medicare payments the services of clinical psychologists without referral of a physician.

My amendment is designed to repair a deficiency which came to my attention after the Committee on Finance had completed its consideration of H.R. 12080, but this matter has been discussed with the distinguished manager of the bill and I hope that he will accept the proposed amendment and take it to conference with the House.

This amendment would remove the present undesirable and unnecessary constraints on the delivery of mental health services to patients and would increase the utilization of mental health manpower resources available today.

The present defects in existing legislation arise from the fact that two independent but equally well qualified professions, psychiatry and clinical psychology, offer similar and frequently identical services to the public. However, present regulations require that the services of clinical psychologists be reimbursed only if included in a physician's bill or as part of the charges of a clinic directed by a physician. This restriction denies the patients direct access to the many qualified clinical psychologists who are independent practitioners and unaffiliated with clinics or private physicians. There are some 3,000 qualified clinical psychologists in this category throughout the country engaged in either full-time or part-time treatment of mental health patients.

The House of Representatives this year included a similar amendment which would provide for the services of podiatrists. The Senate committee bill extended these provisions to include chiropractors and optometrists. Certainly, the professional competence and standing of qualified clinical psychologists is equivalent to that of the aforementioned professions. There are 33 States which recognize the profession of clinical psychology with official licensing or certification requirements, all but one of which require that the practitioner have a doctor of philosophy degree plus a minimum of 1 year of experience, with most of the States requiring 2 years of experience or more in

addition to the doctor of philosophy degree. My amendment would be limited to those psychologists who are certified or licensed by their respective States.

This amendment is consistent with the purposes of the Mental Retardation Facilities and Community Mental Health Centers Construction Act enacted by the Congress in 1963, which was designed in part to stimulate the development of our manpower resources in the field of mental health, and I urge my friend, the distinguished manager of this bill, to accept the proposed amendment.

I ask unanimous consent that a letter in connection with this matter be printed at this point in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

MAY 1, 1967.

Hon. JACOB H. GILBERT,
U.S. House of Representatives,
Longworth Office Building,
Washington, D.C.

DEAR MR. GILBERT: This letter is in response to several questions you raised in our meeting with you last Wednesday in connection with the proposal to amend H.R. 5710 to include the services of psychologists under Part B of Title 18 (Medicare).

Under *current* arrangements, regulations promulgated by the Social Security Administration in September 1966 (for PL 89-97) allow outpatient psychologists' services to be reimbursed under two conditions:

1. Diagnostic testing on referral from a physician, Section 1861, (s), (3) (p. 37). Psychologists may bill patient directly.

2. Psychological services (including psychotherapy) incident to a physician's services, Section 1861, (s), (2), (p. 36). The physician bills for the services, including charges for the psychologist's services. These services are *not* subject to the limitations imposed on a psychiatrist (or other physician) for the outpatient treatment of "mental, psychoneurotic, and personality disorders of an individual . . ." Section 1833, (c) (p. 18).

I am enclosing a copy of the Social Security Administration regulations which describe the above provisions. See also pp. 3-4 of Dr. Brayfield's testimony dated March 10 which you have.

HR 5710, the new administration package, proposes no changes in the above provisions.

Under the new arrangements, embodied in the proposed amendment discussed with you last week, psychologists' services would be surfaced to the level of the statute. Outpatient services by qualified psychologists would not include the necessity of physician referral or direction. Details of this change are covered in materials already presented to you. Once again we should like to repeat a key feature of the amendment: the *range of conditions* covered by the statute for the mental health care of the elderly would not be altered in any fashion; there would only be an extension of the availability of qualified mental health professionals to provide essentially comparable services.

Your other question had to do with the training and experience requirements for state laws governing the practice of psychologists. As of this date, 33 states now legally recognize the services of psychologists. The table below presents the essential facts.

It is clear from this table that the model level of required training and experience is the doctoral degree and two years of acceptable experience. Other analyses also show that this level of training and experience is increasingly becoming the preferred level (relative to PhD and 1) in the more recently enacted state laws.

TRAINING AND EXPERIENCE REQUIREMENTS IN STATE LAWS COVERING THE PRACTICE OF PSYCHOLOGY,[1] MAY 1, 1967

Training and experience (years)	States	Number
Ph. D. and 5	Michigan	1
Ph. D. and 3	Minnesota	1
Ph. D. and 2	Colorado, Florida, Idaho, Illinois, Louisiana, Maryland, New Hampshire, New Jersey, New Mexico, New York, Oklahoma, Oregon, Utah, Virginia, and Kansas.	15
Ph. D. and 1	Alaska, Arkansas, California, Connecticut, Delaware, Georgia, Kentucky, Mississippi, Nevada, Tennessee, and Washington.	11
Ph. D. only	Alabama, Arizona, Wyoming, and North Dakota.	4
Ph. D. or M.A. and 1.	Maine	1
Total		33

[1] As you would expect, State laws typically include a "grandfather" provision. For persons holding a master's degree, the additional experience requirements range roughly between 5 and 7 years.

We trust that this additional information is of help to you in your consideration of our proposal. Please feel free to contact me here or Mr. Williams in New York if we can be of further assistance. And we want to thank you again for the courtesy of your time and attention last week during this obviously busy period.

Sincerely yours,

JOHN J. MCMILLAN,
Administrative Officer,
State and Professional Affairs.

Mr. LONG of Louisiana. Mr. President, I yield myself 1 minute.

Mr. President, the pending amendment would permit clinical psychologists to do the type of work they are authorized to do under State law. We have done this type of thing in the committee bill with regard to optometrists and chiropractors, as I recall. It would be no departure from the philosophy of the bill to do the same for these people in the psychiatric field, to help with the type of work they are licensed to do under State law; and I would be willing to consider the amendment in conference.

I yield back the remainder of my time.

The PRESIDING OFFICER. All time on the amendment having been yielded back, the question is on agreeing to the amendment of the Senator from Oklahoma.

The amendment was agreed to.

Mr. KUCHEL. Mr. President, on behalf of myself and my distinguished colleague from California [Mr. MURPHY], I send to the desk an amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk proceeded to read the amendment.

Mr. KUCHEL. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered; and, without objection, the amendment will be printed in the RECORD.

The amendment is as follows:

On page 304, line 9, after "December 31, 1966,".

On page 304, line 24, after "December 31, 1966,";

On page 305, line 14, after "December 31, 1966,"; and

On page 306, line 8, after "December 31, 1966" insert the following: "(as of June 30, 1966 if the State plan includes provisions for automatic cost of living adjustments in aid or assistance under such plan)".

Mr. KUCHEL. Mr. President, I have discussed this matter with the floor manager of the bill, who will take it to conference.

I have a telegram from the Governor of California, which is self-explanatory, and which reads as follows:

NOVEMBER 16, 1967.

Senator THOMAS H. KUCHEL,
U.S. Senate Building,
Washington, D.C.:

Urge deletion of Senate Finance Committee version of HR 12080 requiring average increase of $7.50 for all aged, blind and disabled recipients whether or not receiving Social Security minus any increases made after December 31, 1966. Understand committee included this in recognition of fact that Federal Government has not provided for any increases in these public assistance programs since 1965.

California passed on the $3.50 public assistance increase of 1965 in January 1966. In addition, California has a built in cost of living provision in law through which grants to these recipients were increased $2.00 in December 1965, $2.00 in December 1966 and will be increased $3.00 in December 1967.

The budget act of 1966 provided an additional $4.00 increase in OAS and AB for F/Y 66/67, which was renewed for F/Y 67/68 through budget act of 1967.

Most feasible tack is to modify, urge change from 12/31/66. The use of 12/31/66 as cut off date for credit on increases in these programs penalizes States like California which have provided regular methods of increasing these payments during the period when the Federal Government has taken no action to do so. Under present Senate version general fund cost to California would be 13.5 M for the 1968/69 fiscal year.

RONALD REAGAN,
Governor.

The amendment I offer would move back the cutoff date for credits or increases back to June 30, 1966, provided the State plan includes provisions for automatic cost-of-living adjustments in such aid or assistance. To do otherwise would be to penalize those States which have provided regular methods of increasing these payments during the period when the Federal Government has taken no action to do so.

Mr. LONG of Louisiana. Mr. President, as I understand it, the committee amendment creates compliance problems in the State of California in a way that was not intended. It deals with a peculiarity of the California plan. We certainly did not intend to create that type of problem, and the pending amendment would make it easier for California to comply with the committee amendment. I would be willing to accept the amendment.

I yield back the remainder of my time.

Mr. KUCHEL. I yield back the remainder of my time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment of the Senator from California.

The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. LONG of Louisiana. Mr. President, I send to the desk a number of

technical amendments, and I ask unanimous consent that the reading of the amendments be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered; and, without objection, the amendments will be printed in the RECORD.

The amendments are as follows:

Strike out the table which begins on page 11 and ends on page 13.

On page 48, line 23, strike out "insurance benefit".

On page 51, line 23, strike out "each place it appears therein" and insert in lieu thereof "(each place it appears therein)".

On page 53, line 4, after "place" insert "after the first place".

On page 74, line 3, strike out "and".

On page 92, line 18, immediately after the period insert the following: "Notwithstanding the provisions of the second sentence of such paragraph (1), such firemen's positions shall be deemed a separate retirement system and no other positions shall be included in such system."

On page 94, line 24, strike out "after 1967".

On page 95, strike out line 18.

On page 95, line 22, strike out "provisions" and insert in lieu thereof "provisions".

On page 98, line 25, strike out "remuneration paid" and insert in lieu thereof "services performed".

On page 103, line 19, strike out "authority" and all that follows and insert in lieu thereof "Authority."

On page 107, line 15, delete "subsection (k)" and insert in lieu thereof "subsections (j), (k), (m), and (o)".

On page 114, line 19, strike out "(c)" and insert in lieu thereof "(c),".

On page 119, line 10, strike out "clinic" and insert in lieu thereof "clinic,".

On page 121, line 2, strike out "1861 (p) (4) (A)" and insert in lieu thereof "1861 (p) (4) (A),", and strike out "if," and insert in lieu thereof "if".

On page 126, line 14, strike out "with" and insert in lieu thereof "(with".

On page 129, line 2, strike out "entitled," and insert in lieu thereof "entitled".

On page 134, line 2, strike out "attributable to depreciation of" and insert in lieu thereof "for depreciation attributable to".

On page 148, line 2, strike out "1967" and insert in lieu thereof "1967,".

On page 148, line 12, strike out "1813" and insert in lieu thereof "1814".

On page 151, line 15, strike out "'and" and insert in lieu thereof "', and".

On page 153, line 5, strike out "(a) and (b)" and insert in lieu thereof "(b) and (c)".

On page 155, lines 17 and 18, strike out "subparagraph (B) of".

On page 157, lines 9 through 14, strike out "of an institution shall be included unless such institution meets the definition of a hospital for purposes of section 1814(d) or the definition of an extended care facility (as defined in subsection (j), and such other conditions relating to health and safety of individuals with respect to whom such items and services are furnished as the Secretary may find necessary.'" and insert in lieu thereof "of an institution which meets the definition of a hospital for purposes of section 1814(d) shall be included unless such other conditions are met as the Secretary may find necessary relating to health and safety of individuals with respect to whom such items and services are furnished.'".

On page 161, line 11, strike out "1967" and insert in lieu thereof "1967,".

On page 163, line 17, after "by" insert "section 127(a) and", and strike out "and section 150(a)".

On page 213, line 1, strike out "SAVINGS" and insert in lieu thereof "SAVING".

On page 215, line 19, strike out "for" and insert in lieu thereof "in".

On page 221, line 8, strike out "subsection" and insert in lieu thereof "subsections".

On page 237, line 15, strike out "for any month in which such child" and insert in lieu thereof "who".

On page 282, line 16, strike out "(3)" and insert in lieu thereof "(4)".

On page 282, line 18, strike out "(3)" and insert in lieu thereof "(4)".

On page 282, line 19, strike out "(4)" and insert in lieu thereof "(5)".

On page 285, line 22, strike out "(20)" and insert in lieu thereof "(19)(F)".

On page 336, line 20, strike out "(23)" and insert in lieu thereof "(24)".

On page 336, line 21, strike out "(24)" and insert in lieu thereof "(25)".

On page 336, line 24, strike out "(25)" and insert in lieu thereof "(26)".

On page 338, line 5, strike out "(26)" and insert in lieu thereof "(27)".

On page 338, line 15, strike out "(27)" and insert in lieu thereof "(28)".

On page 343, strike out lines 19 through 23 and insert in lieu thereof the following: "further amended (1) by striking out the period at the end of paragraph (28) and inserting in lieu thereof "'; and'" and (2) by adding at the end of such section 1902 (a) the following new paragraph:".

On page 343, line 24, strike out "(28)" and insert in lieu thereof "(29)".

On page 344, line 8, strike out "(28)" and insert in lieu thereof "(29)".

On page 346, line 7, strike out "(28)" and insert in lieu thereof "(29)".

On page 346, line 12, strike out "(28)" and insert in lieu thereof "(29)".

On page 379, strike out lines 1 through 23, inclusive, and insert in lieu thereof the following: "of the appropriation for such year shall be for allotments pursuant to sections 503 and 504; and (B) 10 per centum thereof shall be for grants, contracts, or other arrangements pursuant to sections 511 and 512. Not to exceed 5 per centum of the appropriation for any fiscal year under this section shall be transferred, at the request of the Secretary, from one of the purposes specified in paragraph (1) or (2) to another purpose or purposes so specified. For each fiscal year, the Secretary shall determine the portion of the appropriation, within the percentage determined above to be available for sections 503 and 504, which shall be available for allotment pursuant to section 503 and the portion thereof which shall be available for allotment pursuant to section 504. Notwithstanding the preceding provisions of this section, of the amount appropriated for any fiscal year pursuant to section 501, not less than 6 per centum of the amount appropriated in the case of the fiscal year ending June 30, 1969, 15 per centum of the amount appropriated in the case of the fiscal year ending June 30, 1970, and 20 per centum of the amount appropriated in the case of each fiscal year thereafter, shall be available for family planning services from allotments under section 503 and for family planning services under projects under sections 508 and 512."

On page 422, line 20, strike out "paragraph" and insert in lieu thereof "paragraphs".

Mr. LONG of Louisiana. Mr. President, these amendments are of a clerical and technical nature. They perfect the provisions in the reported bill by clarifying erroneous cross-references, renumbering paragraphs which were misnumbered, correcting punctuation and spelling, and making other perfecting amendments of a similar nature. I do not believe that they would make any substantial change in the bill.

I have discussed this matter with the ranking minority member of the committee, the Senator from Delaware [Mr. WILLIAMS] and also with the junior Senator from Nebraska [Mr. CURTIS], and they agree with me that, so far as we know, there are no substantive changes. These are only technical changes to perfect cross-references and technical errors. I ask that the amendments be agreed to.

I yield back the remainder of my time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendments.

The amendments were agreed to.

The PRESIDING OFFICER. The bill is open to further amendment. If there be no further amendments to be proposed, the question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time.

TRIBUTE TO SENATOR LONG OF LOUISIANA

Mr. MANSFIELD. Mr. President, I wish to take this occasion, before the vote on the unfinished business, the social security bill, is concluded, to express my admiration and gratification to the distinguished Senator from Louisiana [Mr. LONG], the deputy majority leader and the chairman of the Committee on Finance. The outstanding skill he has shown in managing this most comprehensive, difficult, and technical bill, for the past week will remain as a lasting impression on the minds of all Senators.

He has conducted himself with great dignity, decorum, understanding, and tolerance. He has been able to answer the questions raised with clarity and skill. He is to be commended for conducting, in the highest traditions of the Senate, the type of management which we all admire and appreciate, especially when a bill of this magnitude is before us. Its carefully drawn provisions represent a major achievement for the countless number of Americans who will benefit. But the real achievement today is the one about to occur when the Senate votes to pass H.R. 12080. This will be Senator LONG's achievement; one he can add to his already abundant record in the service of the Nation.

I should also like to extend my commendation to the distinguished senior Senator from Delaware [Mr. WILLIAMS], the ranking minority member of the Committee on Finance, who, although he had some very strong differences of opinion, did not in any way delay the work of the Senate. He expressed his views with clarity and decisiveness, with deep sincerity and conviction. He made a distinct and enriching contribution. His deep understanding of the many facets of our social security system, his knowledge of the many provisions of this bill were of immense assistance.

There are others who are to be commended. The Senator from Florida [Mr. SMATHERS], the Senator from New Mexico [Mr. ANDERSON] and the others on the committee deserve praise for their strong efforts both in committee and here in the Chamber.

The distinguished Senator from Nebraska [Mr. CURTIS] is to be singled out for his outstanding contribution. He urged his views with great conviction and sincerity though they differed in many respects from those of a majority of the Senate. The Senator from Vermont [Mr. PROUTY] similarly deserves the praise of the Senate for again manifesting his deep and abiding devotion to our elderly citizens.

I particulary wish to note the contribution of the Senator from South Dakota [Mr. MCGOVERN] whose profound interest in and strong support for this vitally important measure has served immensely to assure what I am certain will be an overwhelming success. His cooperation throughout the consideration of the measure was splendid.

The Senator from Oklahoma [Mr. HARRIS] shares the gratitude of the Senate for his diligence and efforts in behalf of this measure, as do the Senators from Indiana [Mr. HARTKE and BAYH], the Senators from New York [Mr. JAVITS and Mr. KENNEDY] and the Senator from Iowa [Mr. MILLER]. They, along with the Senator from New Mexico [Mr. MONTOYA] and others, urged their views clearly and articulately, offered amendments which often met the approval of the Senate and generally helped to make the discussion and debate on this bill of the highest caliber and in the best traditions of the Senate.

So again, to Senator RUSSELL B. LONG, to the committee which he so ably chairs and to the Senate goes the heartfelt thanks of the leadership, and the thanks of a grateful nation for cooperating so magnificently to ready the sweeping improvements of the social security program and the other benefits proposed in H.R. 12080 for final disposition—a disposition, I am confident, that will be highly, highly favorable. It will be a lasting credit to this body.

SOCIAL SECURITY AMENDMENTS—WELFARE PROGRAMS NEED HUMAN TOUCH

Mr. HARRIS. Mr. President, I rise at this time to complete the legislative history of two amendments to H.R. 12080, which were sponsored by me and other Members of the Senate, and which were adopted in the Committee on Finance. The amendments to which I refer are amendments Nos. 400 and 401.

Mr. President, I wish to incorporate at this point, by reference, excerpts from the RECORD of previous sessions which show other statements I have made concerning these amendments. Originally, when the amendments were submitted, I made a statement which is contained in the CONGRESSIONAL RECORD of October 16, 1967, beginning at page S14818. Other statements by me concerning and explaining these amendments are contained in the CONGRESSIONAL RECORD in the proceedings of October 20, 1967, October 23, 1967, at page S15102, October 26, 1967, at page S15405, and October 31, 1967, at page S15578.

Mr. President, I believe these two amendments will bring about great improvements in the present welfare systems of our country.

Amendment No. 400, which has the endorsement of the National Association of Social Workers, Inc., and also the National Association of Counties, makes provision for the State plan of each State to provide for the recruitment, training, and effective use of community service aides and social service volunteers in their welfare programs.

It is intended that particular effort would be made to use men, and not just women alone, as community service aides. It is intended also that these community service aides would be recruited primarily from the poor and those who would otherwise, except for their salaries under such programs, be recipients of welfare, to work in the communities in which they live. These people will be far better able to communicate with the welfare recipients, better able to explain public assistance and other community programs to them, and better able to help those who administer State public welfare programs make such programs most effective and most helpful.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. HARRIS. Mr. President, I ask unanimous consent that I may proceed for 3 additional minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HARRIS. Mr. President, the amendment also provides for the use of social service volunteers on a nonpaid or partially paid basis. It is intended that these volunteers, in addition to coming from the more affluent segments of American society, would come also from among the poor themselves.

This amendment would be effective January 1, 1969, a date which was changed in committee. I wish to point out that the date was changed only because some legislatures will have to meet in 1968 in order to change their basic law under the State welfare system plan.

It is certainly my intent and the intent of the other sponsors of the amendment that we would not have to wait until that date to implement the program, but that the States and the Department of Health, Education, and Welfare would move rapidly ahead to do so as soon as possible.

COMMENDATION OF SENATOR LONG OF LOUISIANA

Mr. BYRD of West Virginia. Mr. President, I want to join the distinguished majority leader [Mr. MANSFIELD], in complimenting the very able chairman of the Senate Committee on Finance, Mr. LONG of Louisiana, on the excellent presentation that he has made of the most difficult and complex bill considered by the Senate during the past few days and upon which we will soon vote.

At all times the floor manager of the bill, the distinguished junior Senator from Louisiana [Mr. LONG], has demonstrated a very thorough and impressive grasp of the facts, and such knowledge can only be gained through experience, diligence, hard work, and long hearings.

I compliment Mr. LONG, and I thank him for the patience, cooperation, and equanimity which he has consistently shown throughout the long, very arduous, and difficult debate on this important and complicated bill. I believe that the ranking minority member and all the members of the Committee on Finance, as well as the distinguished chairman, are also to be complimented for a job very well done.

Mr. RANDOLPH. Mr. President, will my colleague yield?

Mr. BYRD of West Virginia. I yield.

Mr. RANDOLPH. Mr. President, I wish to supplement the appropriate words just spoken by my colleague, Senator BYRD. Members of this body realize that such a bill is very difficult to understand in its intriciate provisions. I am very frank. I must labor to understand what we are doing. The helpful manner in which the explanations have been made by the distinguished chairman of the Finance Committee has been of vital value to me as we have worked our legislative way through this complicated measure. In a moment, I shall express my approval of

the progress made as we came nearer to a vote.

I stress the patience which the Senator from Louisiana [Mr. LONG] has shown day after day during the debate.

Mr. BYRD of West Virginia. And the good humor.

Mr. RANDOLPH. Yes, and good humor.

I think there has been general agreement among practically all Members that this is a truly important measure. The expertise of the chairman of the Finance Committee in handling this legislation has been noteworthy.

I recall, Mr. President, that there are two Members in the Senate now who were here on May 13, 1935, and voted then for the original Social Security Act. They are Senators HAYDEN and RUSSELL.

There are five other Senators in this body today who were in the House of Representatives on April 19, 1935, and voted for the first Social Security Act. These men are Senators CARLSON, DIRKSEN, HILL, YOUNG of Ohio, and myself.

Mr. President, shortly we will vote on final passage of the Social Security Amendments of 1967. This comprehensive measure provides a substantial increase in social security benefits for the more than 23 million people now on the rolls, as well as substantially improved protection for 86 million current workers—and their families—who are the future beneficiaries.

The 15 percent across-the-board increase provided by the bill is a needed increase. About one-half of our social security beneficiaries have, in terms of a regular income, only their social security. For almost all beneficiaries, social security is their main source of support. It is for these reasons that the level of social security benefits is the all-important factor in determining how well our elderly citizens will be able to live.

Social security benefits are too low. The average benefit for retired workers today is about $85 a month; for aged widows, the average is $74 a month. In a country as prosperous as the United States, there is absolutely no reason why these people should not share in at least a part of the expanding prosperity most of us have come to know and enjoy. Under the bill, benefits that now range from $44 to $142 for retired workers will be increased to a range of $70 to $163.30. A worker receiving a benefit equal to the average benefit now payable—about $85 a month—will receive about $98 a month. The average benefit for an aged retired couple will be increased from $145 a month to $171 a month.

Because the social security program is so basic to the future plans of all workers and their families, we must not permit it to become static. That is why I favor the raise in the amount of annual earnings subject to social security contributions and used in computing benefit amounts. This increase in the base will make possible in the future the payment of social security benefits that will be more closely related to the earnings that the family breadwinner had before he retired, became disabled, or died. Moreover, the increase in the contribution and benefit base will help to finance the more liberal benefits provided under the bill.

I am particularly gratified to note that, in order to finance the increases and the other improvements, the pending bill calls for, along with increases in the contribution rate schedule, a three-step increase in contribution and benefit base—the maximum amount of annual earnings subject to tax and counted for benefit purposes. As a result, the base would be increased from its present level of $6,600 to $8,000 in 1968, $8,800 in 1969, and to $10,800 in 1972. Increases in the base, when compared with increases in the contribution rate, have the advantage that the people who contribute more will receive more protection. When the base is increased, new, higher benefits become payable on the basis of the higher average earnings made possible by the increase in the base. Since the matching employer contributions, when combined with the new employee contributions, are more than sufficient to provide for the increased protection, additional income is avalable to improve benefits throughout the social security system.

This measure improves the social security program for those now receiving benefits—our older citizens, those who are disabled, their dependents and survivors. And it significantly increases the protection against future loss of earnings for all our citizens who now work in jobs covered by the program.

Another vital provision authorizes retirement benefits, for the first time, as early as age 60 for workers and their spouses, and for aged survivors of deceased insured workers. This amendment was sponsored by my distinguished colleague from West Virginia [Mr. BYRD]. I have consistently supported this provision.

The payment of retirement benefits beginning at age 60 would clearly help lessen the hardships faced by the group of workers who because of ill health, technological unemployment, or other reasons, find it impossible to continue working until they reach age 62. Many of our older workers lack the newer technical skills needed to run new machines; they are the people who employers often let go first. Persons who worked and contributed to the social security program have the right to retirement benefits when they become too old to work. They should receive social security benefits if they can no longer work or find jobs because of their age. These people would rather have reduced social security benefits than no regular income at all.

This is a change that is long overdue. It is a change that was voted on favorably by this body earlier this year.

There can be no question that these benefits and improvements to social security are vitally needed. Nor can there be any question that they are needed now. I enthusiastically support the enactment of this bill without further delay.

Mr. BYRD of West Virginia. Mr. President, I thank my senior colleague for his remarks.

Mr. MORSE. Mr. President, I want to join the majority leader, and the Senators from West Virginia [Mr. BYRD and Mr. RANDOLPH] and others who have so deservedly lauded Senator RUSSELL LONG of Louisiana for the remarkable parliamentary leadership he extended to us in bringing about the third reading of the bill and the passage which will follow in the next hour in the Senate. Credit for the bill is due in no small measure to Senator RUSSELL LONG.

The Senate version of the bill is a good one. It is not a perfect bill in my opinion, as my votes for some amendments that were defeated on the floor of the Senate demonstrate. The bill does not go far enough, in my judgment, to give the economic justice to the elderly people of this country that I think they are entitled to, a justice that we must come to just as rapidly as possible.

May I say to them, this is not the last social security bill we are going to pass in the years immediately ahead. The senior Senator from Oregon will continue to do everything he can to secure passage of some amendments that went down to defeat in this debate.

On the other hand, I say to the beneficiaries of social security, the bill advances your interest more than any legislation Congress has considered on this subject at any time in the past since the original act was passed.

The bill deserves the vote of Senators this morning, and it deserves every effort on the part of the Senate conferees to maintain the Senate amendments in conference with the House, for the Senate bill, in my judgment, is a much better bill than the House bill. It is a bill that ought finally to go on to the law books, recognizing, as I have said, that there will have to be some give and take in conference. I hope, however, that the conferees of the House will recognize the temper and the tempo of the times, as the Government of the United States seeks through legislation to do economic justice to the elderly people by having a social security program that really makes it possible for them to live out their old age in health, decency, and self-respect. It seeks to help them enjoy the happiness that we ought, as a matter of moral recognition, see to it that our elderly are able to enjoy.

Some provisions of the bill embody amendments that I have advocated and supported for several years. I was highly gratified when many of the principles of those amendments were adopted, in the first instance, by the Committee on Finance itself. That made it unnecessary to wage a battle for them in the course of the debate on the bill. Other amendments that I have advocated over the years were adopted in principle on the floor of the Senate. They are not in the exact form that I have urged them, but the principle is there. I am grateful, therefore, to the Senator from Louisiana for the cooperation he extended to me. The bill has my support for these principal reasons:

First. The level of benefits will be raised across the board by 15 percent. That falls short of the 20-percent boost provided in the amendment that I sponsored with the Senator from New York [Mr. KENNEDY]. It falls short of the $100 minimum which the Senator from New York and I and other Senators have advocated for some time past. It is a

minimum that I will continue to work for in the Senate.

But this 15-percent boost is better than the 12½ percent approved by the House of Representatives.

Second. The adoption yesterday of the Bayh amendment raises the earnings test to $2,400, thus enabling annuitants to earn up to that amount each year without loss of social security benefits.

I was very much interested in the debate yesterday. I thought the Senator from Oklahoma [Mr. MONRONEY] put it very well.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. MORSE. I ask unanimous consent that I may have 3 additional minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MORSE. I thought the Senator from Oklahoma put it very well when he made the plea to let these elderly people work. The privilege of working is, in my judgment, essential to the happiness of many of them. Let us not overlook that intangible value implied by the word "happiness." We need to pay attention to the happiness of our people, and particularly we need to pay attention to the happiness of the aged. Nothing was said on this matter in the debate on yesterday; but when we think about what happens to elderly people when they are able to work and earn up to $2,400 a year, and the effect on their families, their sons and daughters, and the other members of the family, one can begin to grasp the significance of the Bayh amendment.

The Bayh amendment was a great step forward in permitting retired persons to earn up to $2,400, and still not suffer loss of social security benefits.

Third. The Prouty amendment was adopted, to exclude from the income test for veterans' pensions the increase in social security benefits carried in this bill.

Fourth. The Finance Committee bill enables employees to choose retirement at age 60 with a reduced annuity.

Fifth. The committee bill further provides coverage of charges for certain of the services of optometrists, podiatrists, chiropractors, and clinical psychologists under the supplementary insurance program.

Sixth. The committee eased the most stringent and punitive sections of the House bill relating to public assistance and aid to dependent children. The adoption on the floor of the Harris amendment, making mandatory aid to the children of unemployed fathers, and the Kennedy amendment, which provides that mothers of dependent children do not have to work outside of the home when the children need their care at home, are great steps forward in our social security program.

I was at a loss to understand the insistence in the House that mothers with small children work and accept training for work in order for those children to receive assistance. The mother of three or four or five children ought to stay in the home, at least when their children come home from school. They are needed to assure at least some parental supervision as well as doing the cleaning, the sewing, the preparations in the home that make it possible for those children to enjoy their home life.

It goes without saying, and we can take judicial notice of the fact, that a mother with children who has to go outside of the home and work every day is not able to give those children a precious heritage we ought to try to provide for all American boys and girls, a happy home life.

Again I thank the Senator from Louisiana for the splendid job he has done in guiding this bill through the Senate, and I hope that the changes this Senate has made will be sustained in conference with the House.

Mr. WILLIAMS of Delaware. Mr. President, it is with regret that I cannot support this bill. I feel that there is a need for a reasonable increase in social security benefits and would gladly have supported a bill in line with the one passed by the House, which provided a 12½-percent increase in such benefits.

Such an increase could have been financed without a prohibitive increase in the taxes on the wage earners, and the many small businessmen who are today struggling to keep their operations going.

But the bill before us has gone far beyond what I think our country can afford, and the wage tax increases provided in the Senate bill represent a staggering increase in wage taxes that will be placed upon the many young workers of America, who today in view of the high cost of living are already having to struggle to support their growing families and provide for their children's education.

The fact that the Senate has delayed these wage tax increases until after the 1968 election does not make them any less regressive or painful.

When H.R. 12080 passed the House its cost was projected as being $3.2 billion in 1968, with this cost rising in 1972 to $3.8 billion. This cost covered an increase in social security benefits of 12½ percent; the House bill raised the minimum benefits for all and raised the earning test limitation to $1,680. To finance these benefits the earning base subject to wage tax was raised from the present $6,600 to $7,600. The House bill likewise made many increases in the medicaid program, bringing its cost into a more realistic range.

But the Senate Finance Committee went on a spending spree and practically doubled both the cost and the tax rates as compared to the House bill.

The bill reported by the Senate Finance Committee added over $3 billion to the cost of the House bill, which brought the full year's cost of the bill to $6.3 billion. In 1972 these costs will be even higher.

To finance these extra benefits in the Senate bill the wage taxes will be raised as much as 100 percent for the middle income wage earners. Under the Senate bill the cost to the $10,000 wage earners will jump from $290.40 to $580 per year. This increased wage tax must be matched by his employer, which means rising costs of the products being manufactured. The $5,000 worker will have a wage tax increase from the present $220 per year to $290. Other comparable increases are placed upon these young workers who today are already having a hard time to meet the expenses of a growing family.

But even this $3 billion increase by the Senate Finance Committee did not seem to be enough, and the Senate yesterday further added another $1½ billion to the cost of this bill by adopting a series of amendments offered on the floor.

The net result is that we have before us today a bill which in its present form will cost over $7.5 billion and a bill which places upon the wage earners of America the largest wage tax increase in our history.

This $7½ billion bill is being advanced at a time when both the administration and the Congress have been shedding a lot of crocodile tears over the dangers of uncontrolled inflation. Both the administration and the Congress have been promising that before any tax increase is considered, a bona fide effort must be made to reduce expenditures.

How can either the administration or the Senate reconcile their remarks of the past 4 days with their support of a bill which adds over $4 billion to a $3 billion bill as passed by the House just a few weeks ago?

If these Senate additions of over $4 billion are just being passed with an understanding that the House will reject the increases and send back a bill from conference more nearly in line with the projected cost of the House bill, then this action represents the height of political hypocracy, and I will have no part of such tactics.

In my opinion our country faces a crisis in that we have reached the point where we cannot continue down this road of ever-expanding deficits.

These mounting deficits and the resulting inflation have destroyed the purchasing power of the pensions upon which these retired people have been depending. Merely to raise social security payments and then do nothing to check the inflationary threat will be of but a short-term benefit, and within 2 years they will be in a worse condition than today.

The value of the savings bonds, the life insurance policies, the private pensions has been destroyed as the result of this uncontrolled inflation.

Eight years ago a small investor bought a series E Government bond for $75, and today he receives $100 as payment of his principal and interest; but through the erosion of the purchasing power of the dollar he cannot buy with $100 what he could have bought with the $75 7 years ago.

Through uncontrolled inflation we have destroyed the security of millions of our retired citizens. The value of their life savings, their insurance policies, their pensions, social security, and savings accounts is getting to be worth less every day as the result of this uncontrolled inflation.

Mr. President, these trust funds represent the security not only of those already on retirement but of the present-day wage earners, who upon reaching reitrement age will be expecting their benefits to be paid. It is therefore essential that the integrity of this fund be preserved.

To illustrate just how the present inflationary situation with its accompanying high interest rates, which means

lower bond prices, affects these trust funds I ask unanimous consent to have printed at this point in the RECORD a series of tabulations showing the investment portfolios of various trust funds, including the social security trust fund, the civil service retirement fund, and the railroad retirement trust fund.

The PRESIDING OFFICER (Mr. BYRD of Virginia in the chair). Without objection, the material will be printed in the RECORD, as follows:

TREASURY DEPARTMENT,
FISCAL SERVICE,
Washington, D.C., October 24, 1967.

Hon. JOHN J. WILLIAMS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR WILLIAMS: In response to your recent telephone request, there are attached schedules showing by issue the face amount, book value (where available) and current market value of marketable investment holdings of the four Social Security Trust Funds, the Civil Service Retirement and Disability Fund and the Railroad Retirement Accounts. There are also attached schedules showing the current investment holdings of Special Treasury Obligations issued to the above funds.

The market value columns shown on the attached schedules are based on current market quotations, as noted. These prices are currently at a very low point. Therefore, the total market value shown for these securities is appreciably less than the book value shown. However, caution should be exercised in attempting to estimate a possible loss, since Special Treasury Obligations, not marketable securities, are redeemed at part for the purpose of meeting current benefit payments or other authorized expenditures. Marketable securities are normally purchased and held to maturity.

You also asked that if special Treasury issues were marketable what would be their estimated current market value. As previously mentioned, special Treasury issues are purchased by the trust funds at par and are redeemed by the Treasury at par when necessary to meet benefit payments and other expenditures. Therefore, there is no market value as such for special issues comparable to the market value at any given time for any marketable public debt obligation.

Your question may relate to the yield on special Treasury issues as compared to marketables. Since specials are issued and redeemed at par, the yield is always equal to the coupon rate established at the time of issue. This interest rate is by law based on the average market yield of all marketable public debt obligations with remaining periods to maturity of four years or more from the end of the calendar month prior to issuance, except for the Railroad Retirement Accounts which are based on all marketable public debt obligations with remaining periods to maturity of three years or more. In the case of marketable securities, the true yield would not only depend on the coupon rate at time of issue, but also on the purchase price and, if sold prior to maturity, the selling price.

Very truly yours,

JOHN K. CARLOCK,
Fiscal Assistant Secretary.

HOLDINGS FOR FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND AS OF OCT. 20, 1967

Securities	Face amount	Book value [1]	Market value [2]
MARKETABLES			
U.S. Treasury bonds:			
2½ percent, June 15, 1964-69	$22,180,000	$21,753,047.06	$21,230,418.75
2½ percent, Dec. 15, 1964-69	33,000,000	32,219,058.67	31,195,312.50
2½ percent, Sept. 15, 1967-72	250	250.00	222.03
3⅛ percent, May 15, 1968	17,450,000	17,450,000.00	17,313,671.88
3¾ percent, Aug. 15, 1968	7,000,000	7,000,000.00	6,910,312.50
4 percent, Feb. 15, 1969	5,000,000	5,000,000.00	4,912,500.00
4 percent, Oct. 1, 1969	57,500,000	57,490,553.52	55,954,687.50
4 percent, Feb. 15, 1970	15,000,000	14,968,281.17	14,498,437.50
4 percent, Aug. 15, 1971	100,000,000	100,697,530.84	94,718,750.00
4 percent, Aug. 15, 1973	38,000,000	37,789,128.85	35,031,250.00
4⅛ percent, Feb. 15, 1974	61,934,000	61,895,580.95	57,095,406.25
4¼ percent, May 15, 1974	6,352,000	6,363,615.84	5,899,420.00
3⅞ percent, Nov. 15, 1974	24,500,000	24,480,272.84	22,157,187.50
4¼ percent, May 15, 1975-85	78,023,000	77,654,044.34	67,538,659.38
3¼ percent, June 15, 1978-83	60,200,000	59,272,764.62	46,354,000.00
4 percent, Feb. 15, 1980	153,100,000	153,040,016.74	132,048,750.00
3½ percent, Nov. 15, 1980	449,450,000	455,156,974.02	366,301,750.00
3¼ percent, May 15, 1985	25,700,000	24,171,356.15	19,724,750.00
4¼ percent, Aug. 15, 1987-92	33,000,000	35,111,119.89	27,616,875.00
4⅛ percent, May 15, 1989-94	91,300,000	90,496,486.77	74,352,437.50
3½ percent, Feb. 15, 1990	556,250,000	546,773,428.71	426,574,218.75
3 percent, Feb. 15, 1995	70,170,000	70,142,012.59	53,373,056.25
3½ percent, Nov. 15, 1998	552,037,000	542,441,418.01	421,618,258.75
Total, public issues	2,457,146,250	2,441,366,941.58	2,002,420,332.04
Agency Issues:			
FICB debentures: 5.15 percent, Nov. 1, 1967	17,000,000	17,000,000.00	17,000,000.00
FHLB bonds:			
6 percent, Oct. 26, 1967	26,000,000	25,998,916.64	26,000,000.00
5⅜ percent, Apr. 25, 1968	25,000,000	25,014,583.36	24,976,562.50
FNMA debentures:			
5⅜ percent, Sept. 10, 1968	10,000,000	9,997,135.46	10,012,500.00
6 percent, Dec. 12, 1969	41,500,000	41,518,732.60	41,551,875.00
5½ percent, July 10, 1969	25,000,000	25,048,879.36	24,718,750.00
5¾ percent, Oct. 13, 1970	20,000,000	19,960,000.00	19,937,500.00
FLB bonds: 5⅞ percent, Dec. 20, 1967	15,000,000	15,000,000.00	15,018,750.00
Total, agency issues	179,500,000	179,538,247.42	179,215,937.50
MARKETABLES—Continued			
Participation certificates:			
Fait, FNMA, trustee:			
5.20 percent, January 19, 1982	$100,000,000	$100,000,000.00	$93,000,000.00
5.10 percent, Apr. 6, 1987	50,000,000	50,000,000.00	46,000,000.00
5½ percent, June 29, 1972	50,000,000	50,000,000.00	48,875,000.00
Total, participation certificates	200,000,000	200,000,000.00	187,875,000.00
Total, marketables	2,836,646,250	2,820,905,189.00	2,369,511,269.54
SPECIALS			
Certificates of indebtedness:			
5⅛ percent, June 30, 1968	1,872,652,000		
5¼ percent, June 30, 1968	17,074,000		
Notes:			
4⅞ percent, June 30, 1969	1,080,011,000		
4⅞ percent, June 30, 1970	296,526,000		
4⅞ percent, June 30, 1971	1,080,011,000		
4¾ percent, June 30, 1974	2,720,279,000		
Bonds:			
2⅝ percent, June 30, 1970	783,485,000		
2⅝ percent, June 30, 1971	1,080,011,000		
2⅝ percent, June 30, 1972	1,080,011,000		
2⅝ percent, June 30, 1973	1,080,011,000		
2⅝ percent, June 30, 1974	1,080,011,000		
2⅝ percent, June 30, 1975	919,934,000		
3¼ percent, June 30, 1975	160,077,000		
3¼ percent, June 30, 1976	1,080,011,000		
3⅞ percent, June 30, 1977	1,080,011,000		
3⅞ percent, June 30, 1978	658,444,000		
4⅛ percent, June 30, 1978	421,567,000		
4⅛ percent, June 30, 1979	1,080,011,000		
4⅛ percent, June 30, 1980	1,080,011,000		
Total, special issues	18,650,148,000		
U.S. Treasury bonds, nonmarketable:			
2¾ percent, Apr. 1, 1975-80	1,064,902,000		
Grand total	22,551,696,250		

[1] Book value based on amortization of premium and/or discount on a straight-line basis.

[2] Market value based on the closing market bid on Oct. 13, 1967, for agency issues and participation certificates and on the closing market bid on Oct. 19, 1967, for public issues.

HOLDINGS FOR THE FEDERAL DISABILITY INSURANCE TRUST FUND AS OF OCT. 20, 1967

Securities	Face amount	Book value [1]	Market value [2]
MARKETABLES			
U.S. Treasury bonds:			
3⅞ percent, May 15, 1968	$3,750,000	$3,750,000.00	$3,720,703.13
3¾ percent, Aug. 15, 1968	5,000,000	5,000,000.00	4,935,937.50
3⅞ percent, Nov. 15, 1968	5,000,000	4,992,968.50	4,923,437.50
4 percent, Oct. 1, 1969	26,000,000	25,993,851.79	25,301,250.00
4 percent, Feb. 15, 1970	10,000,000	9,978,515.45	9,665,625.00
4 percent, Aug. 15, 1970	14,000,000	13,957,349.76	13,444,375.00
4 percent, Feb. 15, 1972	2,000,000	1,988,394.64	1,881,250.00
4 percent, Aug. 15, 1972	2,000,000	1,989,851.00	1,872,500.00
4 percent, Aug. 15, 1973	16,500,000	16,360,623.51	15,210,937.50
4⅛ percent, Feb. 15, 1974	10,000,000	10,017,431.12	9,218,750.00
MARKETABLES—Continued			
U.S. Treasury bonds:—Continued			
3⅞ percent, Nov. 15, 1974	$5,000,000	$5,000,000.00	$4,521,875.00
4¼ percent, May 15, 1975-85	20,795,000	20,774,628.28	18,000,671.88
4 percent, Feb. 15, 1980	30,250,000	30,240,452.69	26,090,625.00
4¼ percent, Aug. 15, 1987-92	80,800,000	80,979,046.03	2,619,500.00
4⅛ percent, May 15, 1989-94	68,400,000	67,514,591.67	55,703,250.00
3½ percent, Feb. 15, 1990	10,500,000	9,882,092.39	8,052,187.50
3½ percent, Nov. 15, 1998	5,000,000	4,676,514.55	3,818,750.00
Total, public issues	314,995,000	313,096,311.38	273,981,625.01

Footnotes at end of table.

HOLDINGS FOR THE FEDERAL DISABILITY INSURANCE TRUST FUND AS OF OCT. 20, 1967—Continued

MARKETABLES—Continued Securities	Face amount	Book value [1]	Market value [2]
Agency issues:			
FHLB bonds: 6 percent, Oct. 26, 1967	$15,590,000	$15,588,916.64	$15,590,000.00
FNMA debentures:			
5⅞ percent, Sept. 10, 1968	10,000,000	9,997,135.46	10,012,500.00
5⅜ percent, Oct. 13, 1970	20,000,000	19,960,000.00	19,937,500.00
Total agency issues	45,590,000	45,546,052.10	45,540,000.00
Participation certificates—FALT, FNMA, trustee: 5½ percent, June 29, 1972	50,000,000	50,000,000.00	48,875,000.00
Total, marketables	410,585,000	408,642,363.48	368,396,625.01
SPECIALS			
Certificates of indebtedness:			
5⅛ percent, June 30, 1968	87,111,000		
5¼ percent, June 30, 1968	520,000		
Notes:			
4⅞ percent, June 30, 1971	$74,799,000		
4¾ percent, June 30, 1974	309,178,000		
Bonds:			
2½ percent, June 30, 1974	77,006,000		
3¾ percent, June 30, 1974	20,738,000		
2½ percent, June 30, 1975	132,894,000		
3¾ percent, June 30, 1975	20,738,000		
3¾ percent, June 30, 1976	153,632,000		
3¾ percent, June 30, 1977	153,632,000		
3½ percent, June 30, 1978	153,632,000		
4⅛ percent, June 30, 1979	153,632,000		
4⅛ percent, June 30, 1980	125,606,000		
Total, special issues	1,463,118,000		
Grand total	1,873,703,000		

[1] Book value based on amortization of premium and/or discount on a straight line basis.

[2] Market value based on the closing market bid on Oct. 13, 1967, for agency issues and participation certificates and on the closing market bid on Oct. 19, 1967, for public issues.

HOLDINGS FOR THE FEDERAL HOSPITAL INSURANCE TRUST FUND AS OF OCT. 20, 1967

Securities	Face amount	Book value [1]	Market value [2]
MARKETABLES			
Agency issues:			
FLB bonds: 5⅞ percent, Dec. 20, 1967	$15,000,000	$15,000,000.00	$15,018,750
FNMA debentures: 6 percent, Dec. 12, 1969	41,500,000	41,518,733.60	41,551,875
Total, agency issues	56,500,000	56,518,733.60	56,570,625
Participation certificates—FALT, FNMA, Trustee: 5.20 percent, Jan. 19, 1982	50,000,000	50,000,000.00	46,500,000
Total, marketables	106,500,000	106,518,733.60	103,070,625
SPECIALS			
Notes—Continued			
Certificates of indebtedness: 5⅛ percent, June 30, 1968	$100,745,000		
Notes:			
4⅞ percent, June 30, 1971	544,659,000		
4¾ percent, June 30, 1972	46,131,000		
4¾ percent, June 30, 1973	46,131,000		
4¾ percent, June 30, 1974	415,179,000		
Total, special issues	1,152,845,000		
Grand total	1,259,345,000		

[1] Book value based on amortization of premium and/or discount on a straight line basis.

[2] Market value based on the closing market bid on Oct. 13, 1967, for agency issues and participation certificates and on the closing market bid on Oct. 19, 1967, for public issues.

HOLDINGS FOR THE FEDERAL SUPPLEMENTARY MEDICAL INSURANCE TRUST FUND AS OF OCT. 20, 1967

Securities	Face amount
Specials: Certificates of indebtedness, 5¼ percent, maturing June 30, 1968	$57,200,000
Notes:	
4¾ percent, maturing June 30, 1970	1,482,000
4¾ percent, maturing June 30, 1971	31,923,000
4¾ percent, maturing June 30, 1972	31,923,000
4¾ percent, maturing June 30, 1973	31,923,000
4¾ percent, maturing June 30, 1974	287,311,000
Total, special issues	441,762,000

HOLDINGS FOR THE CIVIL SERVICE RETIREMENT AND DISABILITY FUND [1] AS OF OCT. 20 1967

Securities	Face amount	Market value [2]
MARKETABLES		
U.S. Treasury notes:		
4¾ percent, May 15, 1968	$4,400,000	$4,387,625.00
5 percent, Nov. 15, 1970	146,400,000	144,204,000.00
5⅜ percent, Feb. 15, 1971	25,000,000	24,875,000.00
5¼ percent, May 15, 1971	19,500,000	19,353,750.00
5⅜ percent, Nov. 15, 1971	25,000,000	24,882,812.50
4¾ percent, Feb. 15, 1972	110,600,000	107,040,062.50
4¾ percnet, May 15, 1972	98,700,000	95,430,562.50
U.S. Treasury bonds:		
3½ percent, May 15, 1968	12,400,000	12,303,125.00
3¾ percent, Aug. 15, 1968	2,800,000	2,764,125.00
3½ percent, Nov. 15 1968	1,600,000	1,575,500.00
4 percent, Feb. 15, 1969	10,000,000	9,825,000.00
2½ percent, June 15, 1969	10,000,000	9,571,875.00
4 percent, Oct. 1, 1969	60,400,000	58,776,750.00
2½ percent, Dec. 15, 1964–69	16,400,000	15,503,125.00
4 percent, Aug. 15, 1970	54,600,000	52,433,062.50
3½ percent, Nov. 15, 1971	6,100,000	5,734,000.00
4 percent, Feb. 15, 1972	5,200,000	4,891,250.00
4 percent, Aug. 15, 1972	28,700,000	26,870,375.00
4 percent, Aug. 15, 1973	23,800,000	21,940,625.00
4⅛ percent, Nov. 15, 1973	33,600,000	31,416,000.00
4⅛ percent, Feb. 15, 1974	55,900,000	51,532,812.50
4¼ percent, May 15, 1974	126,060,000	117,078,225.00
3⅞ percent, Nov. 15, 1974	47,650,000	43,093,468.75
4 percent, Feb. 15, 1980	110,394,000	95,214,825.00
3½ percent, Nov. 15, 1980	15,700,000	12,795,500.00
3¼ percent, June 15, 1978–83	16,800,000	12,936,000.00
3¼ percent, May 15, 1985	85,900,000	65,928,250.00
4¼ percent, May 15, 1975–85	53,105,000	45,969,015.63
3½ percent, Feb. 15, 1990	98,600,000	75,613,875.00
4¼ percent, Aug. 15, 1987–92	347,920,000	291,165,550.00
4⅛ percent, May 15, 1989–94	10,750,000	8,754,531.25
3 percent, Feb. 15, 1995	55,205,000	41,990,303.13
3½ percent, Nov. 15, 1998	83,269,000	63,596,698.75
Total, public issues	1,802,453,000	1,599,447,680.01
MARKETABLES—Continued		
Agency issues—FHLB bonds: 5⅜ percent, Apr. 25, 1968	$14,000,000	$13,986,875.00
FICB debentures: 5.15 percent, Nov. 1, 1967	17,000,000	17,000,000.00
FLB bonds: 5⅞ percent, Dec. 20, 1967	15,000,000	15,018,750.00
FNMA debentures:		
5⅞ percent, Sept. 10, 1968	10,000,000	10,012,500.00
5⅛ percent, July 10, 1969	25,000,000	24,718,750.00
6 percent, Dec. 12, 1969	41,500,000	41,551,875.00
5¼ percent, Oct. 13, 1970	20,000,000	19,937,500.00
Total, agency issues	142,500,000	142,226,250.00
FNMA participation certificates:		
5 percent, Jan. 19, 1972	50,000,000	48,000,000.00
5½ percent, June 29, 1972	50,000,000	48,875,000.00
5.20 percent, Jan. 19, 1982	100,000,000	93,000,000.00
Total, participation	200,000,000	189,875,000.00
Total, marketables	2,144,953,000	1,931,548,930.01
Specials—certificates of indebtedness:		
5⅛ percent, 1968	520,580,000	
5 percent, 1968	5,451,000	
Notes:		
4⅛ percent, 1969	142,474,000	
4⅞ percent, 1969	40,692,000	
4⅛ percent, 1970	69,699,000	
4⅞ percent, 1970	40,692,000	
4⅞ percent, 1971	1,785,656,000	
4¾ percent, 1974	1,758,171,000	
Bonds:		
2½ percent, 1968	200,000,000	
2⅝ percent, 1968	415,527,000	
2½ percent, 1968	69,913,000	
2⅝ percent, 1969	615,527,000	
2½ percent, 1969	69,913,000	
3¾ percent, 1969	60,976,000	
3½ percent, 1969	80,227,000	
2⅝ percent, 1970	615,527,000	

HOLDINGS FOR THE CIVIL SERVICE RETIREMENT AND DISABILITY FUND[1] AS OF OCT. 20 1967—Continued

HOLDINGS FOR THE CIVIL SERVICE RETIREMENT AND DISABILITY FUND[1] AS OF OCT. 20 1967

Securities	Face amount	Market value[2]
SPECIALS—Continued		
Bonds—Continued		
2⅞ percent, 1970	$69,913,000	
3¾ percent, 1970	60,976,000	
3⅞ percent, 1970	80,227,000	
4⅛ percent, 1970	72,775,000	
2⅝ percent, 1971	615,527,000	
2⅞ percent, 1971	69,913,000	
3¾ percent, 1971	60,976,000	
3⅞ percent, 1971	80,227,000	
4⅛ percent, 1971	142,474,000	
3¾ percent, 1972	60,976,000	
3⅞ percent, 1972	532,981,000	
4⅛ percent, 1972	375,160,000	
3¾ percent, 1973	60,976,000	
3⅞ percent, 1973	103,448,000	
4⅛ percent, 1973	552,988,000	
2⅝ percent, 1974	270,724,000	
3¾ percent, 1974	60,976,000	
3⅞ percent, 1974	80,227,000	
4⅛ percent, 1974	212,387,000	
2⅝ percent, 1975	$615,527,000	
3¾ percent, 1975	60,976,000	
3⅞ percent, 1975	80,227,000	
4⅛ percent, 1975	167,167,000	
2⅞ percent, 1976	589,362,000	
3¾ percent, 1976	60,976,000	
3⅞ percent, 1976	80,227,000	
4⅛ percent, 1976	142,474,000	
3¾ percent, 1977	746,416,000	
3⅞ percent, 1977	80,227,000	
4⅛ percent, 1977	142,474,000	
3⅞ percent, 1978	826,643,000	
4⅛ percent, 1978	142,474,000	
4⅛ percent, 1979	969,117,000	
4⅛ percent, 1980	969,117,000	
Total, specials	15,728,280,000	
Grand total	17,873,233,000	

[1] Treasury Department does not maintain administrative accounts for this fund, therefore, book value is not available in the Investments Branch.

[2] Market value based on the closing market bid on Oct. 13, 1967, for agency issues and participation certificates and on the closing market bid on Oct. 19, 1967, for public issues.

HOLDINGS FOR THE RAILROAD RETIREMENT ACCOUNT[1] AS OF OCT. 20, 1967

Securities	Face amount	Market value[2]
MARKETABLES		
U.S. Treasury notes:		
5 percent, Nov. 15, 1970	$32,000,000	$31,520,000.00
4¾ percent, May 15, 1972	20,000,000	19,337,500.00
4¼ percent, Feb. 15, 1972	18,000,000	17,420,625.00
U.S. Treasury bonds:		
3½ percent, May 15, 1968	7,000,000	6,945,312.50
3¼ percent, Aug. 15, 1968	14,000,000	13,820,625.00
4 percent, Feb. 15, 1969	51,000,000	50,107,500.00
4 percent, Oct. 1, 1969	57,000,000	55,468,125.00
4 percent, Aug. 15, 1970	35,000,000	33,610,937.50
4 percent, Aug. 15, 1971	8,500,000	8,051,093.75
3½ percent, Nov. 15, 1971	46,500,000	43,710,000.00
4 percent, Feb. 15, 1972	21,000,000	19,753,125.00
4 percent, Aug. 15, 1972	33,500,000	31,364,375.00
3½ percent, Nov. 15, 1974	156,700,000	141,715,562.50
4 percent, Feb. 15, 1980	125,550,000	108,243,750.00
3½ percent, Nov. 15, 1980	6,000,000	4,890,000.00
4¼ percent, May 15, 1975–85	47,261,000	40,910,303.13
3¼ percent, May 15, 1985	6,900,000	5,295,750.00
3½ percent, Feb. 15, 1990	38,925,000	29,850,609.38
4¼ percent, Aug. 15, 1987–92	14,000,000	11,716,250.00
4 percent, Feb. 15, 1988–93	6,000,000	4,882,500.00
4⅛ percent, May 15, 1989–94	13,100,000	10,668,312.50
3 percent, Feb. 15, 1995	3,200,000	2,434,000.00
3½ percent, Nov. 15, 1998	31,550,000	24,096,312.50
Total, public issues	792,686,000	715,812,568.76
Agency issues:		
FHLB bonds:		
5⅞ percent, Dec. 20, 1967	15,000,000	15,018,750.00
6 percent, Oct. 26, 1967	26,000,000	26,000,000.00
5⅜ percent, Apr. 25, 1968	25,000,000	24,976,562.50
FNMA debentures:		
5⅞ percent, Sept. 10, 1968	10,000,000	10,012,500.00
6 percent, Dec. 12, 1969	41,500,000	41,551,875.00
5¾ percent, Oct. 13, 1970	20,000,000	19,937,500.00
Total, agency issues	137,500,000	137,497,187.50
MARKETABLES—Continued		
Participation certificates—FALT, FNMA, trustee: 5.20 percent, Jan. 19, 1977	$50,000,000	$46,500,000.00
Total, marketables	980,186,000	899,809,756.26
SPECIALS		
Notes:		
4¾ percent, 1969	146,704,000	
4⅛ percent, 1969	10,257,000	
4⅛ percent, 1970	10,298,000	
4⅛ percent, 1970	10,257,000	
4⅛ percent, 1971	321,044,000	
4¾ percent, 1974	416,402,000	
Bonds:		
4 percent, 1970	185,091,000	
4⅛ percent, 1970	12,812,000	
4 percent, 1971	185,091,000	
4⅛ percent, 1971	23,110,000	
4 percent, 1972	185,091,000	
4⅛ percent, 1972	23,110,000	
4 percent, 1973	185,091,000	
4⅛ percent, 1973	23,110,000	
4 percent, 1974	185,091,000	
4⅛ percent, 1974	23,110,000	
4 percent, 1975	185,091,000	
4⅛ percent, 1975	23,110,000	
4 percent, 1976	185,091,000	
4⅛ percent, 1976	23,110,000	
4 percent, 1977	185,091,000	
4⅛ percent, 1977	23,110,000	
4 percent, 1978	185,091,000	
4⅛ percent, 1978	23,110,000	
4⅛ percent, 1979	208,201,000	
4⅛ percent, 1980	208,201,000	
Total, specials	3,194,875,000	
Grand total	4,175,061,000	

[1] Treasury Department does not maintain administrative accounts for this fund, therefore, book value is not available in the Investments Branch.

[2] Market value based on the closing market bid on Oct. 13, 1967, for agency issues and participation certificates and on the closing market bid on Oct. 19, 1967, for public issues.

HOLDINGS FOR THE RAILROAD RETIREMENT SUPPLEMENTAL ACCOUNT, AS OF OCT. 20, 1967

Securities	Face amount
Specials—Certificates of indebtedness:	
4¾ percent 1968	$5,764,000
5 percent 1968	4,781,000
5⅛ percent 1968	343,000
5¼ percent 1968	1,691,000
Grand total	12,579,000

HOLDINGS FOR THE RAILROAD RETIREMENT HOLDING ACCOUNT, AS OF OCT. 20, 1967

Securities	Face amount
Specials—Certificates of indebtedness:	
4¾ percent 1968	$4,067,000
5 percent 1968	1,064,000
5⅛ percent 1968	78,000
5¼ percent 1968	376,000
Grand total	5,585,000

Mr. WILLIAMS of Delaware. These trust funds are invested 100 percent in obligations of or obligations guaranteed by the U.S. Government. A small percentage of the investment portfolio is in marketable Government securities, whereby the book value can readily be compared with the present-day market values; for example, in the OASI trust fund there are $2.8 billion invested in Government securities which today have a market value of about $2.3 billion, thus representing a paper loss of approximately $500 million.

At the same time this trust fund has $22.5 billion invested in certificates of indebtedness; that is, nonmarketable securities. These securities bear interest from 2⅝ percent up to 5¼ percent with maturities ranging from 1968 through 1980. Since these are nonmarketable securities their depreciation cannot very readily be accurately computed; however, based upon the current price of similar yields the market value as compared to the cost to the fund would show a potential loss of between $2 billion and $2½ billion.

The investments of other trust funds show similar potential losses based upon present-day market values.

It is true that if these bonds are held until maturity they will be paid at face value; however, in approving increased benefits under the social security system which are not currently financed but which will be paid from this trust fund it means that to the extent any redemptions become mandatory to finance these benefits, either the fund or the Treasury Department will absorb an approximate 20-percent loss.

To the extent this portfolio is liquidated to pay current expenditures some-

body has to absorb the difference between the original cost and the present-day markets. This is true of all of the various trust funds which are referred to in the tables included in this report, and this point must be borne in mind by the Senate Finance Committee and the Senate.

Mr. BENNETT. Mr. President, I associate myself with the remarks of the Senator from Delaware [Mr. WILLIAMS], who is my leader in the committee.

I share his concern and will join him and vote against the bill.

I think our action today represents an expression of an attitude of fiscal irresponsibility, particularly in the face of what happened in Britain last weekend.

I was shocked that the Senate, in the face of all that, would have added another billion dollars last night in a move that had not been seriously considered by the committee.

It seems to me that sooner or later we will have to face up to the facts of economic life.

After the President this weekend said he is prepared to move against the deficit, we sat here blithely and increased it.

Mr. President, I cannot join in placing a further burden of inflation on the same elderly people whom the bill is supposed to help.

Mr. HARTKE. Mr. President, I certainly intend to vote for the bill. It is a landmark piece of legislation. It is a real accomplishment for this Congress and an accomplishment in the field of social justice that this Nation can be proud of at this time.

The Senate also owes a deep debt of gratitude to the assistant majority leader, the chairman of the Finance Committee, the junior Senator from Louisiana [Mr. LONG]. He patiently and, sometimes under what appeared to be almost exasperating circumstances, continued to shepherd this bill through heavy waters in the Finance Committee. In an extreme case of dedicated service, he stood on the floor and successfully defended that position and, at times even defended positions which I did not want to have defended.

The Senator from Louisiana was very successful on the floor. I think he should be complimented for his fine work.

I also pay my respects to the ranking minority member, the Senator from Delaware [Mr. WILLIAMS]. He certainly knew his facts and figures. We did agree that what we wanted to do was to have an honest presentation of the differences of opinion. He made that possible.

Our success is also due to the fine work of Wilbur Cohen of the Department of Health, Education, and Welfare, Bob Ball, Robert Myers, Chief Clerk Tom Vail, and others.

In my opinion there are still deficiencies. There is still work to be done in future years. We have still not given enough to these people. We should have given them a minimum of at least $100. We should have increased the amount by 20 percent.

Omitting the changes which took place on the floor, which did not seriously jeopardize this measure, I point out that the bill passed by the Finance Committee will produce a surplus of $2,200 million over the amount needed to be paid out in 1968.

That surplus will increase in 1969 under the Finance Committee bill to $3,600 million. In 1970, it will go to $3,900 million. By 1971, it will go to $6,600 million. In 1972 there will be a surplus of collections of $8,600 million over what is needed to be paid out to these people who receive social security benefits.

If there is anything about the bill that can be criticized in real good conscience, it is the fact that it is overfinanced.

The people who cast aspersions at the actuarial soundness of the social security system, frankly, are filled with emotion and have not looked at the figures. If they take a look at the honest figures as they have been presented in the committee, and at these estimates, they will realize that this is a good program for America.

I congratulate all of those who took part in the action on the bill, and especially those who will vote in favor of it.

Mr. LAUSCHE. Mr. President, yesterday we had before us an amendment proposing the acceptance of the House version of what should be done in this field of social service.

I voted for the acceptance of the Senate version, even though it was 2½ percent higher in cost than the of the House version.

The House bill would result in an added cost of 12.5 percent. The Senate committee bill would result in a 15-percent increase in the cost.

When I voted for the 15-percent increase in cost, I thought that that would be the maximum that would be proposed under the bill. However, we know what happened yesterday. Amendment after amendment was offered, and the cost covering social security and welfare benefit increases amounts to, according to my information, about $1.5 billion.

I voted against those increases. I do so because of the financial problems that are confronting the world.

I said yesterday that this subject of devaluation is one that we are not adequately considering.

I am now, however, faced with the responsibility of either voting for or against the bill. I favored the 15-percent increase. My belief is that the added cost put onto the bill yesterday would bring the cost up to 20 percent.

The question is, shall I vote against the whole item because I am in disagreement with what happened yesterday.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. LONG of Louisiana. Mr. President, I yield 1 minute on the bill to the Senator from Ohio.

The PRESIDING OFFICER. The Senator from Ohio is recognized for 1 additional minute.

Mr. LAUSCHE. Mr. President, I have concluded to vote for the bill anticipating that the House conferees will stand firmly by what they proposed and will strike from the bill all of the increases that they were added yesterday.

The PRESIDING OFFICER. All time has expired, and under the previous unanimous-consent agreement, the senior Senator from Illinois is now recognized.

SOCIAL SECURITY ACT AMENDMENTS OF 1967

The Senate resumed the consideration of the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

Mr. LONG of Louisiana. Mr. President, Senators have been most cooperative in limiting themselves on the debate so we could reach final passage on this bill. However, certain commitments have been made on this side of the aisle—and perhaps on the other side of the aisle—that have not been kept, and I ask unanimous consent that 4 additional minutes be accorded to the manager of the bill and to the minority leader.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Louisiana?

Mr. HICKENLOOPER. Reserving the right to object, I understood that we had an agreement to vote at 11 oclock.

Mr. LONG of Louisiana. I have requested 4 additional minutes on each side.

Mr. HICKENLOOPER. Will it be 4 minutes and 4 minutes and 4 minutes?

Mr. LONG of Louisiana. No.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Louisiana? The Chair hears none, and it is so ordered.

Mr. LONG of Louisiana. Mr. President, the bill which the Senate will pass this morning will directly affect the lives of more people than any legislation we have acted on this year, or are likely to act on next year. We are providing a very substantial benefit increase for the one out of nine Americans who depend upon their social security check each month. We are making hundreds of thousands of people eligible for social security benefits by reducing retirement age to 60 and by protecting disabled widows and widowers. We are making several improvements in the coverage provisions of the program, and we are making many other changes designed to improve and simplify the social security program, including the medicare provisions.

Perhaps the most significant provisions in the bill, however, are those which would set us on a new road for dealing with the problems in the public assistance programs. The work-incentive program which this bill would establish will, I believe, turn out to be the most far-reaching and significant part of the bill we approve today.

I urge that the welfare workers who serve the recipients under the AFDC program examine these provisions in detail and make every effort to implement them for the benefit of all people dependent upon the AFDC program, but most especially for the children in those families.

The bill will restore fiscal responsibility to the medicaid program. It will also provide many important improvements in the way care under that program is delivered and financed. I believe that many older people who must spend their days in the Nation's nursing homes will find their lot much improved as these provisions take effect.

We have made important improvements in the child welfare provisions of the law—increasing Federal responsibility in this area with special emphasis on day care and foster care of minor children.

We are improving the child health provisions of present law, putting more emphasis on the State role in this program, and assuring that the poor would also have family planning services available to them. In terms of money alone, this is a monumental bill. It will provide benefits and services which will total about $6.7 billion in a full year of operation. The great bulk of these benefits will be financed out of our social security and medicare trust funds. Some will be financed out of general revenue. When I made my opening statement on the Finance Committee bill on November 15, I stated:

> All in all, this bill must rank with the greatest of the social security bills ever placed before the Senate. It proves once again that the Social Security Act is dynamic legislation geared responsibly to its clients—the people of the United States.

Mr. President, that statement is equally true of the bill we vote upon today. Senators have conducted themselves responsibly and with great humanity in the consideration of the many amendments offered to the bill. We take to conference a bill which we all can be proud of. I am hopeful we will be able to prevail on many of the new ideas which we have brought forth in this legislation.

I would like to take just a moment to advise the Senate of the cost of the bill we are acting on. The Senate added benefits totaling over $1 billion in the first full year of operation. This is in addition to the benefits provided under the bill we reported from the Committee on Finance. Of this $700 million is attributable to the old-age survivors disability and hospital insurance program, and a large part of the $700 million relates to the Bayh amendment which would increase the earnings exemption for retired workers to $2,400 per year.

We added $60 million of foster care to the bill. By requiring States to have welfare programs for their unemployed parents we increased the Federal commitment under the welfare program by an additional $60 million a year.

The Prouty amendment, to prevent veterans from losing their veterans benefits because of the social security increases, adds another $90 million to the cost.

Finally, the amendment providing more generous tax benefits for aged persons who incur medical expenses added another $110 million.

Whereas, the bill reported by the committee provided new benefits, totaling $5.6 billion in the first full year of operation, the bill as it now stands involves nearly $6.7 billion.

If one looks at the 1969 impact of our bill rather than the first-full-year impact, he will find that the total cost of the new benefits provided by the Senate bill exceed $7.2 billion.

Mr. President, I ask unanimous consent that a memorandum reflecting the costs of various provisions the Senate added to the committee bill and a table comparing the trust fund contribution income and benefit outgo of the House bill and the Senate bill with the existing law be printed at this point in the RECORD.

There being no objection, the memorandum was ordered to be printed in the RECORD, as follows:

MEMORANDUM

NOVEMBER 22, 1967.

From: Robert J. Myers, Chief Actuary, Social Security Administration.

Subject: Summary of cost effects of social security amendments adopted on Senate floor.

This memorandum will summarize the cost effects of the amendments to the Social Security program that were adopted on the Senate floor during the debate on H.R. 12080. The cost changes will be given in relation to the cost of the Finance Committee Bill.

A. AMENDMENTS TO OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM

The following amendments were adopted that have a significant cost effect:

(1) *Nelson Amendment.* Mother's and wife's benefits would continue after the last eligible child has attained age 18 (or is disabled) if such child is in secondary school. The estimated level-cost of this amendment is .01% of taxable payroll. The increased benefit outgo as a result of this change is estimated at $20 million in 1968 and $40 million in 1969.

(2) *Hartke Amendment.* This amendment modifies the original amendment of Senator Hartke that provides special disability benefits for persons who meet the definition of industrial blindness. The modification permits payment of these benefits even though the individual engages in substantial employment. The long-range level-cost of the program is increased by .01% of taxable payroll as a result of this amendment. There is no cost effect for 1968 because the effective date is December 1968. Benefit outgo for 1969 would be increased by about $15 million by this change.

(3) *Bayh Amendment.* This amendment increases, effective for 1968, the annual exempt amount in the earnings (or retire-

ment) test to $2,400 (as compared with the figures of $1,680 in 1968 and $2,000 in 1969 and after in the Finance Committee Bill). A corresponding change would be made in the monthly test; the "1-for-2" band would be retained at $1,200 above the annual exempt amount. The long-range cost would be increased by .17% of taxable payroll. The increased benefit outgo in 1968 is estimated at about $600 million, while the corresponding figure for 1969 is about $450 million.

(4) *Metcalf Amendment.* This amendment eliminated the more detailed definition of disability contained in the Finance Committee Bill, including the special definition for the newly-added disabled widow's benefits. No increase in cost is included for this change, although it is recognized that there is a much greater likelihood that the experience actually developing will exceed the intermediate-cost estimate, especially as to disabled widow's benefits.

Summarizing the long-range cost effects, the increased level-cost is .19% of taxable payroll. When this is added to the actuarial balance of —.10% of taxable payroll for the system as it would be modified by the Finance Committee Bill, the result is an actuarial balance of —.29% of taxable payroll. This is well beyond the limit of —.10% of taxable payroll that has been established as a measurement of actuarial soundness.

B. AMENDMENTS TO HOSPITAL INSURANCE SYSTEM

The only amendment adopted that has a significant cost effect is that proposed by Senator Miller. This amendment, effective July 1, 1968, would provide for reimbursement to hospitals and extended care facilities to be on the basis of average per diem costs for persons of all ages (rather than on the basis of actual costs for beneficiaries aged 65 and over). In addition, the legislative history indicated the present 2% increase-factor for otherwise unrecognized costs (1½% for proprietary institutions) would be discontinued. The net cost effect is an increase in the estimated level-cost of the program amounting to .07% of taxable payroll. In 1968, the increased cost would be about $100 million with respect to insured persons and $15 million with respect to noninsured persons, while in 1969 the corresponding figures are $220 million and $30 million, respectively.

The actuarial balance of the HI system under the Senate Finance Committee Bill was estimated at +.11% of taxable payroll. Accordingly, the actuarial balance of the HI program as it would be under the Senate-approved bill would be +.04% of taxable payroll, and so the system would be in an actuarially-sound position.

C. AMENDMENTS TO SUPPLEMENTARY MEDICAL INSURANCE SYSTEM

No amendments were adopted that would have a significant cost effect.

D. OASDHI INCOME-OUTGO DATA FOR 1968–69

The following table compares the contribution income and benefit outgo for the combined OASDI and HI systems (both of which are financed by payroll taxes) for 1968 and 1969 (in billions):

Calendar year	Contribution income	Benefit outgo	Excess of income over outgo
1968	$31.2	$29.7	$1.5
1969	36.3	33.4	2.9

ROBERT J. MYERS.

Mr. STENNIS. Mr. President, I commend the Senator from Louisiana for the manner in which he has handled this bill.

I had hoped very much that I could support a social security bill and that I could support the present one. I would support it, except that, as I understand, the House bill provides for $3.2 billion, the Senate committee bill provides, in round numbers, for $6.3 billion, and the bill as amended on the Senate floor provides for $7.8 billion.

Furthermore, Mr. President, no one has a calculation that is considered to be accurate or nearly accurate with reference to the items which have been added to the bill on the Senate floor. The Senate has a duty to retired people, present and future, to protect the retirement system and keep it sound.

I believe that if this situation continues, those who look forward to their retirement benefits, those who will retire 20 years from now, may have a sore disappointment, because the funds will not be there.

I believe we should stop, look, and listen again, before we pass this bill. If it does pass, I hope that a bill will come back from the committee on conference which I can support, one that in my view would be far better for the beneficiaries and for the country, and one that is sound in fiscal responsibility and integrity. If such a bill is presented by the Senate conferees, I shall certainly support it.

Under the circumstances, I am compelled to oppose the bill in its present form.

Mr. HICKENLOOPER. Mr. President, will the Senator yield?

Mr. STENNIS. I yield.

Mr. HICKENLOOPER. Mr. President, instead of repeating what the Senator from Mississippi has said, I should like to associate myself with his expression.

We are on a most dangerous and disastrous course, if we continue with this irresponsible addition, as we did yesterday, adding $1 billion to the bill.

Mr. STENNIS. I thank the Senator.

Mr. RIBICOFF. Mr. President, this is an historical occasion. The bill upon which we are about to vote provides the largest increase in social security benefits since the inception of the system. It provides new and better directions in our welfare programs. It will help children of America, the old, the aged, and the disabled.

It provides new directions in bringing dignity to the poor, the destitute, and the unemployed.

I want at this time to compliment the chairman of the Finance Committee for his brilliant handling of this bill, both in committee and on the Senate floor.

It is not only one of the most important bills the Senate has conisdered, it is easily the most complex. Under the guidance and leadership of Chairman LONG, the Senate has considered and adopted over 100 amendments to the House-passed bill. Throughout its consideration, he has shown great understanding, patience, and consideration. This social security bill is, indeed, landmark legislation.

Mr. THURMOND. Mr. President, I am compelled to vote against the pending bill, H.R. 12080, on final passage. The bill, in its present form, is unreasonable and unacceptable from many viewpoints. I want to discuss the major problem, as I see it, with the bill as it now stands.

My primary concern with the bill is that it is an attempt to do too much in one fell swoop with apparently little or no regard for the long-range consequences of what is proposed. Certainly, every Member of the Senate is well aware of the need to increase social security benefits to offset the steadily declining purchasing power of the dollar. I strongly favor an increase in social security benefits and was pleased to vote for the level of increases that was contained in the bill as it was passed by the House of Representatives.

Everyone must also be aware of the fact that when benefits are increased, taxes must be increased to pay for the increased benefits. I support the step increases in taxes proposed in the House version of the bill. It is this particular difference in the two versions of the bill that causes me to oppose the measure as it is now pending for final passage. Both the benefit increases and tax increases proposed in the bill as it was adopted by the House of Representatives are more realistic and provide more flexibility for later improvements, financed by the present method, than the pending version. I am not contending that there will not be increases in social security benefits in the future if the pending version of the bill is adopted. I am saying that when benefits are increased in the future, as we all know they will be, it will be exceedingly difficult to finance the increases other than out of general revenues. When normal old-age, survivors, and disability benefits are once financed out of general revenues, the character of the social security system will have been forever destroyed. It will then be impossible to resist further attempts to expand benefits and to finance them out of general revenues rather than out of the trust fund established for the purpose.

H.R. 12080, as it is now drafted, increases both the tax rate and the wage base to the maximum which most experts consider feasible for such a regressive tax as this one unquestionably is. Under the present law the wage base—the maximum amount of wages or self-employed earnings subject to the tax—remains at $6,600 a year. Under present law the employee tax rate will ultimately go up to 4.9 percent in 1969, to 5.4 percent in 1973, to 5.45 percent in 1976, to 5.55 percent in 1980, and to 5.65 percent in 1987.

Under H.R. 12080, as passed by the House of Representatives, the tax rate is increased over the present law. Under the House bill, the employee rate is increased to 4.8 percent for 1969, to 5.2 percent for 1971, to 5.65 percent in 1973, to 5.7 percent in 1976, to 5.8 percent in 1980, and to 5.9 percent in 1987. The wage base is increased to $7,600 for 1968 and thereafter.

Under the bill now pending before the Senate, the tax rate will be the same as the House-passed bill up to 1980 but the wage base is greatly increased. The wage base will be $8,000 in 1968, $8,800 in 1969, and $10,800 in 1972.

Under existing law the maximum in employee tax which will be reached in 1987 amounts to $372.90 annually. Under the provisions of H.R. 12080, as passed by the House, the maximum employee tax which will be reached in 1987 amounts

to $448.40, and the maximum employee tax under the Senate version of the bill, which will be reached in 1980, amounts to $626.40. Similar burdens are carried by employers, and a proportionate increase will follow upon the self-employed.

It is obvious, then, that under the version of this bill, as it is pending before the Senate now, the saturation point has been reached insofar as the possibility of increasing taxes to finance future benefit increases are concerned. I am concerned that the only alternative will be to finance future benefit increases out of general revenue.

In addition to this point, I am concerned that this bill goes a long way toward overloading the social security system to the point that the benefits that future generations will be entitled to will be placed in jeopardy. The first concern of Congress must be to protect the solvency of the social security fund so that the thousands who retired each year will have no concern about their benefits being paid when due.

Mr. President, the Greenville News of Greenville, S.C., published an outstanding editorial on this bill in its edition of Wednesday, November 15. I ask unanimous consent that this editorial, entitled "Senate Social Security Bill Is Big Fraud," be printed in the CONGRESSIONAL RECORD at the conclusion of these remarks.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

SENATE SOCIAL SECURITY BILL IS BIG FRAUD

The Senate gets to work this week on the expanded Social Security bill, which its Finance Committee has turned into a monstrous vote-buying fraud.

As reported out with amendments by the Committee, the bill would provide huge increases in Social Security payments to elderly people early next year. The equally-large or larger tax increases necessary to finance the benefits won't take effect, however, until just after the national elections next November.

The Democrats who control the Senate by a whopping margin can be expected to ram this bill through without major changes. Since it has the endorsement of the Johnson administration, it probably will prevail in the conference committee named to iron out differences between it and the more honest House bill.

There are many things wrong with the Senate bill. The chief thing is the political immorality involved in its fraudulent nature. The fraud works like this:

Approximately 24,000,000 elderly people will get Social Security increases almost immediately. The Senate bill's increases are higher than those voted by the House. Thus the 24,000,000 beneficiaries naturally can be expected to favor the incumbent administration, Congressmen and Senators with their votes next November. After all, who votes against Santa Claus?

Those who must pay for the increased benefits, the millions of workers and businesses, won't feel the bite in their paychecks and profits, however, until after the voting is over. But then they will get it full force, and will continue getting it, heavier and heavier, for the next five years.

The Senate bill will drastically raise the Social Security tax on most workers and all employers by raising the taxable base. It is now $6,600 a year. It will go to $8,000 next year—with most workers not feeling the increased tax scale until after the election. Then in 1969 the tax base will jump to $8,800. In 1974 it will go to $10,800.

Meanwhile, the tax rate on those earned dollars will rise gradually from the present 4.4 per cent on both worker and employer to 5.65 per cent on each by 1974.

In terms of dollars and cents, the maximums on both workers and employers will rise from the present $290.40 a year to $352 next year, $422.40 in 1965 and $610.20 in 1974. The latter figure is more than double the present maximum rate.

The Senate bill is the biggest and costliest Social Security increase in history—with tremendous built-in inflationary pressures. Inevitably it will cause two things:

—Increased prices resulting from increased costs, thus wiping out the "gains" for the elderly "beneficiaries" of Social Security.

—Further hardship on marginal or unskilled workers, who will lose jobs as businesses and industries lay them off in frantic efforts to cut costs. This alarming trend already has been noted as a result of raising the minimum wage scales. The Social Security employment tax increase will speed it drastically, and may cause more poverty than it cures.

In addition the loss of "take-home" pay by millions of productive workers is another blow to the stability of the American middle class, or working class, which already is carrying an unjustly large part of the tax burden. Coupled with the administration's proposed income tax surcharge, it could be a financial disaster for many families already having to borrow money to meet rising costs of feeding, housing, clothing and educating their children.

Going beyond the hardships imposed on taxpayers, the Senate bill moves the Social Security system still closer to the danger of overloading. Sound fiscal experts long have been pointing out that costly "benefits" can make the system so burdensome it will collapse. Now even some liberal spenders are coming around to this view.

One of them, Wilbur Cohen, regarded as the "architect" of Social Security and an exponent of many Great Society programs, expressed some alarm about this in congressional hearings some months ago.

He is coming around to the view that soon the Social Security system must be divorced from the employment tax structure and financed, either partially or completely, by general tax funds. This, of course, would cost as much, or more, and would end the already-discredited illusion that Social Security is a form of insurance and that workers have vested interests in it.

A great many workers will discover in the months and years ahead that their "vested interests" in Social Security exist only at the whim of Congress—and that there are "vested liabilities" as well.

The Senate bill is clear proof that the politicians still regard the average American worker and taxpayer as an uninformed "sucker" who can be fooled by a policy of giving benefits now and taxing them later to pay for it.

It will be interesting to see how individual Senators debate the issue and how they vote on the important tax angles involved in this measure. It will be interesting to see, too, whether the taxpayers will wake up when their Social Security deductions, from which many of them will never benefit, just about equal their federal income taxes, before imposition of the surtax anyway.

Mr. YARBOROUGH. Mr. President, I wholeheartedly support H.R. 12080, the Social Security Amendments of 1967. This bill will be a major landmark in the 30-year history of social security legislation. Over 95 million insured American workers support this program with their contributions, and more than 23 million aged, disabled, widowed, and orphaned Americans depend on their social security benefits for the very essentials of their existence. This bill clearly states to them that we are aware of the need to keep this vital and basic program of the American people up to date in its provisions and effectiveness.

Since the last benefit increase, there has been a drastic erosion of the purchasing power of benefits. This bill will do more than simply restore that erosion. H.R. 12080 takes a firm step toward moving the Nation's basic program for income maintenance closer to the level required in the growing economy of our very prosperous country.

As the wealth of our country has increased, the plight of our elderly has worsened. Many of our older citizens are retiring each year—and many are forced to retire because of their age—into a state of poverty for the remainder of their lives. Estimates of the number of elderly poor are as high as 7 million persons.

One large reason for this is the current inadequacy of our social security program. Over half of the persons retired depend solely on social security benefits, and they are the major source of income for the vast majority of the other half. Those benefits last year average $84 a month for each individual—barely $1,000 for a person to live on for a year. In my own State, which as a low wage State has penalized its fine workers, the benefits averaged $64.31 each month, or only $770 per year.

Increased benefits are our greatest immediate need. That one measure can affect more people who are impoverished than any other piece of legislation we have passed. The benefits in this new bill would raise 2.1 million persons out of the definition of poor into a status where they would have a chance to keep their self-respect. And these recipients have earned that right because the contributions from the salaries they have earned have financed their benefits.

These increased benefits would also lessen the general welfare burden. Social security benefits have been so meager that many recipients must depend on old-age assistance. These new benefits will take 200,000 persons off of those rolls. The new minimum level for benefits will still be only $70 a month. No rich gravy will drip from a recipients lips on $840 a year. This raise is certainly not an unjustified cost.

Even in my home area of east Texas, where the living is easier and the prices lower than in many parts of our Nation, there will not be any turkey and dressing for the old folks tomorrow.

These are hard-working people who retired from a productive and useful job, or laid down their plows, to take a well-earned rest; instead, they find themselves living the bleakest sort of shoestring existence. These old people will not enjoy Thanksgiving tomorrow—with fine hams, a fat turkey, lots of good fruit cake and pie and all the trimmings—thousands of men and women over 65 in my State are going to dine on corn bread, and beans, and rice and chicken necks. These are some of the finest men and women to inhabit the earth, but what have they got to be thankful for if we turn our backs on them? We must

approve this bill, and we must do all in our power to see that our view prevails in conference committee meetings, with Members of the House. I would hate to have to eat for a month on the present minimum level of $44, much less feed a family, pay rent, buy clothes, and pay drug bills.

Our system can certainly support such an increase, for it is fiscally sound. There has been a great deal of misunderstanding about the actuarial soundness of social security. Our elderly citizens have been caused unneeded apprehension by misrepresentations in scare articles that periodically appear in magazines. For example, the National Council of Senior Citizens informed me that an article in the October Reader's Digest caused great and unnecessary alarm.

But the facts are clear. The system, under the present law, will provide an estimated surplus of revenue over benefits of $4.1 billion for 1968. No one need fear that he will not receive his full benefits, or that our system cannot withstand this new expansion.

The system would be sounder with an eventual and gradual change to general revenue financing. The tax on payrolls has been so regressive that many of our low-income workers pay more now in social security taxes than they do in income taxes. And as we provide necessary benefits to those who cannot contribute through payroll deductions—for example, the blind and the disabled—general revenue financing becomes a far more equitable means of raising revenue. To establish a really solid floor of protection for our elderly citizens we need to be fair to our productive employees and share the responsibility for finance through general revenue.

But as long as we continue to finance through payroll deductions, a provision was needed to increase the earnings and contributions base. A level of $10,800 would mean that easily 90 percent of our employees would receive benefits based on everything they earn. When social security was initiated, this was intended, but the growth in workers' incomes has left a severe gap in comprehensiveness that must be closed. This provision would mean, for a man of 50, an increase of at least 40 percent in his benefits by the time he retires.

A cost-of-living provision would also all to the soundness of the system by protecting recipients against inflation. The last two increases in benefits that were enacted barely kept our elderly on even ground. When they must live out their lives dependent on social security payments, they can be irreparably crippled by a loss of purchasing power due to inflation. With a built-in cost-of-living provision, the benefits would respond to increases shown in the Consumer Price Index.

The raise in minimum benefits will help all those who are affected by social security or old-age assistance. They were needed to keep our system of social security true to its purpose and responsible to our citizens who ask only that they be able to live out their lives in self-respect.

This significant new bill also includes several amendments relating to public assistance which are a substantial contribution. Coercive aspects have been struck from the House version, particularly as they relate to unemployed mothers, and fathers of dependent children. Schemes for compulsion are not a constructive prospect for public assistance and were rightly struck. Punitive provisions would have been used by many to degrade and demean recipients.

More important, they would continue to weaken our family strength in America. Before these amendments, provisions would have punished unemployed fathers who wanted to live with their families, and would have penalized mothers who wanted to care for their children rather than work. Under this bill, employment, where it is desirable, would be encouraged through positive training programs and work incentives, not compelled through force.

Another provision added by the Senate would provide a constructive means by which welfare recipients can be given needed employment, thus enabling them to get off the welfare rolls. We all know of the critical shortage of social workers and others needed to provide vital services to the poor. We also realize the quantity of services needed. By hiring welfare recipients as subprofessional aides to work on their own problems, we increase the number of persons providing services; we increase the quantity of services provided; we utilize persons who will be most sensitive and responsive to the psychology of the poor; we enable the unemployed to learn a highly transferrable skill; and we provide a constructive and honorable encouragement to many currently on welfare to seek employment.

My enthusiasm for the improvements in social security that would be made by H.R. 12080 is quite obvious. Without detracting from the great value of the bill or from my enthusiasm for it, I would point out that one provision needed under the social security laws is again omitted from the bill. A large group of workers who need to benefit more fully from the social security improvements in the bill are our farm employees.

Many farmworkers have only short-term employment, scattered among several farms, and, because they get relatively low pay, their earnings are not creditable under social security. This happens because the amount earned from any one employer is not enough to meet the farmworker coverage test in present law. We will eventually correct this deficiency.

In summary, the bill provides vitally needed increases in benefits to our retired citizens. And it does it in a way to insure continued fiscal soundness and responsibility. The system provides that those on welfare will not be degraded or demeaned and, in fact, this bill will take many persons out of the definition of poverty and off the old-age assistance rolls. The result of this bill will be that our elderly citizens, who have contributed so much as wage earners and productive citizens, will be given a better chance to live out their retired years with a fair measure of dignity and self-respect.

Mr. KENNEDY of Massachusetts. Mr. President, this bill is landmark legislation. The increase in social security benefits, the largest ever voted, will immediately raise more than 1.5 million senior citizens above poverty level, for the first time. It will mean that more than 200,000 seniors will be taken off the public assistance rolls.

But the raised benefits and broadened coverage of this bill do more than change the lives of the poorest of our senior citizens. The bill will also have an immediate effect on the lives of millions of other Americans—as there are now 23 million Americans receiving benefits under the various provisions of the Social Security Act. As examples, 92 out of every 100 people now reaching age 65 have retirement protection; 87 out of every 100 persons age 25–64 have disability protection; and 95 out of every 100 children and their mothers have survivor protection.

As an example of the wide-ranging nature of the benefit increases, under present law a retired couple's social security benefits, if the average monthly earnings had been $450, is $219. The Senate bill would raise this monthly benefit to $251.90. It would increase the minimum benefit, for a couple, from $66 to $105.

Just as the bill has great importance for all Americans, it has importance to those citizens of Massachusetts who receive benefits under the various provisions of the Social Security Act. The statistics on the number of recipients in Massachusetts give some idea of how great the involvement of social security is in the lives of the people of Massachusetts: 49,700 people receive old-age assistance; 2,300 people receive aid for the blind; 13,300 individuals receive aid for the permanently and totally disabled; 31,900 families with 90,000 children receive aid to families with dependent children; 650 families with 2,500 children receive aid to families with dependent children because one or more of the parents were unemployed; 16,800 individuals receive general assistance; and 2,623 individuals receive work experience and training, which means a great reduction in public assistance expenditures.

I would point out that these figures reflected the status of the programs in May of 1967, but that they are accurate reflections of the extent of overall activity today.

There are a number of provisions in this bill about which I am particularly pleased. One of these is in section 243c, which requires that States establish programs for licensing the administrators of nursing homes if they are to receive title 19 medicaid assistance. This amendment is an outgrowth of a bill I introduced in the 89th Congress, which was the result of extensive investigations we in the Senate Special Committee on Aging made in 1965. In those hearings, we uncovered many abuses in the field; we also learned that the vast majority of the nursing home industry is responsible and concerned. The amendment which appears as section 243c was worked out in consultations between myself, the American Nursing Home Association, and

the Department of Health, Education, and Welfare. It is a major step forward in our fight to bring the highest quality of medical care to all our citizens.

As chairman of the Subcommittee on Federal, State, and Community Services of the Special Committee on Aging, I am especially interested in another of the provisions of the bill, one which has not received as much attention as some of the other provisions. It is section 212, which begins at line 20, page 302. This section would permit the purchase of such services as homemaker or rehabilitation services for elderly recipients of public assistance .

The need for such an amendment to our welfare statutes was indicated in a study and hearing conducted by the Services Subcommittee in late 1965 and early 1966. We found that one impediment to the development of services needed by older public assistance recipients was the prohibition in the Public Welfare Amendments of 1962 against the purchase of certain services, such as homemaker services, from nongovernmental sources. We found that, consequently, the State or local welfare agency that wishes to provide a particular type of service to its elderly public assistance clients must either purchase the service from another Government agency, or create its own organization for doing so, even though there is already in existence a competent nongovernmental organization which is rendering the service for a charge.

Where there are insufficient numbers of clients needing such a service to make a public service agency economically feasible, this can mean that the welfare agency must face the dilemma of either refusing to provide the service, no matter how much it might be needed, or providing it at an exorbitant cost.

To solve this problem, our subcommittee recommended that public welfare agencies be permitted to purchase services from private service organizations, when it is most efficient and economical to do so. It is a source of great personal satisfaction to me to see in the bill a provision which would accomplish this desirable objective. If it becomes law, it will enable our State and local welfare agencies to render more and better services to the elderly on public assistance at less cost.

Another amendment, which appears as section 124a, would permit the Secretary of Health, Education, and Welfare to terminate the social security coverage of employees of the Massachusetts Turnpike Authority at the end of any calendar quarter following the filing of notice as required by section 218(g)(i) of the Social Security Act.

This amendment to existing law is the product of amendment No. 423, which I introduced on October 25, 1967, and certain changes suggested during consultations among representatives of Health, Education, and Welfare, the Finance Committee staff, and myself. It is very important to the 950 employees of the Massachusetts Turnpike Authority, and for that reason I was glad to introduce it when it became apparent that only legislation could bring the benefits of the new State retirement system to these employees without imposing a harsh double payroll tax on them for 2 years.

The three provisions I have just mentioned were included in the committee bill. Yesterday, I introduced an amendment on the floor, a modified version of my amendment No. 459, which was accepted by the Senate. It would require the Secretary of Labor to carry out a year-long study of the feasibility of family and child allowances, reporting back to the President and the Congress on January 15, 1969. This can be a very important study for the future of American society, and I sincerely hope that the House conferees will accept it.

Let me close by saying how pleased I am that the Senate has so overwhelmingly accepted the increases provided in this bill. We are a country of uncounted wealth, and we should simply not tolerate those among us who are too old, too young, or too weak, having to live their lives in want and despair. This social security bill is one way their lives can be improved, and I think it is a profound step forward.

Mr. MOSS. Mr. President, the measure we will pass here today in the Senate is indeed landmark legislation. The improvements it makes in the social security system are the most far reaching and realistic we have adopted in many years. The bill fully recognizes the exigencies of the times in which we live, and comes closer to meeting the needs of our elderly, our disabled, our families with dependent children, and all American citizens who must depend on welfare, than any amendments we have passed since the original social security bill was adopted in 1935. I commend the members of the Finance Committee for the painstaking work they have done, and for the sound and comprehensive measure they sent to the floor.

The amendments provide for a 15-percent across-the-board increase in social security benefits. This will mean the difference between simply existing and having a few more of the necessities of life to many of our elderly. There is no doubt that the present level of social security payments is inadequate. The cost of living has gone up considerably since the payment level was established, and many of our old people are suffering. Social security payments to some are as low as $44 a month. Many people have tried to save during their earning years to supplement their social security benefits, but most older people have precious little. Certainly, no one can be expected to live on $44 a month on today's market. The bill we are now considering would provide for a minimum social security benefit of $70 a month—a small raise in terms of dollars, but one which could provide for a couple of extra bags of groceries, or some urgently needed medicine.

The committee has shown its high level of responsibility by fully increasing social security withholding taxes to cover the cost of the raise in benefits, and to keep the social security trust fund on an actuarily sound basis. Many people seem to believe that the country is going into the red to make these extra social security payments. This, of course, is not true. The increase in social security taxes—a gradual increase over several years—will fully cover the cost of the new benefits. I am sorry there has to be any social security tax increase at all, but those who are working now will find that the increases in benefits are most welcome to them when they retire, and will get back the money they have paid into the system within a few years.

I am very much gratified that the level of social security payments adopted by the Finance Committee was the one I recommended in testimony before them. I felt that the House-recommended figure of a raise of 12½ percent was not adequate and that we could well afford the few extra dollars which the 15-percent increase would provide. I urge the Senate conferees to stand firm for this amount in the House-Senate conference committee.

I am also gratified that one other amendment which I suggested to the committee has been adopted. That is my amendment which deals with long-term care, and particularly nursing home care, provided to the aged under title XIX of the Social Security Act. The need for it became apparent in hearings I have held as chairman of the Subcommittee on Long-Term Care of the Senate Special Committee on Aging and in other studies done by the subcommittee.

This amendment provides increased assistance to the elderly who must stay in nursing homes for treatment and care. A substantial part of the amendment was adopted by the committee, and it was strengthened by the inclusion of the reasonable cost feature in the floor amendment offered by the Senator from Iowa [Mr. MILLER] and adopted during the debate on the bill. I also urge the Senate conferees to make every effort to have the House agree to this amendment—only time will prove how very substantially we can use its provisions to help our elderly sick welfare patients who are in nursing homes, and how much more equitably and fairly we can deal with the nursing home proprietors who take these elderly patients into their care.

The measure before us has my strong support, Mr. President, and again I compliment the committee on a job well done.

Mr. KUCHEL. Mr. President, on behalf of the Senator from Vermont [Mr. PROUTY] who is necessarily absent, I ask unanimous consent to have printed in the RECORD a statement prepared by him.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR PROUTY

Last week in my opening speech I commended the Finance Committee for its efforts and applauded the result of its work—the Social Security Amendments of 1967. Today I would like to reiterate my praise for all members of the Senate Finance Committee from both sides of the aisle who labored long and diligently to produce legislation of such superior quality.

I am particularly grateful to the distinguished Senator from Louisiana, Mr. Long, for his fair and bipartisan conduct of the

debate. The Senator from Louisiana while justifiably proud of the bill his Committee produced, was nevertheless always open to suggestions for improving it. In fact, he accepted several important changes, among which was an amendment I offered allowing veterans to benefit from Social Security increases.

Mr. President, all of us in this body can take pride in the Social Security Amendments of 1967. The provisions contained in these amendments, when enacted into law, will alleviate hardship and suffering among millions of older Americans. This bill will be viewed by our senior citizens as a renewed pledge of commitment to the goal of securing adequate benefits for them during their retirement years.

The debate over the Social Security amendments and the amendments themselves are of historical importance as well as being significant and laudable. I say this for three reasons.

First, Mr. President, we have for the first time in many years provided not only for large across-the-board benefit increases, but we have also substantially increased the minimum base of benefits. I might point out, Mr. President, that the inclusion of these provisions is especially gratifying to me since I have advocated similar action since 1961. In fact, the only difference between bills which I have offered since 1964 and the present bill is that my proposal granted beneficiaries in the lower social security income brackets ($100 and under) proportionately larger increases than those in the higher brackets.

Second, Mr. President, the Finance Committee has demonstrated increased concern for individuals who reached retirement age before their occupations were covered by social security, and who, therefore, have no social security coverage. The precedent for increasing coverage toward universality by "blanketing-in" individuals not, now eligible for benefits was estabilshed last year when my amendment extending benefits to retired individuals over age 72 was adopted by the Senate. I was pleased that the Committee not only retained these benefits but acted to increase the amount of benefits.

Third, Mr. President, two matters of vital importance were discussed during the course of the debate on the Social Security Amendments. I refer now to the fact that social security is at present over-financed and to the related issue of financing through the use of general revenues.

In our recognition and concern over the fact that at our present rate of taxation, the Social Security Trust Fund is overfinanced, the distinguished Senator from Louisiana, Mr. Long, and I stand close together. Senator Long agreed with my position the other day when he said:

"Our bill does not underfinance it. If we are subject to any criticism, it would be that of the Senator from Vermont that we are putting too much in; not too little."

Using the recognized indisputable fact that a surplus presently exists in the Social Security Trust Fund as a starting point, I argued that taxes need not be raised a substantial amount in the near future. While the Senator from Louisiana did not concur with this aspect of my reasoning, he kindly gave me an opportunity to enunciate my position.

Although my amendment which would have retained the present rate of taxation and provided for financing out of general revenues in case of deficit in the trust fund garnered only six votes, I felt that it succeeded in another important respect. As a result of the debate on my amendment, a public debate on the question of partial general revenue financing for social security was opened.

Some individuals have asserted and will continue to assert that general revenue financing would mean the destruction of the social security system. I believe that nothing could be further from the truth. As the distinguished Senior Senator from Delaware, Mr. Williams, has pointed out, we must be prepared to pay for any social security benefits which we enact. I for one believe that paying for these benefits out of general revenues is, over the long run, a more equitable and realistic method of financing. I am certain that in the years to come, more and more Senators will come around to my way of thinking as they did with regard to the $70 minimum benefit.

Despite many improvements in the Social Security law, *all* inequities have not been removed, nor have *all* necessary improvements been made. I was disappointed that several of my amendments were not accepted.

Mr. President, the bill we pass today is, I think, a very good one. Basically, it is the fine work of the Committee on Finance, under the able leadership of the Senator from Louisiana

The membership of that Committee certainly deserves the thanks of the American people for having reported to the Senate such a fine bill. Their work certainly deserves our support.

All of us in this body will be able to take pride in our accomplishments in the field of Social Security if we enact this bill into law. We can be proud that we have done something for many deserving older Americans. But, even more important, we can take pride in the fact that through constructive action and debate we have laid the foundation—perhaps even built a framework for future action.

Again, I congratulate the Finance Committee for its work and pledge my support to the bill.

Mr. BYRD of West Virginia. Mr. President, I have just been advised that our colleague, Senator McGOVERN, of South Dakota, will be unable to vote on final passage of H.R. 12080, the Social Security Amendments of 1967, because his flight into the city this morning has been delayed by inclement weather. He will be announced in favor.

I think it is appropriate to make reference at this time to Senator McGOVERN's diligent efforts on behalf of the bill and a number of its specific provisions—in particular the increase in the amount a social security recipient may earn without having his payments reduced.

Mr. McGOVERN is author of both a separate bill and an amendment to H.R. 12080 to remove the outside earnings limitation completely. The committee raised it from $1,680 in the House bill—compared to $1,500 under existing law—to $2,000, and the Senate last night adopted an amendment offered by Senator BAYH to move it up to $2,400. The energies and persuasive arguments that Senator McGOVERN has advanced on behalf of this change have unquestionably been a significant factor in its accomplishment.

AFDC CASE OPENINGS

Mr. President, much has been said during the past 2 days about men being forced to desert in order to qualify their families for public assistance.

While one cannot say with assurance that this has never happened or that it does not happen or that it will not happen in the future, I doubt that the true facts, nationwide, would substantiate that the situation is as bad as some people maintain. The Subcommittee on Appropriations for the District of Columbia, of which I am chairman, annually goes into the mater pretty thoroughly, and insofar as the District of Columbia is concerned, the record will show that the number of AFDC case openings based on the absence of a parent has been steadily going downward over the past 10 years.

For example, case openings based on the absence of a parent—due to leaving home and stopping or reducing support and as a result of death or incarceration—have dropped from 52.6 percent of the openings in 1956 to 25.6 percent in 1967.

Case openings due to absence of parents—excluding death—dropped from 50.1 percent in 1956 to 24.3 percent in 1967.

The true picture, of course, is best gleaned from the statistics based on case openings because of the absence of a parent due to his leaving home and stopping or reducing support—with incarceration and death excluded. These statics have not been kept by the Department of Welfare in the District of Columbia prior to fiscal year 1966. However, the record shows that only 22.9 percent of the AFDC case openings in fiscal year 1966 were based on the absence of a parent—excluding incarceration and death—and this figure dropped to 18.9 percent for fiscal year 1967.

Even in those cases where the parent absented himself by leaving home and stopping or reducing support, it cannot be said that all of such cases resulted from the desire of the absent parent to qualify his family for welfare. Many well-thinking people ascribe the parent's action in absenting himself to the humanitarian motive of providing for his wife and offspring. In other words, he is unable to get a job, and, faced with restrictive welfare regulations, he is forced to leave home and fireside in order to make his loved ones eligible for assistance.

The truth of the matter is that in all too many instances the husband or paramour, whichever the case may be, simply does not want to bear the responsibility of maintaining the woman and children, so he leaves them. Not all of the absenting husbands and fathers are unable to find employment. Many of them are allergic to work and, as the record has often shown, have lost good jobs repeatedly because of absenteeism from work. In many situations, fairly good jobs go begging, and there is no justification for absenting parents not making an honest effort to secure and hold down some of these jobs.

I think it may be helpful, therefore, to place in the record statistics supplied by the District of Columbia Department of Welfare concerning AFDC case openings based on the absence of a parent during the past decade. In this regard, it may be well also to read into the record a brief excerpt from a letter written by the Frederick County, Va., Fruit Growers Association, which was submitted to the Senate Agriculture Committee in 1965. The letter, in part, reads as follows:

Our association attempted to recruit in

Washington, D. C. Cards were sent to over 600 men listed as having previous agricultural experience to report for interviews; 120 men came in and on finding that these jobs were for more than a single day only 22 remained. Of these, 18 accepted bus tickets to the job. Only 17 reported for work. By the end of two weeks only four remained and none completed the season.

Mr. President, Tolstoi may be remembered for many excellent sayings, one of which I shall cite as being pertinent to my subject:

The more is given, the less the people work for themselves. And the less they work, the more their poverty will increase.

I ask unanimous consent to have printed in the RECORD the table on AFDC case openings to which I have alluded, that table having appeared on page 2308 of the fiscal year 1968 printed hearings of my Subcommittee on the District of Columbia Appropriations.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

DEPARTMENT OF PUBLIC WELFARE, DISTRICT OF COLUMBIA—NUMBER OF AFDC CASE OPENINGS BASED ON THE ABSENCE OF A PARENT

Fiscal year	Percent of openings		
	Absence of parent due to leaving home and stopping or reducing support (excludes incarceration and death)	Absence of parent due to leaving home and stopping or reducing support and as a result of incarceration (excludes death)	Absence of parent due to leaving home and stopping or reducing support and as a result of death or incarceration
1956	(1)	50.1	52.6
1957	(1)	50.3	52.5
1958	(1)	46.2	47.9
1959	(1)	44.0	46.1
1960	(1)	38.1	39.6
1961	(1)	33.7	34.9
1962	(1)	29.8	31.4
1963	(1)	29.0	30.3
1964	(1)	30.0	31.7
1965	(1)	29.1	30.5
1966	22.9	26.1	27.9
1967	18.9	24.3	25.6

[1]Not available.

Source: DPW research and statistics; DPW annual reports.

Mr. KENNEDY of New York. Mr. President, in the course of consideration of this legislation (H.R. 12080), I introduced two amendments (No. 412 and No. 466) concerning the cost of medical care. I have not asked for a rollcall vote on either one, for reasons which I shall explain. Nevertheless, I should like to discuss these amendments, because both deal with a problem which is becoming increasingly serious in our Nation: The cost of medical care.

The debate over medicaid in Congress this year has revealed deep and widespread concern over the unexpectedly high costs of the program. I share this concern. We cannot be blind to the question of cost, considering the many demands that are made on the Federal Government's limited resources. Nor can we be deaf to the protests of our citizens against the tax increases that medicaid has necessitated in some areas.

But I do not share what seems to be the view of many that the high cost of medicaid should be dealt with merely by drastically limiting the program. Eloquent testimony to the need for Government supported medical care is provided by the distressingly poor performance of the United States among the nations of the world in reducing infant mortality, increasing life expectancy, controlling controllable forms of cancer, and so on. And the need has grown greater, not less: In 1950, our infant mortality rate was fifth lowest in the world; in 1961, we were 11th; we now rank 15th, behind all of the industrialized nations of Europe.

Moreover I think our people agree with me that we must have such a program; 40 States and jurisdictions containing over two-thirds of our population have had medical assistance plans approved by the Secretary of Health, Education, and Welfare under title XIX.

I believe that substantial reductions in the cost of medicaid to the Federal Government and to the States and counties can be realized by other means than limiting eligibility under title XIX. My conviction is based on the widespread judgment of students of our medical system that that system is characterized by grave inefficiency. In other words, the high cost of medicaid is only an instance of the high cost of medical care generally.

Over the last year and a half, the charges of providers of medical services, which have consistently increased at a rate far steeper than the total consumer price index, have risen more steeply still. The figures are most striking. I am informed by the Bureau of Labor Statistics that its forthcoming index for the third quarter of 1967 will show physicians' fees increasing to a level nearly 8½ percent higher than that of 1966. The recent increases in hospital care costs make even that figure pale by comparison; in the first 9 months of this year, they reached a level 20 percent higher than that of 1966.

The burden that is dramatized by these statistics is being borne by all of our citizens, not just those whose medical expenses come to our attention because we are helping to pay them under title XIX. If we in Congress are shaken by the doctor's bill that has been submitted to the Government, so must our citizens be shaken by the bills that they are receiving.

The question raised by these startling figures is whether such increases in the cost of medical care are warranted. Can we say—or can those responsible for these increases say—that they are justified? Is it inevitable that the provision of health care at current levels should cost what it does? Will the expansion of medical care contemplated by title XIX entail a never-ending series of reports from the Bureau of Labor Statistics describing 8-percent increases in doctors' fees and 20-percent jumps in hospital charges?

The fact is, Mr. President, that unless we establish some limits on Federal reimbursement under title XIX, we will have to contemplate just such a series of reports.

What information we have suggests that the cost increases we have suffered are not justified by gains in productivity of our medical services and institutions. In the words of the recent report by the Department of Health, Education, and Welfare on medical care prices, "at present, hospitals have inadequate incentive to be efficient." The same is true of physicians; since they are not constrained by market pressures in any great degree, they also have little incentive to minimize their charges.

There is also mounting evidence that the impact of title XVIII and title XIX has been to accentuate existing inefficiencies, because they provide for reimbursement of costs—all costs, any costs. To be sure, the statutes speak of "reasonable cost"; but it is an open secret that in practice almost any costs have been deemed reasonable costs. The lack of any meaningful standards governing reimbursement has only intensified the inefficiency of a medical system in which charges have traditionally been determined in a random way. This is not surprising. Hospitals and physicians have historically enjoyed an extraordinary freedom from consumer and governmental scrutiny, and they have not felt impelled in the absence of such scrutiny to devise rational pricing mechanisms.

But we are entering a new era in medical history, in which the consequences of continuing this freedom could prove ruinous to the general public and to the Government.

Mr. President, it is intolerable that the expansion of these vital and humane Federal programs should be the occasion for a massive inflation of medical costs. To prevent this, I offered an amendment to title XIX requiring State medical assistance plans to provide fee schedules for both hospital and physician care. That was amendment No. 412. It would have assured that the spread of medicaid does not produce a further inflation of medical costs.

In the case of hospitals, this amendment would have limited acceptable per diem charges to the level of either the local Blue Cross agreement or applicable medicare rates, whichever is lower. This would place a reasonable ceiling on hospital reimbursement under medicaid.

The second part of this amendment would have attacked the rising cost of outpatient care. In large cities, it is increasingly common for outpatient visits to cost $20 to $30—one-third the charge for inpatient care for a visit that may

last only 5 minutes. This amendment would require the State to set a ceiling on payments for such visits, stated as a percentage of the in-patient per diem.

The third party of the amendment dealt with payments to physicians, dentists and allied professions. Its basic requirement was that the fee schedules must be based on the average level of fees charged in the area over the 10 years previous to the adoption of the plan, as weighted by increases in the total consumer price index. This would have prevented rapid increases in response to the adoption of a plan. The standard of customary and usual fees in use under title XVIII has not had this restraining effect—although it may have been intended. I think we must assure, as this provision would have demonstrated continuity between fees charged prior to the plan's adoption and fees charged thereafter.

Mr. President, I believe that this proposed represented a major step forward in controlling the cost of medicaid by other means than a wholesale curtailment of its benefits. However, it was not adopted by the committee, which decided instead that it would investigate the medical cost problem in the coming months. Such a study is badly needed.

Indeed, I had also intended to call for the creation of a Joint Congressional Committee on the Cost of Medical Care. My amendment No. 466 provided for a 12-member committee drawn from the House and Senate to conduct a year's study.

However, Senator HILL and Senator LONG of Louisana tell me that they are also deeply concerned about the explosion in medical costs, and that their committees intend to examine the matter in a searching way during the coming year. Senator RIBICOFF tells me that he intends a similar inquiry in his Executive Reorganization Subcommittee.

Therefore I did not press for a rollcall on my amendment creating a joint committee.

Mr. President, we desperately need such a wide-ranging demanding and imaginative investigation by the Congress of the problem of medical costs. At its recent annual meeting, the American Public Health Association passed a resolution urging the Congress to make such an investigation. In its report, the Finance Committee expressed its intention to review the reimbursement procedures for medicare and medicaid. Such a review is badly needed. But I hope we shall have a far more extensive inquiry, reaching the underlying question of how the costs that we reimburse are generated.

It is my belief that a thorough inquiry into the delivery of medical services would show that the staggering costs incurred by the public generally and by the Government in paying title XIX bills are not inevitable. I believe it could point the way to reforms that would permit the extension of better, cheaper medical care to all our citizens—including those whose care is supported by the Government.

For the question of costs is bound up with the question of how medical services are provided. Congress' investigation will show that it is not medical care that is expensive, but the system we have for providing it.

Last Sunday, I discussed the inefficiency of our medical system in a speech at the Albert Einstein School of Medicine. Coincidentally, similar views were expressed the next day when a report to the President by the National Advisory Commission on Medical Manpower was released. The Commission's report concluded that—

> Because the present system channels manpower into inefficient . . . activities, added numbers . . . cannot be expected to bring much improvement.

Mr. President, I ask unanimous consent that my remarks on Sunday and two newspaper accounts of the HEW report be inserted in the RECORD at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection it is so ordered.

(See exhibit 1.)

Mr. KENNEDY of New York. Mr. President, it is estimated that we are now spending $50 billion a year for health services. We have no idea what this staggering sum is purchasing; we have no idea whether the same amount of care could be provided for less if it were provided in a different fashion, or whether that $50 billion could buy greatly improved care if the system into which it is poured were differently constructed. The various levels of government in this country are contributing an ever-larger share of this $50 billion, a revolutionary fact in our social history, but those governments have taken barely a single step toward assisting the medical system to deal with the implications of that revolution. We should not be astonished if a 19th-century system heaves and strains under the weight of 20th-century needs.

In my judgment we would fail to meet the crisis in medical costs if we contented ourselves with merely restricting eligibility for medicaid, as we have done in this legislation. If, as I believe, the cost of medicaid has merely pointed up the existence of a pervasive problem in our society—if it is a symptom and not the disease—then we are obligated to examine the root causes, and to treat the problem at its center. If the problem is costs, let us look at costs. Let us see if we can control these costs so that we not only redeem our promise to the beneficiaries of medicaid but protect the American people from an inflation they cannot halt, in prices they cannot refuse to pay. That is the task that lies ahead.

EXHIBIT I

[From the Washington Post, Nov. 21, 1967]

NATION IS WARNED OF HEALTH CRISIS

(By Thomas O'Toole)

The Nation is in the midst of a "health crisis," said a presidential commission yesterday—one that will worsen unless the country undertakes a sweeping reform of medical schools, hospitals, health insurers and even the way doctors themselves are licensed to practice.

The crisis we find ourselves in, said the National Advisory Commission on Health Manpower, whose 15 members (eight of them doctors) have studied the status of health services since May, 1966, is one brought on by a lack of leadership and an unwillingness to change within the health establishment.

The results, said the Commission yesterday in a report to President Johnson, are long waits to see a doctor, hurried, impersonal attention once the patient is seen, a shortage of hospital beds and services, uneven distribution of care and costs rising sharply "from levels that already prohibit care for some and create major financial burdens for many more."

To challenge this "crisis of care," the Commission recommended no fewer than 58 major changes in the way the U.S. health care system is to work. And while asking for voluntary acceptance of its proposals, the Commission nonetheless indicated they might have to be enforced.

"Unless these changes are accomplished more quickly than has ever been possible in the past," the Commission warned, "a more serious health crisis is inevitable."

Among its 58 curatives, the Commission prescribed a few sure to stir controversy for years to come:

For doctors and dentists: Back-to-school refresher courses or periodic examinations for renewal of their licenses to maintain their skills and guard against malpractice and "unnecessary or overly expensive tests and treatments" by some.

For hospitals: Financial rewards for efficiency and quality care sufficient enough "to make it unprofitable for a hospital to reduce quality and community service just in order to lower costs."

For health insurance organizations: Encouragement to revise their payment procedures to share savings with hospitals and individual physicians who demonstrate medical ability.

For medical and dental schools: Incentive grants to those who raise their output of doctors and dentists and a denial of funds to those who do not.

For medical and dental students: Direct financial aid over their course of study, internship and residency, with an option to repay the loans over a long term or through direct governmental service, either in the military, Public Health Service or a Poverty Corps for doctors.

While these last two recommendations are clearly to increase the supply of health professionals, the Commission insisted they were made to meet future needs and expansion.

"The crisis at the present time," it said, "is not simply one of numbers," to raise the number of practicing doctors, dentists, nurses and auxiliary personnel. "We must first improve the system through which health care is provided."

One way to improve the health care system, recommended the Commission, would be to draft doctors through the communities where they work instead of through their own home towns.

So outdated is the present method of Selective Service that it has left some towns with overnight doctor shortages. Not long ago, a Commission member said, Vanderbilt University Medical School was left without a Pathology Department, when its seven-man staff (from seven different states) was drafted all at once.

Perhaps the best way of upgrading the health care system, the Commission said, would be through what it calls a "peer review" system, certain to be one of the most controversial of the Commission's proposals.

What the Commission would like to see in the U.S. is a series of review boards, at the city, county and state levels, at the hospital level, and at the health insurance organization level.

In effect, these review boards—made up of prominent physicians and health officials—would demand that doctors and hospitals account for their actions.

Besides peer review, the Commission made other specific recommendations to improve the health care system. Among them:

Gradually disapprove and phase out the Third Preference part of the immigration

law that each year admits 7000 new foreign medical graduates into the U.S., where almost 20 per cent of all new medical licenses given each year go to foreign-trained doctors. Not only are these doctors poorly trained by U.S. standards, claims the Commission, their entry into the U.S. represents the "worst kind of brain drain" in the world today.

Give the highest priority to improving health care for the poor and needy. "No clear-cut solution for care of the disadvantaged has been developed," the Commission concluded. "We urge that experimentation be markedly expanded with recognition of the special problems of this segment of the population."

[From the New York Times, Nov. 21, 1967]

BROAD CHANGES IN MEDICAL CARE URGED FOR NATION—PRESIDENTIAL ADVISORY PANEL SAYS ALTERATIONS ARE VITAL IF CRISIS IS TO BE MET—WOULD RETEST DOCTORS—ECONOMIC INCENTIVES ASKED FOR HOSPITAL IMPROVEMENT—PREPAID PLANS PRAISED

(By Harold M. Schmeck, Jr.)

WASHINGTON, November 20.—Basic changes in American medical practice and health care were recommended today in a report submitted to President Johnson.

Economic incentives should be offered hospitals, the report said. Periodic re-licensing of physicians to insure competence and quality should be considered, it said and doctors' performance should be reviewed routinely by panels of their peers. Pre-paid comprehensive health care arrangements received favorable comment.

Mr. Johnson said the report would be required reading for his Cabinet members. He said he hoped the document would also be widely considered outside the Government.

The report, by the National Advisory Commission on Health Manpower, said that there was a crisis in American health care and that vast increases in manpower and money would be of little use unless the system itself was changed.

GOVERNMENT NOT ENOUGH

"Because the present system channels manpower into inefficient and inappropriate activities, added numbers by themselves cannot be expected to bring much improvement," the report declared.

The commission disclaimed any intention of proposing a master Federal plan for health care. On the contrary, it said, government alone is not big enough to solve the problems of health care for the American people.

In its roughly 50 recommendations the commission stressed economic incentives to efficient and high quality health care, with corresponding penalties for inefficiency; widespread use of "peer review" arrangements to gauge and insure the quality of care, and the possibility of requiring periodic re-licensing of doctors to make sure their talents and knowledge remain up to date.

If followed, the recommendations would bring fundamental changes to the manner in which health care is rendered and paid for in the United States.

The economic incentives for efficiency and high quality in health care would take many forms. One possibility worthy of being explored, the report said, is that of giving doctors a financial stake in the operation of hospitals.

The commission also recommended that health insurance plans put greater emphasis on outpatient care to relieve the strain on hospital facilities. At briefings on the report today, spokesmen for the commission mentioned repeatedly the efficiencies achieved by such prepaid care plans as those of the Kaiser Foundation Hospitals in California.

The report stressed the view that there was no time to be lost in making changes and improvements in American medical care.

Until the present decade the nation has had problems to solve, said Irwin Miller, chairman of the commission.

"From here on out we probably have catastrophes to prevent," he said at a briefing for reporters. Mr. Miller is chairman of the board of the Cummins Engine Company, Columbus, Ind. He has headed the commission since it was appointed by the President on May 7, 1966.

At a presentation at the White House today, Dr. Peter S. Bing, executive director of the commission, said the nation faced a paradox in that the numbers of doctors and hospital beds were increasing faster than the population, yet a crisis in medical care loomed.

Greater demand, the increasing complexity of medical and hospital practice and the growing tendency toward medical specialization produce shortages in personal care, he said.

In this pinch between demand and available supply of medical care, costs will rise sharply if changes in practice are not made, the report said.

If current practices continue, the commission estimated, health expenditures for the nation will rise by more than 140 per cent in the decade ending in 1975. Hospital costs it said, will go up 250 per cent. During the same period the general cost of living is expected to increase only about 20 per cent.

ADDRESS BY SENATOR ROBERT F. KENNEDY AT THE YESHIVA UNIVERSITY, ALBERT EINSTEIN COLLEGE OF MEDICINE, BRONX, N.Y., NOVEMBER 19, 1967

This is a place of special meaning for me. For at Yeshiva University the Albert Einstein College of Medicine has begun an important new step in its pioneering urban health program: The Rose Fitzgerald Kennedy Center for Research in Mental Retardation and Human Development. This Center, which will help to salvage the lives of lost citizens, is a testament to your concern—concern which has been a keystone of this great medical school.

But I come here to offer you not congratulations, but a challenge. For in New York and across the nation, the condition of American medical care is grave—in fact, it is critical. We—and you—confront a grim scene of the neglected, the ill, and the dying—the thousands, the millions of victims of our indifference.

"If we believe that men have any personal rights at all", Aristotle said, "then they must have an absolute moral right to such a measure of good health as society alone is able to give them".

Two years ago, the United States began a program to provide this moral right for two parts of our population: those over 65, and the "medically indigent," for whom serious illness means financial catastrophe. We have spent billions of dollars in these programs—yet what they have produced is not achievement, but anxiety. For they have shown us more vividly than ever before—that our Nation's system of health care has failed to meet the most urgent medical needs of millions of Americans.

The cost of health care in America is staggering: more than 6 percent of our gross national product. And with Medicare and Medicaid, these costs have soared. But consider what we have bought with these billions:

In 1950, we ranked fifth in the world in our infant mortality rate. Today, we rank fifteenth—below all of the industrialized nations of Europe. And here in New York, during the last decade, infant mortality *increased*—by 4 percent.

Twelve other nations have higher life expectancy rates at 60 than we do.

Fifteen other nations have higher ratios of hospital beds to patients than we do.

Forty-three percent of our hospital care, according to Columbia's School of Public Health and Administrative Medicine, is only poor to fair.

But these figures—and countless others—cannot measure the full impact of our double standard of medical care. It cannot measure the disappearance of family physician care for poor families—and its replacement by the emergency rooms of huge impersonal municipal hospitals. It cannot measure the long waits, or endless lines, for an often indifferent examination by a doctor the patient has never seen before, and will not see again. It cannot measure the minor illnesses which spawn major diseases—because regular checkups are unknown, and continuing medical care an illusion. It cannot reflect the children whose education is useless—because they are too weak to work, or too ill to listen.

Figures cannot measure the indignities, the inefficiencies, the lost lives, but they at least tell us how much remains to be done, beyond the spending of massive sums of money.

Medicare has told us what we should have known long ago. Our system of health care in the United States is understaffed, overburdened, and as it is presently structured, wholly inadequate to supply decent medical attention for all Americans. This fact was hidden from us—because those who were elderly, those who were poor—simply did not get a minimal amount of medical care. Now, they are beginning to come to hospitals, and to visit physicians. And with them has come the knowledge that our system of health care must change.

There is already a shortage of modern hospital beds and nursing home beds. Medicare and Medicaid have only multiplied the number seeking care in these already overburdened and often inefficient facilities.

The result of providing more money to compete for the same supply of services has been an astronomical increase in the cost of care. Daily rates in hospitals are up over a third in less than two years. Physicians' fees have risen over ten percent, 8.5 percent in the past year alone. Hospital charges of $100 a day will soon be a reality in New York City.

There is no real mystery about why this has happened. Wages are two-thirds of the cost of running a hospital, and there was a huge backlog of wage demands in our hospitals. Nurses and other personnel had worked too long at substandard pay, and now there are funds to offer a more adequate wage.

But there are other matters. Hospitals are run essentially as they were fifty years ago. They have been neither forced nor even encouraged to innovate. Patients are still wheeled from one end of the hospital to the other for surgery. Costly services are maintained for vast numbers of patients not seriously enough ill to need them.

Physician fees have risen so sharply because more dollars cannot by themselves produce more doctors. That, coupled with the fee-for-service approach of Medicare and Medicaid, has allowed some specialists and even some general practitioners to reap exorbitant benefits from these tax-financed programs.

Serious as these matters are, the fundamental problem is one of structure—one which goes to the heart of our system of delivering health care. We are pumping billions of dollars of new money into the health industry—but without the slightest effort to change the existing system, under which people are taken care of in the costliest institution, the hospital, and by the costliest manpower, the doctor. It is no wonder that the cost of health care has risen so sharply.

The first task, in my judgment, is to recognize that our present approach is simply not satisfactory—and to do something about it. We are providing poor quality care at high

cost. That is nothing less than a national failure.

Next week I shall propose, as an amendment to the social security bill now before the Senate, the establishment of a joint Congressional committee to study the cost of health care and what we are going to do about it. The committee's mandate would be the full scope of the cost problem—from reimbursement formulas to new technology, from ways to achieve greater efficiency to new ways of delivering health care.

But no committee—no study—can be successful unless it confronts the root cause of spiraling medical costs: the outmoded and rigid structure of health care which simply cannot meet the demands for decent medical attention. What is needed—as a matter of the first priority—is to put our medical resources to work in new ways, to respond more effectively to the ever-growing demand for services.

An effective program of action requires at least four steps:

First: We must tap new sources for recruitment into the health field and develop new health careers for our recruits. We all know we have a grave shortage of medical personnel. We know that each year we educate 2000 fewer doctors than we need just to keep pace with present ratios; and we know we need more nurses of all kinds, and more technical aides.

But even as we provide government assistance to health professional schools—even as we provide scholarships and loans, so that low-income students can attend our medical schools—we know we must develop new jobs in the health field. For the fact is that we will never have enough doctors and nurses to perform all of the tasks we now assign to these costly and scarce professionals. Experience has shown that many of their tasks can be performed by assistants working under their supervision—aides who can be enabled to study on the job in order to acquire greater skill and more on to greater responsibility.

We can find many of these people in the same communities of the poor which most need medical help. We can find—and train—non-professional people, to care for fellow members of their own communities. And this source of employment—a source you have tapped with your health careers program—can find worthy service and increased job opportunity, within the medical profession.

Second: All of our medical resources must be put to work more effectively in the communities themselves. To structure the future of medicine solely around large, impersonal hospitals will not only insure poor quality care, but also guarantee even more excessive demands on these overcrowded institutions—and thus produce higher and higher medical costs.

If we are to us our funds wisely—if we are to deploy our health manpower efficiently—we must decentralize medical care. We must bring health services to the people through a system of community and neighborhood health centers which provide comprehensive family care in a dignified, responsive setting.

Again, you at Albert Einstein have recognized this need, by participating in the Storefront Neighborhood Service Center, serving the Lincoln Hospital Community. Here, non-professionals can be of greatest service—by insuring that neighborhood centers *serve* the poor, instead of using them. Too often, the medical profession has seen the ghetto communities as ideal neighborhoods—not so much for service, as for obtaining teaching material. One doctor told me of a conversation he had with a ghetto resident. He asked her what she thought of a planned new neighborhood health center.

"Oh," she said, "is that another one of those programs where we supply the diseases?"

The neighborhood health centers must not be that kind of program. They must meet the fundamental health needs of our neglected citizens.

Third: The program must go beyond narrowly-defined "health" needs. For all of the energy—all of the commitment—of the medical profession will not be enough, unless we also meet the sources of disease.

It is illusion to think we can cure a sickly child—and ignore his need for nutritious food. It is foolish to pour in funds to minister to the effects of filth-ridden slums—without recognizing the undeniable fact that these slums breed disease. It is profitless to establish community mental health services—if we do not understand that a community of the jobless, the purposeless, the hopeless spawns frustration and agony in the minds of its victims. We will never have enough doctors to cure the children of Mississippi who have not eaten nourishing food since their birth. There will never be enough therapists for all the brain-damaged children of Bedford-Stuyvesant. We will not cure the pathology of individuals, unless we—and you—begin to come to grips with the pathology of these communities.

Education — jobs — housing — community participation—these are essential elements of a healthy neighborhood. And if these goals require the active direct participation of the medical community in matters of public controversy, then this is the work that must be done. It is neither economical, nor compassionate, to care for the consequences of poverty, and ignore its roots.

Fourth: As this is true for the communities of poverty, it is just as true for the whole society. All the cancer research, all the hospitals in the nation may be less important than the single simple step of making sure that fewer children are enticed into becoming cigarette smokers. All our programs for training new doctors may not mean as much to the health of the city of New York as courageous and forceful action to eliminate the pollution of our air. All our emergency rooms will not be adequate to care for the victims of the carnage on our highways, if we do not enforce far more rigid safety standards on the makers of automobiles.

And the same is true for the dozens of health hazards we have allowed to persist, through ignorance and inattention and sloth; the meat packed amid dirt and disease; the drugs sold without adequate testing; the pesticides carelessly sprayed onto our crops.

These are not for the medical profession alone—these are challenges to all of us. But you of the medical profession, the concerned and active doctors and leaders such as are here today, you can take the lead.

Part of the job is securing the enactment of legislation; and whatever legislation is necessary, I can tell you that it will be introduced—and it will be fought for. But another part of the job is education and action, relying on the spontaneous skill and initiative of the American people. Just a few years ago, surveys showed that alarming numbers of our children were overweight, underexercised, simply in poor physical condition. President Kennedy set up a Council on Physical Fitness which, in cooperation with thousands of Councils all over the country, began to set up programs of education and exercise for children and families. The Councils were completely voluntary; they were almost without funds; yet they worked a small revolution. And within two or three years, new surveys showed that the young people of America were far healthier, in far better physical condition, than they had been before the Councils began their work. That kind of effort—whether for better school meals, or against early smoking, or to stimulate forceful action against air pollution—can be made in every community in the country today.

This is a challenging task. It requires help from Washington—for example, funds to help medical schools implement bold changes in education and operation. And it requires help from state capitals and City Halls to replace rigid regulation with creative flexibility.

But most of all, it requires effort by yourselves—members of the medical profession, guided by your obligations, and the by the counsel of Albert Einstein, who said:

"Concern for man himself and his fate must always form the chief interest of all technical endeavors . . . in order that the creations of our mind shall be a blessing and not a curse to mankind."

Now you must find new ways to bring the blessings of medicine to millions who have never been reached. It means the willingness and energy to discard traditional institutions and approaches to better the condition of man himself, and his fate. But you have that willingness—you have that energy—and I know you will succeed.

SENATOR RANDOLPH COMMENDS FINANCE COMMITTEE ACTION ON PROVISION FOR INCREASING INCOME OF OLD-AGE ASSISTANCE RECIPIENTS

Mr. RANDOLPH. Mr. President, as chairman of the Subcommittee on Employment and Retirement Incomes of the Senate Special Committee on Aging, I am particularly interested in one provision in the pending social security amendments. Section 213 requires that States must give their public assistance recipients an average increase of $7.50 in their overall incomes as a result of the increased benefits.

It has been a general practice among the States, when social security increases are approved, to reduce public assistance grants of those who receive both public assistance and social security. This action leaves recipients no better off from the standpoint of their total incomes than they had been before the social security increases. The pending bill provides a means whereby a State's public assistance recipients will benefit from the increases.

The Subcommittee on Employment and Retirement Incomes, which I am privileged to chair, as a result of several days of hearings earlier this year, issued a report entitled "Reduction of Retirement Benefits Due to Social Security Increases." We recommended legislation which would prohibit reduction of old-age assistance grants due to social security increases. To implement this recommendation, I offered amendment No. 375. Although the Finance Committee did not accept my amendment, I believe that the provision which it did adopt substantially accomplishes the purpose our subcommittee was seeking. I am gratified to give the committee's provision my enthusiastic support.

Mr. MANSFIELD. Mr. President, I ask for the yeas and nays on final passage.

The yeas and nays were ordered.

The PRESIDING OFFICER. All time on the bill has expired. The bill having been read the third time, the question is, Shall it pass? On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. BYRD of West Virginia. I announce that the Senator from Alaska [Mr. BARTLETT], the Senator from Nevada [Mr. CANNON], and the Senator from Missouri [Mr. LONG] are absent on official business.

I also announce that the Senator from

Connecticut [Mr. DODD], the Senator from Mississippi [Mr. EASTLAND], the Senator from South Dakota [Mr. McGOVERN], and the Senator from Georgia [Mr. TALMADGE] are necessarily absent.

I further announce that, if present and voting, the Senator from Alaska [Mr. BARTLETT], the Senator from Nevada [Mr. CANNON], the Senator from Missouri [Mr. LONG], the Senator from South Dakota [Mr. McGOVERN], the Senator from Connecticut [Mr. DODD], and the Senator from Georgia [Mr. TALMADGE] would each vote "yea."

Mr. KUCHEL. I announce that the Senator from Kansas [Mr. CARLSON], the Senator from Hawaii [Mr. FONG], the Senator from California [Mr. MURPHY], the Senator from Pennsylvania [Mr. SCOTT] and the Senator from Texas [Mr. TOWER] are necessarily absent.

The Senator from Kentucky [Mr. COOPER], the Senator from Wyoming [Mr. HANSEN] and the Senator from South Dakota [Mr. MUNDT] are absent on official business.

The Senator from Vermont [Mr. PROUTY] is absent because of illness.

If present and voting, the Senator from Kansas [Mr. CARLSON], the Senator from Kentucky [Mr. COOPER], the Senator from Hawaii [Mr. FONG], the Senator from California [Mr. MURPHY], and the Senator from Pennsylvania [Mr. SCOTT] would each vote "yea."

On this vote, the Senator from Vermont [Mr. PROUTY] is paired with the Senator from Texas [Mr. TOWER]. If present and voting, the Senator from Vermont would vote "yea" and the Senator from Texas would vote "nay."

The result was announced—yeas 78, nays 6, as follows:

[No. 350 Leg.]

YEAS—78

Aiken	Hart	Mondale
Allott	Hartke	Monroney
Anderson	Hatfield	Montoya
Baker	Hayden	Morse
Bayh	Hickenlooper	Morton
Bible	Hill	Moss
Boggs	Hollings	Muskie
Brewster	Hruska	Nelson
Brooke	Inouye	Pastore
Burdick	Jackson	Pearson
Byrd, Va.	Javits	Pell
Byrd, W. Va.	Jordan, N.C.	Percy
Case	Jordan, Idaho	Proxmire
Church	Kennedy, Mass.	Randolph
Clark	Kennedy, N.Y.	Ribicoff
Cotton	Kuchel	Russell
Dirksen	Lausche	Smathers
Dominick	Long, La.	Smith
Ellender	Magnuson	Sparkman
Ervin	Mansfield	Spong
Fannin	McCarthy	Symington
Fulbright	McClellan	Tydings
Gore	McGee	Williams, N.J.
Griffin	McIntyre	Yarborough
Gruening	Metcalf	Young, N. Dak.
Harris	Miller	Young, Ohio

NAYS—6

Bennett	Holland	Thurmond
Curtis	Stennis	Williams, Del.

NOT VOTING—16

Bartlett	Fong	Prouty
Cannon	Hansen	Scott
Carlson	Long, Mo.	Talmadge
Cooper	McGovern	Tower
Dodd	Mundt	
Eastland	Murphy	

So the bill (H.R. 12080) was passed.

Mr. LONG of Louisiana. Mr. President, I move that the vote by which the bill was passed be reconsidered.

Mr. MANSFIELD. Mr. President, I move that the motion to reconsider be laid on the table.

The motion to lay on the table was agreed to.

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that the Senate insist on its amendments and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. LONG of Louisiana, Mr. SMATHERS, Mr. ANDERSON, Mr. GORE, Mr. TALMADGE, Mr. WILLIAMS of Delaware, Mr. CARLSON, and Mr. CURTIS conferees on the part of the Senate.

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that the bill (H.R. 12080) be printed with the amendments of the Senate numbered; and that in the engrossment of the amendment of the Senate to the bill the Secretary of the Senate be authorized to make all necessary technical and clerical changes and corrections, including corrections in section, subsection, and so forth, designations, and cross references thereto, and corrections in the table of contents—including appropriate deletions, insertions, and revisions in such table.

PERSONAL STATEMENT—REASON FOR NOT VOTING

Mr. BARTLETT. Mr. President, I desire to make a personal statement. Yesterday I canceled a trip abroad in order that I might be here to vote for passage of the Social Security Act.

When the rollcall is recorded in the RECORD, my name will be shown as an absentee.

Mr. President, I was in a room in the New Senate Office Building where the bell calling for the vote did not ring. When the word of the vote reached me, I came over but arrived on the floor too late to be recorded.

This is a cause of great sorrow to me because I would like to have been here, and I wanted particularly to have been recorded as voting for the social security bill.

SOCIAL SECURITY AMENDMENTS

Mr. CANNON. Mr. President, having been away from Washington on official business for the Committee on Armed Services, I missed the opportunity to vote for the passage of the social security amendments last week. I would therefore at this time like to commend the Committee on Finance for its excellent work on an extremely complex bill. I also want to applaud Senators for their support of landmark legislation that will relieve the poverty of more than 2 million older Americans and lift some 200,000 from the welfare rolls. Raising the monthly minimum benefit and liberalizing the earnings exemption will enable those who have contributed much to our economy as wage earners to achieve a dignified retirement previously beyond their grasp.

Improving benefits for needy and dependent children, the blind, and the disabled will similarly ameliorate the deprivation suffered by many unfortunate Americans.

It is my hope that the Senate will prevail on a substantial number of its provisions during the conference on this important measure. I anticipate early consideration of the conference report, which I hope to support as a means of improving the quality of the lives of more than 23 million social security beneficiaries.

* * * * *

Mr. DIRKSEN. Mr. President, it is 33 years ago that I voted for the original social security bill in the House of Representatives.

During those intervening years, the program has been improved but, also, a great deal of mischief has been wrought.

I voted for the bill today to commit it to the tender keeping of the conference committee, so that at least some of this mischief can be undone.

Mr. HOLLAND. Mr. President, I would have been glad to vote for the bill today, under other circumstances.

I regret, however, that this "Thanksgiving turkey" had so much stuffing in it that it could not possibly absorb it.

I think that the Senator from Delaware [Mr. WILLIAMS] correctly stated the matter when he said that the benefits under the bill, swollen as it is, may be twice what they should be, to be financed by the financing arrangement provided by the bill.

Mr. President, I regret that the bill got into such shape. I wish my friend, the distinguished Senator from Louisiana [Mr. LONG], well in conference. I hope he will bring back a bill more like the one that was reported by his committee or, hopefully, more like the one that came over to us from the other body. I shall certainly be glad to support it if it is in reasonable proportions and if it is not so swollen by proposed benefits and without appropriate means to finance it. I think that as passed, it is impossible to do that. I hope that the bill will come back in good shape, so that I can support it.

Mr. HARTKE. Mr. President, I do believe that one bit of explanation is due. As I have said repeatedly, the social security bill is a landmark bill. It provides some benefits which are necessary.

With all due respect to the Senator from Florida [Mr. HOLLAND], this turkey is not overstuffed. For some people, it is going to be a pretty thin Thanksgiving, when all they are going to receive is less than $1,000 a year to live on.

Congress has been very meager in taking care of the country's elderly people. At the same time, repeated efforts are made on the floor of the Senate for all kinds of expensive ideas and programs which contribute little to the man on the street and children and the elderly. We voted $70 billion for military appropriations. The total cost of the social security bill will be less than one-half of the year's cost of the war in Vietnam. That puts into proper perspective exactly how much priority we are giving to the old people of America, our own people, and how we are neglecting the business of America while we are preoccupied with a war that is taking place 10,000 miles from home.

I hope and pray that that war will be brought to an end and that we will fulfill the mandate for the Great Society programs, which the country had a chance to vote on in 1964.

The 1964 campaign was very definitely fought and decided on the issue which was decided on the floor of the Senate and voted upon today.

As Senators will recall, there were two great symbols in that campaign. One was the tearing up of the social security cards. Thank goodness we did not tear them up today. We made the social security system stronger. The other symbol was portrayed so vividly upon my memory, that of the little girl picking a daisy, with a background of mushroom clouds. We had the decision to make as to whether or not we were going into a military escalation, a military involvement overseas, taking the young people of America, taking the dollars of America, taking the treasure of America. Were we going to follow the designs of what we and the Democratic Party characterized as a trigger-happy candidate, or were we going to follow peaceful pursuits, a doctrine of the affirmation of life, and not of death, an affirmation of peace, and not of war, an affirmation of hope, and not of despair? And these were questions for the old people, too. And the people of America overwhelmingly said that the issue was clearly drawn, and they voted the greatest mandate for peace that this Nation has ever shown.

President Johnson was given a mandate for peaceful pursuits and for the Great Society programs.

Now we are seeing daily the necessity for cutting back on Great Society programs. Thank goodness, we did not cut this social security program back. I was the one who advocated the administration policy. I advocated the policy sent here by President Johnson. I was the one who introduced the amendments in committee for that policy. I introduced those amendments for the President. I am not ashamed of what he had to say. I just wish he had followed through on the full mandate. I want him to continue policies and programs for his announced Great Society. I encourage him in this.

I find it very regrettable when we see posters throughout the Nation asking the people of the Nation to turn over pennies and dimes for retarded children, when this Congress authorized what it did for the benefit of retarded children. But we say now we cannot provide the money for that purpose, because of the Vietnam war. Fifteen million dollars is what we spent last year. We should have spent $30 million by the mandate that was given. That is not very much. That is about what 8 hours of the war in Vietnam costs us. But that is judged to be too expensive, and we cut back for the mental retardation facilities to about a half day's cost of the war.

I think it is very important for the people of the United States to understand what the Senate has done today. It has reaffirmed the mandate for peace made in 1964. Let us show that we want to turn this Christmastide into a pageant for peace, not a theater of war. I would like to have us return to the doctrines of peace.

With due respect for General Westmoreland, more people have been killed in Vietnam while he has been telling us about the great victories in that war. The most serious battle of that war has been going on over there in the meantime. We have given him every dollar he has asked for. We have put no strings on the appropriations. This Congress has not told him in what direction he shall fight the war. He has a right to bomb as he wants. This Congress has not put any strings on its appropriations.

I think this is a time when we should see the true picture. This is a time when a great deal of soul searching must go on. Thank goodness that the Senate did not turn its back on the old people of America.

I hope we will get on with the business of America. We have forgotten Americans. We have forgotten them because of something called Vietnam, because of a man called Ho Chi Minh, as if Ho Chi Minh is going to come to the doors of San Francisco tomorrow morning. They say we have a war with China. There is no war with China that I know of. For 26 years they have been fighting there. Probably there are some Chinese helping them, but we have half a million of our own people there. The populations of North and South Vietnam are about even. We have a half million of the best trained American troops there, all of our technology, all of our planes, all of the money of the greatest, most powerful nation in the world. Yet, some way, we do not seem to be able to win, because it is not that kind of war.

Month after month after month we see the American casualty lists from South Vietnam amounting to more than the casualty lists of the South Vietnamese themselves.

These are questions on which the Secretary of State should come and discuss before the Foreign Relations Committee. I say to you, Mr. Chairman, I do not excuse the Foreign Relations Committee for not demanding that he come and testify publicly before the people who have a vital interest in the security of this country. What excuse is there for him to say, "I cannot tell the Senators of the United States in public session what this war is all about"?

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. FULBRIGHT. Mr. President, will the Senator yield?

Mr. HARTKE. I yield to the Senator from Arkansas.

Mr. HOLLAND. Mr. President, I asked the Senator to yield first.

Mr. HARTKE. I will yield to the Senator from Florida. I yield first to the chairman of the Foreign Relations Committee. I made reference to him, and he may want to answer that comment.

Mr. FULBRIGHT. Mr. President, I wish to reply to the Senator's statement with regard to the Committee on Foreign Relations. Since he made a similar request or statement some time ago, the committee itself met in executive session with the Secretary of State and we discussed for nearly 3 hours his coming before the committee in public session. He took it under advisement. He did not want to make a decision at that time. This was about 2 weeks ago. He said he would notify the committee very promptly thereafter as to his decision as to whether he could come or not.

Then he called me again on Sunday night and said he regretted not being able to make a decision as to whether he should come in public session. He said he would need more time to make up his mind and make his decision. He did not make an absolute promise, but he intimated that at the beginning of the next week he would let the committee know if he would come in public session.

I want to state to the Senator from Indiana that, as a constitutional matter, I do not believe my committee can force the Secretary of State to come in public session. He is an official appointed by the President, and I think under the constitutional principle of the division of powers he is immune to subpena to come before the committee.

I have done everything I can. This is the third or fourth time we have asked him to come. At the last meeting, although there are some members of the committee who do not believe he should come, but I believe the majority does; I am confident the majority believes he should come to a public session, as I believe he should, to explain this policy. I believe it would be to his own interest, to the country's interest, and certainly to the committee's interest, if he would come. So I do not think the committee has been delinquent in its efforts to get the Secretary to come before it in public session.

Mr. HARTKE. Mr. President, will the Senator yield?

Mr. FULBRIGHT. That is about all I have to say about that.

Let me add this word. I want to associate myself with one idea of the Senator from Indiana, with particular reference to some of the comments that have been made with regard to this bill as if this bill was the reason for the deficit, or a primary reason for a deficit, a disarray, a dislocation of not only our economy but that of Great Britain.

Yesterday afternoon someone made a powerful speech about calling our attention to the collapse, practically, of the economy of Great Britain and intimating the social security bill is one of the principal reasons.

I only wish to agree with the Senator from Indiana that this is not a very accurate sense of perspective. I think the war in Vietnam is the primary cause of the difficulties we are confronting, both social and economic, in this country, and also contributes to the dislocation of the economies of other countries.

This prognostication about Great Britain is very ominous to me, because if we follow the imperial example of Great Britain, it will not be too long before we will be in exactly the same position. It will not be because of social security; it will be because of our stupid policy in Southeast Asia.

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. HARTKE. Mr. President, in just one moment. Before I yield, I say to the chairman of the Committee on Foreign Relations, I understand the persistence with which he has insisted upon the attention of the Nation being focused on the fact that the Secretary of State has not appeared publicly and explained that high and noble purpose, which the American people have a right to hear explained before they send their young men to die.

I am not a member of the Committee on Foreign Relations, but I do think it is necessary for the Secretary of State to explain, and publicly explain, to this Nation what the war is all about.

We have seen their staged public displays throughout the country, in front of their own klieg lights, on their own platforms. In some cases there are patsy questions, served like a softball so that they can hit it straight out in left field.

I do not care how many appearances like that they make, even at Indiana University; if the Secretary of State wants to come to my State and make statements, he may do so. Whether he wants to answer the questions of students is his own business.

But it is my opinion that good faith requires, if he does that, if he goes out to the highways and byways and speaks to the public, he ought also to appear publicly before that responsible group who have been elected to public office, who want to be able to tell their constituents exactly what the Secretary of State means when he says thus and so. He will testify in public in the presence of everybody else; I think it is only fair to American mothers, wives, and sweethearts,

only fair to the people of this Nation, that he appear to shed some light on this definite area of anxiety. They may say as often as they wish that it should be obvious to the country what we are doing there; but I say that all America is asking why, and asking why in increasing numbers.

I yield to my friend from Florida.

Mr. HOLLAND. I thank the Senator for yielding.

Adverting, if I may, to the social security bill—because that is the subject on which the able Senator from Indiana began his remarks—I ask him whether he is of the impression that the financing portion of the bill is anything like adequate to cover the commitments made by the portions of the bill that create benefits with a very lavish hand.

Mr. HARTKE. I certainly do. If the distinguished Senator will look on page 9 of the Social Security Amendments of 1967, if he has any faith in the actuary—who has been here for years, even through the Republican administration—as I pointed out in my remarks earlier, before the passage of the bill, not alone is the financing adequate, but by 1972, will exceed the needed amount by $8.6 billion, with a whole year's payments in reserve.

The prosperity of America has made such an increase possible. All one has to do is look at it. This year alone, as provided by the Finance Committee, we will have contributions of $31.2 billion. How much of that money will be put into people's pockets? We are going to put in their pockets $29 billion. The arithmetic is very simple—a difference of $2.2 billion.

I argued in the committee that it was too much. This bill is overfinanced. There is no question about it. No insurance company could competitively stay in business, if it were managed in the same way this bill is being run, because it would have priced itself out of the market. We are collecting too much in excess of what we need.

There is no reason why a man working on a factory assembly line, or his employer, should be required to pay money into the fund beyond what is necessary to pay for the benefits to be received. That was the original concept of social security, and that is the concept under which it should be operated now. But here, for the first time in the history of the social security law, there is an attempt to make it an instrument of fiscal policy, so that the Treasury could borrow money from the social security fund—which is legal—at a lower interest rate than available in the marketplace, to finance the war in Vietnam.

Whether you approve or disapprove of the war is immaterial; it has to be paid for, and this is one way they seek to do it.

Mr. HOLLAND. May I say that I appreciate the Senator's brief answer, and I must say that so far as I am informed, the machinery to finance social security is inadequate to finance, not the original bill——

Mr. HARTKE. In what year?

Mr. HOLLAND. I am talking about the swollen bill which we have just passed, and which has been inflated by dozens of amendments.

Mr. HARTKE. Mr. President, will the Senator yield?

Mr. HOLLAND. There is one more question I wish to ask the Senator, if I may, and I hope he will be at least equally brief in answering that one.

I understand that the distinguished Senator supported ardently the President's bill for the social security improvements. Do I understand the Senator feels that this bill which we have just passed has even the remotest resemblance to the President's request?

Mr. HARTKE. It certainly does. If the Senator wishes to go through the whole measure, I can go through the entire bill. I sat there through most of it; I think my attendance before that committee was as good as anybody else's.

Mr. HOLLAND. It seems to me that anyone who wants to read this bill, and reads the President's request, is bound to come to the conclusion that this bill is no more like the President's bill than day is like night; and that, to the contrary, this is an extremely swollen bill, with numerous provisions in it which cannot be financed, and which I hope will be cut out in conference, so we will have a reasonable approach to this program, because I do not want to see our old people persuaded that they have something they have not got, or that Congress has done something for them which it has not done, because here is a bill which is not properly financed, which could not stand under its own weight, and which I hope will come back, under the able leadership of the Senator from Louisiana, out of conference in a much better form, so that we may support it and say to our elderly friends, "We have given you something that is meaningful, because we have provided for the payment of the additional benefits which we are voting."

I thank the Senator for yielding.

Mr. HARTKE. Mr. President, I just want to say that I am sure the Senator from Florida is persuaded by somebody, some place, that there is a great discrepancy between this bill and the President's message. I know that the President himself would say that this bill, in its main propositions, is identical to the message which he sent.

It calls for a 15-percent increase, across the board, and calls for a minimum benefit of $70 a month, as recommended by the President.

It calls for an increase in benefits for those over the age of 72, as recommended by the President.

It calls for fairness in treatment of retirees for disability, the same over the age of 52 as over the age of 67, as recommended by the President.

The basic provisions of the President's message are incorporated in the Finance Committee bill. The House of Representatives cut it back to 12 percent, and cut the minimum payment to $50.

The House bill was short of what the President had recommended. This, in all substantial respects, is exactly the same as what the President recommended.

As to the financing, the financing provided in this bill, not taking into consideration last night, which is not material in the long run—even though the Senator may think so, it is not——

Mr. HOLLAND. Does the Senator mean that the amendments we passed last night can be brushed off without any consideration?

Mr. HARTKE. In most cases that is right.

Mr. HOLLAND. I thank the Senator.

Mr. HARTKE. The financing, as recommended by the President, called for a surplus of collections over expenditures of $300 million. The financing of this bill, even though I did not approve of it, calls for a surplus of collections over expenditures of $2,100 million—some $1,800 million more in excess than the President recommended.

Mr. GORE. Mr. President, will the Senator yield?

Mr. HARTKE. So if Senators think that is fiscally responsible—which I think is fiscally irresponsible, to collect more than you need in a social security fund—but if that is the Senators' definition of fiscal responsibility, this Finance Committee bill, according to that definition, is $1,800 million more fiscally responsible than the message the President sent down here.

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. HARTKE. I yield.

Mr. HOLLAND. Mr. President, what did the Senator mean in his earlier statement when he said: "This bill was too much." Those were the words he used.

Mr. HARTKE. I said there is too much money in the bill. There is too much collection of money. We are taking from the employers and employees more than we should take. We are telling the employers and employees they should put in more money. In the financing of this bill we are to go back to every employer and employee in America and say, "We want to tax you more than is necessary."

That is what this bill has done. However, I could not persuade the Finance Committee or some of the Senators to whom I spoke. However, this is a fact.

By the year 1972 we will have $8.6 billion more in the trust fund than we will be paying out in benefits in that year alone, plus 1 year in reserve.

Mr. FULBRIGHT. Mr. President, the Senator did do a good deal about this particular matter. Did not the bill from the Finance Committee provide for a surplus of over $4 billion?

Mr. HARTKE. This was the original adoption.

Mr. FULBRIGHT. And the Senator did succeed in cutting that.

Mr. HARTKE. It was more than $5 billion in excess.

Mr. FULBRIGHT. The Senator did succeed in cutting down the surplus above the payments of about $2.1 billion.

Mr. HARTKE. The Senator is correct.

Mr. FULBRIGHT. He did cut that in about half.

Mr. HARTKE. The purpose of the Finance Committee was that they were going to put a slush fund in there of $5 billion so that the Treasury could go over and borrow that money. That was the argument. There is no dispute about it.

There is no dispute about the fact that we need money to finance the bill.

They said that we needed to take the money out of the economy and that this would be the way to take the money out of the economy.

This was the argument of the ranking minority member, and it was the argument, for a while, even of the administration.

Mr. FULBRIGHT. Will the Senator state the present accumulated surplus in the social security fund?

Mr. HARTKE. The accumulated surplus was $29 billion for last year after payments of $25 billion, which means that there was a surplus of $4 billion.

Mr. FULBRIGHT. Accumulated surplus.

Mr. HARTKE. The Senator is correct.

Mr. FULBRIGHT. That means that over a period that much more has been collected in its accounts than has been paid out.

Mr. HARTKE. The Senator is correct.

Mr. FULBRIGHT. I want the Senator from Florida to be convinced. He seems to intimate that this whole program is spending more in benefits than has been collected either in the past or at the present.

Mr. HARTKE. The Senator is exactly right.

Mr. FULBRIGHT. However, if I understood the experts and the staff and others correctly, that just is not so.

Mr. HARTKE. The Senator from Arkansas is exactly right.

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. HARTKE. I will be glad to yield to the Senator from Florida.

Mr. HOLLAND. The Senator from Arkansas underestimates his friend, the Senator from Florida.

The Senator from Florida knows the entire situation in that pool.

I know that the past and present purpose is to keep in that fund enough to cover a year's payments.

I know that does not approach the degree of safety actuarially that is required of insurance companies and others. This is an insurance program.

Mr. FULBRIGHT. The Senator is correct.

Mr. HOLLAND. And I am well advised about the program. I know that with all of the amendments stuck on the bill, which the distinguished senior Senator from Indiana says can be brushed off, these are amendments that cannot be financed by the bill.

The Senator from Florida is not willing to vote for a bill that has an accumulation of all those amendments. And he cannot see how any other Senator would vote for it.

These were amendments that the Senator from Indiana has admitted have to be brushed off. Well, we cannot brush off the action of a great body like the Senate of the United States in solemnly voting funds which they know cannot be paid and which they know are not going to be paid.

The Senator from Florida is not going to vote for such a bill. When the bill goes to the House, I hope it will brush off—and those were the words of the Senator from Indiana, and they are very accurate words—a lot of the amendments in conference. I will then be glad to vote for that bill. However, I will not be on record as promising the old people something which cannot be done.

The Senator from Arkansas knows that it cannot be done. And the Senator from Indiana knows that it cannot be done.

The Senator from Indiana speaks of these amendments as amendments that will have to be brushed off. Let us brush them off, but we ought to have brushed them off and defeated them before we put them in the bill.

Mr. HARTKE. Mr. President, I yield to the Senator from Tennessee.

Mr. GORE. Mr. President, I thank the able Senator for yielding.

I compliment and congratulate the able senior Senator from Indiana for the contribution he has made to the consideration and to the writing of the social security bill which has just passed.

I concur in large part with the statements the able Senator has made with respect to the financing. I believe that the actuarial experts of the Social Security Administration will confirm the statements of the Senator from Indiana.

It is a matter of judgment as to whether it is wise to levy a tax to provide revenue somewhat in excess of anticipated benefit payments.

I leaned toward a resolution of that doubt in favor of a surplus in the social security trust fund.

I wish to add that it is now my feeling that we have levied taxes upon payrolls to the maximum feasible extent. Benefits added hereafter, in my present view, to the extent they cannot be funded by taxes provided in the pending bill, should be financed from the general revenue.

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THE SOCIAL SECURITY AMENDMENTS OF 1967

Mr. MONRONEY. Mr. President, I wish to say that I consider the Bayh amendment, which was agreed to by a vote of 50 to 23, to raise the limits of what a retiree on social security can earn from $1,500 to a total of $2,400 a year, as being one of the most important steps we have taken in social security matters. I have urged the adoption of this principle over a period of a great many years, as a member of both the House of Representatives and the Senate.

This, I believe, is a great forward step in assuring the dignity of our elderly citizens, insuring that they shall not be penalized because they are industrious enough, their work habits are strong enough, their health good enough, and their desire to be useful great enough to seek employment.

It has always seemed to me a tragedy for a system which has held itself out to the world to be a model for the world to follow to say to a beneficiary of our old age assistance system, "If you earn more than $1,500 a year, you are going to be penalized progressively for the extra work that you do."

We can utilize without hindrance by this amendment a great reservoir of wonderful people. They will pay social security taxes and income taxes on their earnings, and the only way that I can rationalize the costs that are attributed to this amendment by the committee is to say that they will result from reducing the amount of money that would otherwise be taken from those retirees who choose to work.

As the law now stands, if they work hard enough, if they are successful enough to obtain employment despite their age, then the Government will exact a tax that runs up to 50 percent of everything they make, in order to comply with a completely obsolete social security rule. That rule was put into the first social security law, when we were frightened at the number of people in our labor supply.

We know now, from experience, that our labor supply can run short, particularly in many of our highly industrialized areas, and we should seek to use this pool of skills we have. We should not let it deteriorate, and these people become the victims of depressive feelings because they are not allowed to work, or, if they do work, will be forced to forfeit so much of their earnings that they will feel they have been put on the shelf, that the country has passed them by, that their day of usefulness has ended. If they choose to do so, I think they should be permitted to work, and I commend the Senator from Indiana [Mr. BAYH] for his foresight and his able advocacy of this amendment.

I plead with the members of the conference committee, when they go to conference, to insist, as the No. 1 condition of bringing the bill back, upon this long-postponed right which our elderly citizens should have to make themselves useful, when they are healthy enough and when they desire to do so, and can go out and find a job. It has always seemed to me that being over 65 is hard enough without, in addition, having to pay such a penalty. Having to pay back what you earn over $150 is contrary to American traditions, and contrary to the interests of the people who have retired. I commend Senator BAYH for his great insight in conceiving this amendment, and his generalship in having added to the bill something that will long be remembered as a giant stride forward in social security, in fair treatment of the retired, and in preserving the human dignity of our people over 65, who have not grown old—because 65 is no longer old—but who, by the standards of our giant industrial corporations, must be pushed aside on the day they attain that age, and who, under our American system, are apt otherwise to have to spend the rest of their lives in idleness and indignity.

I point to the examples of two leading citizens of Oklahoma to illustrate my point.

The chairman of one of the leading banks in Oklahoma, the Honorable Dan Hogan, passed his 100th birthday last week. The President of the United States sent him a wire of congratulations. He is still active in the bank, and only 2 years ago gave up quail hunting because he had passed the age of 98.

The publisher of two of Oklahoma's outstanding newspapers, also a man who manages not only those, but the Farmers' and Stockmen's Magazine and radio and television stations all over the country, is working actively at the age of 94, and he walks more erectly, more rapidly, and with greater vigor than do I and many of my younger friends in the Senate.

So, I say that there is the value of

gold in this change in the social security law. These people must not be wasted by America. America must not allow them to feel cast off and out of society in a Nation that prides itself on work and work habits.

I appreciate again the authorship of the amendment by the distinguished Senator from Indiana [Mr. BAYH] and I thank him for his great ability.

I thank the distinguished Senator from Oregon [Mr. MORSE] for his able support of this very fine amendment that was agreed to by a majority of 50 to 23.

I thank the distinguished senior Senator from Indiana [Mr. HARTKE] who has worked in this field, and I believe he would have offered an even greater opportunity for income had the Senate seen fit to go along with his proposal.

Mr. BAYH. Mr. President, I thank the senior Senator from Oklahoma for his kind remarks and for his support in securing the adoption of this amendment. The Senator from Oklahoma, the distinguished chairman of the Post Office and Civil Service Committee, long has championed the cause of the elderly. He has urged, on numerous occasions, that our civil service laws be revised so that capable senior citizens may continue to contribute to society.

I join with the Senator from Oklahoma in urging the distinguished Chairman of the Finance Committee [Mr. LONG] to press the conferees to accept this needed change in the earnings test. The emphatic endorsement of this amendment, by a vote of 50 to 23, late last evening should indicate to the conference committee that we feel very strongly that the new $2,400 limitation should be retained.

Again, I thank the Senator from Oklahoma.

Mr. MORSE. Mr. President, I commend also the distinguished Senator from Indiana for the legislative record he has been making on the floor of the Senate today in support of the social security bill that we passed earlier this morning.

It is a record that needs to be made in view of the gross misstatements that have appeared in the American press and American periodicals of recent date concerning the soundness of the social security fund.

I think it is most regrettable that as a result of this type of journalism many old people in this country have been instilled with fear and uncertainty concerning the stability of the social security fund, its financial soundness, and its actuarial soundness.

I have two reservations about the bill we passed that I think give us a challenge for correction in the immediate future.

The minimum monthly benefit is raised to $70 a month in the Senate bill compared to $50 a month in the House bill. However, $70 a month, in my judgment, is far short of the monthly support that anyone on social security should receive if we are to carry out our moral and humanitarian obligations to the old people of this country.

Let us not forget that it is the population of America that makes our economic system, not our financiers, except only to the extent that they are part of the population.

I am often amused as I listen to a lot of stuffed shirts in this country tell about what great self-made men they are. However, I have yet to meet the first self-made man, for all of us are the beneficiaries of the environment through which we have lived our lives.

Some have greater opportunities and some have advantages thrust upon them. I, of course, would be the last to deprecate incentive and ambition and hard work and insight. But, there is little support ever received from me on the part of the wealthy who seem to think that what they have they are entitled to keep without any relationship to carrying out their moral obligations to the less fortunate. For what they have is the product not so much of their own efforts, but rather they are the beneficiaries of a great economic system.

So I joined with the Senator from New York [Mr. KENNEDY] in S. 1009, through which we sought to raise the minimum social security benefit to $100. And the senior Senator from Oregon will never lag in that drive to accomplish that legislative goal.

All the people owe it to the elderly. We need to demonstrate that it is because of our system of economic freedom that the entire population produces the goods by varying degrees of efforts and there are contributions on the part of each person to build up this great national economic productive effort.

But I have another reservation with regard to this bill. That relates to the tax provision which calls for a payroll tax of 5.2 percent on employer and employee starting in 1971. It rises to 5.8 percent by 1980.

It is my personal feeling that that payroll tax is scheduled to go entirely too high. It is my personal feeling that it should be leveled off to not more than 5 percent, and then whenever additional revenues are necessary to keep the trust fund sound—and it is sound today—it should not be by way of increased social security taxes on either the worker or the employer. The necessary additional funds should come out of the General Treasury, on the basis of a recognition of a national obligation, through the Federal Treasury, to see that the social security trust fund is kept in an actuarially sound position, so that an adequate amount of monthly benefits can be paid the aged of this country so they can live out their lives in health and decency and happiness.

I hope that this change can be made before the payroll taxes go above 5 percent. That is why I hope another drive will be made next year to see that the tax is brought back to not more than 5 percent.

Now I wish to direct a question or two to the Senator from Indiana.

The tax provisions contained in the Senate bill will mean that the social security trust fund will remain sound financially. Am I correct in that conclusion?

Mr. HARTKE. Not alone sound, but also, a surplus is created each year.

Mr. MORSE. As the Senator pointed out earlier this morning, an attack was made upon the amendments that were adopted in the Senate to this bill, amendments which are long overdue. The attack made on the floor of the Senate sought to leave the impression with the American people that those amendments would leave this fund financially unsound. I ask the Senator from Indiana, is it not true that even the cost of the amendments we have adopted will not leave this trust fund unsound?

Mr. HARTKE. It will leave the fund absolutely sound. The Senator is 100 percent correct in his assessment.

Mr. MORSE. Well, scare articles have appeared in magazines and newspapers. Every Senator has received a quantity of mail from frightened old people who have read a deceptive article in a recent issue of Reader's Digest, giving the American people the impression that the social security trust fund is unsound.

It is most unfortunate that such misleading writings are perpetrated upon the old people of this country, to stir up the fright that that article and others have stirred up.

The money collected from the payroll tax goes into the trust fund and cannot be used for any purpose other than claims for social security benefits. In making our legislative history at this time, I wish to ask the Senator from Indiana, a member of the Committee on Finance, who offered some of the amendments that have been adopted and who took a leading role in writing this bill within the Finance Committee, if it is not true that the payroll tax goes into the trust fund and cannot be used for any purpose other than claims for social security benefits.

Mr. HARTKE. This is the law, and anyone who violates that provision would be violating the law. The Senator is correct.

Mr. MORSE. Yet, if you read the Reader's Digest article, with the shocking journalism that characterizes this article, you get the impression that this money is siphoned away, to be used for other purposes, that it even can be used for some of our foreign aid programs. But the Senator from Indiana has given the answer, and the answer is that this money can be used only to pay social security claims.

That is not to say that all this cash is kept in the trust fund. Whatever is not needed to pay current claims is invested in Government bonds. I suppose that is where the charge originates that it is used for other purposes.

But the Government bond is as sound as the Government currency. The workingman who buys a U.S. savings bond has not spent his money; he has saved it in the soundest form of investment there is.

The same is true of his payroll tax that goes into the social security trust fund.

Mr. HARTKE. This is correct.

I believe it should be clarified that there is authority in the law for the Treasury to borrow money. But if they borrow money from the trust fund, just as they would from any private bank, they have to pay interest to the trust fund for all the money they borrow.

Mr. MORSE. That is my next point,

but one does not get this from reading the yellow articles to which I have referred. The trust fund earns money from the interest.

Of course, the trust fund is subject to borrowing by the Government. But what is behind the borrowing? The Treasury of the United States, the wealth of the Nation.

Mr. HARTKE. The Senator is correct.

Mr. MORSE. No stronger security is available in the world.

When these writers give the impression that something tricky, that something unethical, that something shady is being done by their Government in connection with borrowing money from this trust fund, or other trust funds, I believe that the comments I am making on the floor of the Senate this afternoon are called for, because I believe in correcting falsehoods.

Mr. President, it is too bad that such falsehoods have been spread and perpetrated upon innocent old people, to frighten them and cause them to believe that something is being done by their Government that jeopardizes their hope for economic security, to the extent that social security gives them economic security, in their old age.

Is it not true that funds not needed to pay immediate claims are invested in Government bonds?

Mr. HARTKE. That is true.

Mr. MORSE. The Senator being the financial expert he is, will he agree with me that there is not a sounder investment in our country than investment in Federal Government bonds?

Mr. HARTKE. That is absolutely the most sound investment, backed up by the wealth of the United States, the full faith and credit of the United States; and therefore it receives a lower rate of interest than any other instruments of the United States.

Mr. MORSE. Does it not also follow that when an individual worker puts his savings into Government bonds, he really has not spent his money, but he has saved his money and draws interest on this money and helps his Government to make funds available so that it, in turn, can meet the budgetary costs of Government expenses, and that the face amount of the bond is paid back at maturity to the owner of the bond?

Mr. HARTKE. The Senator is correct.

Mr. MORSE. I appreciate the Senator's assistance in making this legislative history; because, as we all know, what is said on the floor of the Senate at the time a bill is passed has much bearing on future interpretations of the bill from the standpoint of the intent of Congress.

I hope we will hear no more about the social security fund being insecure, and I also hope that future Congresses will alleviate what the Senator from Louisiana rightly calls the highly regressive nature of the payroll tax, by leveling it off to 5 percent, and making further contributions to the trust fund out of general revenue.

The Senator from Louisiana, the chairman of the Committee on Finance had hoped to remain in the Chamber in order to participate in this colloquy with the Senator from Indiana and the Senator from Oregon. As always, I tried to accommodate other Senators who had to leave, by waiting to present material of my own until they had been accommodated. The Senator from Louisiana remained in the Chamber as long as he could, but I am privileged to say that he agrees with the observations that the Senator from Indiana and the Senator from Oregon have made concerning the soundness of the social security trust fund. I thank the Senator from Indiana very much.

Mr. HARTKE. Mr. President, I yield the floor.

SOCIAL SECURITY COVERAGE OF EMPLOYEES OF MASSACHUSETTS TURNPIKE AUTHORITY

Mr. KENNEDY of Massachusetts. Mr. President, section 124a of the Senate committee bill would permit the Secretary of Health, Education, and Welfare to terminate the social security coverage of employees of the Massachusetts Turnpike Authority at the end of any calendar quarter following the filing of notice, as required by section 218(g)(i) of the Social Security Act.

This amendment to existing law is the product of amendment number 423, which I submitted on October 25, 1967, and certain changes suggested during consultations among representatives of the Department of Health, Education, and Welfare, the Finance Committee staff, and myself. It is very important to the 950 employees of the Massachusetts Turnpike Authority, and for that reason I was glad to submit it, when it became apparent that only legislation could bring the benefits of the new State retirement system to these employees without imposing a harsh double payroll tax on them for two years.

Mr. President, I have a series of letters to and from various individuals, including the Governor of the Commonwealth, which make clear the need for this provision in the committee bill. Since they speak for themselves, I ask unanimous consent that they be printed in the RECORD.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

MASSACHUSETTS TURNPIKE AUTHORITY,
Boston, Mass., September 21, 1967.

Hon. JOHN W. GARDNER,
Secretary of Health, Education, and Welfare, Washington, D.C.

DEAR MR. SECRETARY: This is to bring to your official attention the desire of 950 employees of the Massachusetts Turnpike Authority, and the Authority as well, for termination within a reasonable time of an agreement under section 418 of title 42, U.S.C.A., whereby social security benefits are extended to such employees. Adherence to the requirement of a two year notice for such termination, as provided in section 418(g)(1b), would work such a hardship upon these employees that it would appear to be entirely inconsistent with the manifest purpose of the social security legislation.

It was at the instigation of the labor union representing operating employees that the Massachusetts Turnpike Authority appointed a staff committee to investigate and recommend a suitable pension plan for its employees. The committee was assisted in its work by Martin E. Segal Company, Inc., a nationally recognized consultant on welfare, health and pension programs. After a comprehensive review of numerous public and private pension plans, many of which were combined with social security benefits, the committee recommended adoption of a pension system under Chapter 32 of the Massachusetts General Laws which governs contributory retirement systems for public employees in the Commonwealth; and termination of the existing social security participation. This recommendation was approved by the Authority and accepted by the vast majority of union members voting by secret ballot.

Necessary legislation to enable the Authority to establish a pension system within the framework of the State's retirement plan was recently enacted by the Massachusetts legislature and approved by His Excellency, Governor John A. Volpe. It was only then that it was discovered that a two year notice would be required before the social security plan for Authority employees could be terminated. Since the cost of the State pension system in addition to social security payments would impose an intolerable burden upon both employees and the Authority, the only alternative would be to defer operation of the State system for two years.

Delay for such a long period would work a serious hardship upon employees of the Authority who would thereby be deprived of the liberal retirement, disability and death benefits of the State system.

Because a two year notice requirement for termination of social security participation seems to be grossly in excess of any apparent necessity and because such notice will unnecessarily delay, and may even deprive, many employees of the Authority of the substantial benefits to which they would be entitled under the new pension system, I urge you to exercise whatever power or discretion you may have to relieve this unconscionable situation.

Your sympathetic consideration of the problem is sincerely apreciated.

Very truly yours,

JOHN T. DRISCOLL,
Chairman.

THE COMMONWEALTH
OF MASSACHUSETTS,
Boston, September 25, 1967.

JOHN W. GARDNER,
Secretary of Health, Education, and Welfare, Washington, D.C.

DEAR MR. SECRETARY: As Treasurer and Receiver-General for Massachusetts, I am Chairman of the State Board of Retirement which is the agency of this Commonwealth through which the insurance system established by Title II of the Social Security Act is extended to services performed by employees of certain instrumentalities of the State, including the Massachusetts Turnpike Authority.

Recently the Legislature enacted Chapter 597 of the Acts of 1967 which provides for establishment of the Massachusetts Turnpike Authority Employees' Retirement System. This system would operate under the same statutory provisions as the 99 State, County and Municipal pension systems throughout the Commonwealth and would give employees of the Authority the same contributory retirement rights that are now enjoyed by other public employees.

But, because of the substantial expense involved, the Authority must terminate the participation of its employees under Social Security before the State pension system can be made applicable to them. A federal requirement of two years' notice for such termination would deprive Authority employees of the substantial benefits under the state retirement law until 1970.

It may be helpful to you, in determining what action is appropriate to assist the Authority's personnel, to know something of the benefits provided under Chapter 32 of the Massachusetts General Laws, the State's contributory retirement statute.

The basic benefit under this law for an employee retiring at or after age 65 is computed as 2½ per cent of average salary over the three highest consecutive years times the number of years of employment. Thus, a thirty years employee retires at 75 per cent at his highest three-year average salary; a twenty-year man retires at 50 per cent; and the twenty-five year man at 62½ per cent.

In addition, the law provides significant benefits for retirement on account of ordinary disability and on account of occupational disability: as well as for ordinary or accidental death before retirement. To illustrate—if an employee becomes permanently disabled as a result of an injury, in the course of his employment, he receives an annual pension of

1. Two-thirds of his final salary; plus

2. $312. for each child under eighteen; plus

3. A supplemental pension that is equal to the actuarial value of his accumulated contributions;

4. To a maximum of 100% of his final salary.

As you would expect, this comprehensive, liberal retirement program is expensive. After allowing for the employee contributions, which are 5 per cent of salary, the estimated cost to the employer-Authority will average 14 per cent of payroll over the next thirty-five years.

The State Board of Retirement, as contracting agency for the Commonwealth is prepared to take whatever action is required on its part to terminate the "Plan" submitted by the Massachusetts Turnpike Authority for extending the benefits of Title II of the Social Security Act to Authority personnel. It is my earnest hope that you can find the means to terminate the "Plan" on the part of the federal government within a reasonably short time.

Very truly yours,

ROBERT Q. CRANE.

MASSACHUSETTS GENERAL COURT,
Boston, September 26, 1967.

JOHN W. GARDNER,
Secretary, Department of Health, Education, and Welfare, Washington, D.C.

DEAR MR. SECRETARY: During the past several sessions of the Massachusetts General Court, the Committee on Pensions and Old Age assistance, of which I am Chairman, has considered petitions for legislation to extend the benefits of the State's retirement law to employees of the Massachusetts Turnpike Authority.

Each time the matter was considered, the Committee was sympathetic with the desires of employees of the Authority to have the same liberal retirement allowances that other public employees enjoy, but the bill had to be rejected because the means for paying the substantial cost could not be provided.

This year, the Massachusetts Turnpike Authority expressed its willingness to bear the expense of the retirement law for its employees and legislation was readily enacted to enable the Authority to establish a system providing contributory retirement benefits for Authority personnel according to the State Retirement Plan. An emergency preamble was affixed to the Act so that it would be put into effect without any delay.

Quite frankly, I was shocked and disappointed to learn that the new retirement system may have to be postponed until 1970 because the federal government requires a two-year notice of termination of the Social Security Plan for Turnpike employees.

You would be performing a real service to the employees of the Massachusetts Turnpike Authority, their families and dependents if you can devise some means whereby the two-year notice can be waived.

Very truly yours,

HARRY DELLA RUSSO,
State Senator.

THE COMMONWEALTH
OF MASSACHUSETTS,
Boston, September 28, 1967.

Hon. JOHN W. GARDNER,
Secretary of Health, Education, and Welfare, Washington, D.C.

DEAR MR. SECRETARY: Massachusetts is proud of the liberal retirement, disability and death benefits that have been provided for the public employees of this Commonwealth and its counties, cities and towns. These benefits are the equal, and in many cases are far superior, to those of any state in the union. As Governor of the Commonwealth, I was pleased to sign into law recently a bill providing for the establishment of the Massachusetts Turnpike Authority employees' retirement system which would give more than 900 employees of this quasi public agency the same pension rights that are enjoyed by thousands of other public workers. A copy of this bill is enclosed for your convenience.

In this matter where both labor and management are completely satisfied, I am disturbed to learn that their agreement cannot be brought to fruition because of a requirement for two years' notice to terminate an existing agreement with the federal government under which social security protection has been afforded to Massachusetts Turnpike Authority personnel.

My purpose, therefore, is to enlist your good offices to relieve the impasse that has developed so that employees of the Authority may enjoy, without an extended delay, the benefits and protection that were provided for them in the recently enacted law. Some indication of the urgency of this matter is evident from the emergency preamble adopted by the Legislature so that the new pension system could be made immediately available by the Authority.

I would be sincerely grateful for whatever you can accomplish in behalf of the public employees of the Commonwealth who are affected by the recent act.

Sincerely,

JOHN A. VOLPE,
Governor.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, SOCIAL SECURITY ADMINISTRATION,
Baltimore, Md., October 2, 1967.

Mr. ROBERT Q. CRANE,
State Social Security Administrator, State Board of Retirement, State House, Boston, Mass.

DEAR MR. CRANE: Commissioner Ball has asked me to reply to your letter of September 6, 1967, concerning the termination of the State's social security coverage agreement with respect to the services of employees of the Massachusetts Turnpike Authority. You requested information as to whether termination is necessary because of recent legislation providing for the establishment of a retirement system for the Authority's employees and the earliest date the termination may be made effective.

Subsection 218(d) of the Social Security Act (section 418(d)(1), United States Code, Annotated) provides that no agreement with any State may be made applicable, either in the original agreement or by any modification thereof, to services performed by employees as members of any coverage group in positions covered by a retirement system either (A) on the date such agreement is made applicable to such coverage group, or (B) on the date of enactment of paragraph (2) of subsection 218(d). The agreement between the State of Massachusetts and the Secretary of Health, Education, and Welfare was made applicable to the coverage group composed of employees of the Massachusetts Turnpike Authority by a modification excuted on April 19, 1954. Paragraph (2) of Subsection 218(d)(1) of the Social Security Act was enacted on September 1, 1954. Because the employees of the Authority were not in positions under a retirement system on either date the provision of subsection 218(d)(1) of the act did not constitute a bar to the coverage of their services under the Massachusetts social security coverage agreement.

There is no provision in the act prohibiting the continuation of social security coverage with respect to the services of employees whose positions become impressed with a retirement system after the State's agreement has been made applicable to them. Consequently, even though the positions of the employees of the Massachusetts Turnpike Authority may become impressed with a retirement system at a future date, their services will continue to be covered under the Massachusetts social security coverage agreement until such time as the coverage is terminated. A State's coverage agreement may be terminated in its entirety or with respect to any coverage group only as provided in subsection 218(g) of the act.

Under subsection 218(g)(1) of the act, upon giving at least two years advance written notice to the Secretary, the State may terminate its agreement in its entirely or with respect to any coverage group effective at the end of a calendar quarter specified in the notice, provided the coverage to be terminated has been in effect for 5 years prior to the receipt of the notice. Therefore, since the coverage for the group composed of the employees of the Massachusetts Turnpike Authority has been in effect since January 1, 1954 (the effective date of Modification No. 1 to the State's agreement) we could, if the State wishes, consider your letter a notice of intention to terminate that group's coverage effective at the earliest possible date; i.e., at the end of the calendar quarter ending September 30, 1969.

Under subsection 218(g)(2) of the act, the Secretary may terminate the agreement in its entirety or with respect to any coverage group designated by him if he finds that the State has failed or is no longer legally able to comply substantially with any provision of its agreement or of section 218 of the act. Before the Secretary may terminate, he must give the State notice and an opportunity for a hearing. The termination would become effective at any time deemed appropriate by the Secretary within 2 years from the date of his notice, unless prior to that time he finds that there no longer is any such failure or that the cause for such legal inability has been removed. When a political subdivision has been legally dissolved, or otherwise ceases to exist as an employer, the Secretary may make a finding of inability to comply and terminate upon request of the State, and a waiver by the State of the notice of hearing. In such cases the termination is effective as of the date the entity ceased to exist.

Once an agreement is terminated in its entirety, the State and the Secretary may not again enter into a social security coverage agreement. If the agreement is terminated with respect to the Massachusetts Turnpike Authority, the Secretary and the State may not thereafter modify the agreement to again make it applicable with respect to the coverage group composed of Massachusetts Turnpike Authority employees. If the State wishes that we consider your letter as constituting the required written notice to the Secretary by the State, we would appreciate a letter to this effect over the signature of the appropriate State official. As indicated above, this would enable the State to terminate coverage of the Massachusetts Turnpike Authority, effective as of the end of the calendar quarter ending September 30, 1969.

Sincerely,

HUGH F. MCKENNA,
Director, Bureau of Retirement and Survivors Insurance.

EMPLOYEES OF TOLL ROADS, BRIDGES AND TUNNELS, STATE OF MASSACHUSETTS,
Boston, Mass., October 26, 1967.

Hon. EDWARD M. KENNEDY,
Senate Office Building,
Washington, D.C.

DEAR SENATOR: As already you are aware, our Union vigorously supports and is grateful for your efforts to expedite transfer of employees of the Massachusetts Turnpike Authority from the Federal Social Security System to the Massachusetts Contributory Retirement System.

We are the duly certified exclusive collective bargaining representative of those employees. The pending transfer was initiated by us, and agreed to in collective bargaining with the Authority, after long and careful consideration of an exhaustive anaylsis of the respective benefits of the Federal and Massachusetts Systems made at the joint behest of the Authority and ourselves by Martin E. Segal Company, Incorporated, of New York and Boston, nationally known consultants on health, welfare, and pension programs.

We are satisfied that the State's "fringe benefit package"—including pension and disability benefits and life, medical, and hospitalization insurance—is in the aggregate more generous than that of the Social Security Act. Furthermore, many of the Authority's employees have already established under the Social Security Act retirement benefits which will supplement the State benefits available to them upon their transfer from the Federal to the State System.

Chapter 597 of the Acts of 1967 was enacted by the General Court and signed by Governor Volpe expressly to make it possible for employees of the Turnpike Authority to join

the State Retirement System. If I may say so, our Union takes equal credit with the Authorty for passage of that legislation; it was a common effort to which the Legislature and Governor responded quickly and willingly.

We—and the employees we represent—will be adversely affected if the two-year waiting period provision in the Social Security Act is not amended so that the Turnpike Authority may be allowed to withdraw promptly from the Federal System and achieve the purpose of Chapter 597 by placing its employees under the State System.

Yours sincerely,

JOHN A. MCGRATH,
Secretary-Treasurer,
Teamsters Union Local 127.

In the Senate of the United States,

November 22 (legislative day, November 21), 1967.

Resolved, That the bill from the House of Representatives (H.R. 12080) entitled "An Act to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes", do pass with the following

AMENDMENTS:

(1) Strike out all of the table of contents beginning on page 2 and ending at the bottom of page 4 and insert:

TABLE OF CONTENTS

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

PART 1—BENEFITS UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

★

TABLE OF CONTENTS—Continued

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

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

PART 3—HEALTH INSURANCE BENEFITS

TABLE OF CONTENTS—Continued

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

PART 3—HEALTH INSURANCE BENEFITS—Continued

PART 4—MISCELLANEOUS AND TECHNICAL AMENDMENTS

TABLE OF CONTENTS—Continued

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

PART 4—MISCELLANEOUS AND TECHNICAL AMENDMENTS—Continued

TITLE II—PUBLIC WELFARE AMENDMENTS

PART 1—PUBLIC ASSISTANCE AMENDMENTS

PART 2—MEDICAL ASSISTANCE AMENDMENTS

TABLE OF CONTENTS—Continued

TITLE II—PUBLIC WELFARE AMENDMENTS—Continued

PART 2—MEDICAL ASSISTANCE AMENDMENTS—continued

PART 3—CHILD-WELFARE SERVICES AMENDMENTS

PART 4—MISCELLANEOUS AND TECHNICAL AMENDMENTS

TABLE OF CONTENTS—Continued

TITLE III—IMPROVEMENT OF CHILD HEALTH

TITLE IV—GENERAL PROVISIONS

TITLE V—MISCELLANEOUS PROVISIONS

TABLE OF CONTENTS—Continued

TITLE VI—QUALITY AND COST CONTROL STANDARDS FOR DRUGS

(2) Page 5, strike out all of the table beginning on the line following line 9 and ending above line 1 on page 7 and insert:

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

"I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1965 Act)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
----------	$23.08	$60.00 or less	----------	$96	$70.00	$105.00
$23.09	23.44	61.00	$97	97	70.20	105.30
23.45	23.76	62.10	98	99	71.50	107.30
23.77	24.20	63.20	100	101	72.70	109.10
24.21	24.60	64.20	102	103	73.90	110.90
24.61	25.00	65.30	103	104	75.10	112.70
25.01	25.48	66.40	105	106	76.40	114.60
25.49	25.92	67.50	107	107	77.70	116.60
25.93	26.40	68.50	108	109	78.80	118.20
26.41	26.94	69.60	110	113	80.10	120.20
26.95	27.46	70.70	114	118	81.40	122.10
27.47	28.00	71.70	119	122	82.50	123.80
28.01	28.68	72.80	123	127	83.80	125.70
28.69	29.25	73.90	128	132	85.00	127.50
29.26	29.68	74.90	133	136	86.20	129.30
29.69	30.36	76.00	137	141	87.40	131.10
30.37	30.92	77.10	142	146	88.70	133.10
30.93	31.36	78.20	147	150	90.00	135.00

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

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At least—	But not more than—		At least—	But not more than—		
$31.37	$32.00	$79.20	$151	$155	$91.10	$136.70
32.01	32.60	80.30	156	160	92.40	138.60
32.61	33.20	81.40	161	164	93.70	140.60
33.21	33.88	82.40	165	169	94.80	142.20
33.89	34.50	83.50	170	174	96.10	144.20
34.51	35.00	84.60	175	178	97.30	146.00
35.01	35.80	85.60	179	183	98.50	147.80
35.81	36.40	86.70	184	188	99.80	150.40
36.41	37.08	87.80	189	193	101.00	154.40
37.09	37.60	88.90	194	197	102.30	157.60
37.61	38.20	89.90	198	202	103.40	161.60
38.21	39.12	91.00	203	207	104.70	165.60
39.13	39.68	92.10	208	211	106.00	168.80
39.69	40.33	93.10	212	216	107.10	172.80
40.34	41.12	94.20	217	221	108.40	176.80
41.13	41.76	95.30	222	225	109.60	180.00
41.77	42.44	96.30	226	230	110.80	184.00
42.45	43.20	97.40	231	235	112.10	188.00
43.21	43.76	98.50	236	239	113.30	191.20
43.77	44.44	99.60	240	244	114.60	195.20
44.45	44.88	100.60	245	249	115.70	199.20
44.89	45.60	101.70	250	253	117.00	202.40
		102.80	254	258	118.30	206.40
		103.80	259	263	119.40	210.40
		104.90	264	267	120.70	213.60
		106.00	268	272	121.90	217.60
		107.00	273	277	123.10	221.60
		108.10	278	281	124.40	224.80
		109.20	282	286	125.60	228.80
		110.30	287	291	126.90	232.80
		111.30	292	295	128.00	236.00
		112.40	296	300	129.30	240.00
		113.50	301	305	130.60	244.00
		114.50	306	309	131.70	247.20
		115.60	310	314	133.00	251.20
		116.70	315	319	134.30	255.20
		117.70	320	323	135.40	258.40
		118.80	324	328	136.70	262.40
		119.90	329	333	137.90	266.40
		121.00	334	337	139.20	269.60
		122.00	338	342	140.30	273.60
		123.10	343	347	141.60	277.60
		124.20	348	351	142.90	280.80
		125.20	352	356	144.00	284.80
		126.30	357	361	145.30	288.80
		127.40	362	365	146.60	292.00
		128.40	366	370	147.70	296.00
		129.50	371	375	149.00	300.00
		130.60	376	379	150.20	303.20
		131.70	380	384	151.50	307.20
		132.70	385	389	152.70	311.20
		133.80	390	393	153.90	314.40
		134.90	394	398	155.20	318.40
		135.90	399	403	156.30	322.40
		137.00	404	407	157.60	325.60
		138.00	408	412	158.70	329.60
		139.00	413	417	159.90	333.60
		140.00	418	421	161.60	336.80
		141.00	422	426	162.20	340.80
		142.00	427	431	163.30	344.80
		143.00	432	436	164.50	348.80
		144.00	437	440	165.60	352.00
		145.00	441	445	166.80	356.00
		146.00	446	450	167.90	360.00
		147.00	451	454	169.10	361.60
		148.00	455	459	170.20	363.60
		149.00	460	464	171.40	365.60
		150.00	465	468	172.50	367.20
		151.00	469	473	173.70	369.20
		152.00	474	478	174.80	371.20
		153.00	479	482	176.00	372.80
		154.00	483	487	177.10	374.80
		155.00	488	492	178.30	376.80
		156.00	493	496	179.40	378.40
		157.00	497	501	180.60	380.40
		158.00	502	506	181.70	382.40
		159.00	507	510	182.90	384.00
		160.00	511	515	184.00	386.00
		161.00	516	520	185.20	388.00
		162.00	521	524	186.30	389.60
		163.00	525	529	187.50	391.60
		164.00	530	534	188.60	393.60

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If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
		$165.00	$535	$538	$189.80	$395.20
		166.00	539	543	190.90	397.20
		167.00	544	548	192.10	399.20
		168.00	549	551	193.20	400.40
			552	555	194.00	402.00
			556	559	195.00	403.60
			560	562	196.00	404.80
			563	566	197.00	406.40
			567	569	198.00	407.60
			570	573	199.00	409.20
			574	576	200.00	410.40
			577	580	201.00	412.00
			581	583	202.00	413.20
			584	587	203.00	414.80
			588	591	204.00	416.40
			592	594	205.00	417.60
			595	598	206.00	419.20
			599	601	207.00	420.40
			602	605	208.00	422.00
			606	608	209.00	423.20
			609	612	210.00	424.80
			613	616	211.00	426.40
			617	619	212.00	427.60
			620	623	213.00	429.20
			624	626	214.00	430.40
			627	630	215.00	432.00
			631	633	216.00	433.20
			634	637	217.00	434.80
			638	641	218.00	436.40
			642	644	219.00	437.60
			645	648	220.00	439.20
			649	651	221.00	440.40
			652	655	222.00	442.00
			656	658	223.00	443.20
			659	662	224.00	444.80
			663	665	225.00	446.00
			666	669	226.00	447.60
			670	673	227.00	449.20
			674	676	228.00	450.40
			677	680	229.00	452.00
			681	683	230.00	453.20
			684	687	231.00	454.80
			688	690	232.00	456.00
			691	694	233.00	457.60
			695	698	234.00	459.20
			699	701	235.00	460.40
			702	705	236.00	462.00
			706	709	237.00	463.60
			710	713	238.00	465.20
			714	716	239.00	466.40
			717	720	240.00	468.00
			721	724	241.00	469.60
			725	728	242.00	471.20
			729	732	243.00	472.80
			733	736	244.00	474.00
			737	739	245.00	475.60
			740	743	246.00	477.20
			744	747	247.00	478.80
			748	750	248.00	480.00
			751	754	249.00	481.60
			755	758	250.00	483.20
			759	762	251.00	484.80
			763	766	252.00	486.40
			767	769	253.00	487.60
			770	773	254.00	489.20
			774	777	255.00	490.80
			778	781	256.00	492.40
			782	785	257.00	494.00
			786	788	258.00	495.20
			789	792	259.00	496.80
			793	796	260.00	498.40
			797	800	261.00	500.00
			801	804	262.00	501.60
			805	807	263.00	502.80
			808	811	264.00	504.40
			812	815	265.00	506.00
			816	819	266.00	507.60
			820	823	267.00	509.20
			824	826	268.00	510.40
			827	830	269.00	512.00
			831	834	270.00	513.60

"*TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS*

"I		II	III		IV	V
(*Primary insurance benefit under 1939 Act, as modified*)		(*Primary insurance amount under 1965 Act*)	(*Average monthly wage*)		(*Primary insurance amount*)	(*Maximum family benefits*)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		*Or his primary insurance amount (as determined under subsec. (c)) is—*	*Or his average monthly wage (as determined under subsec. (b)) is—*		*The amount referred to in the preceding paragraphe of this subsection shall be—*	*And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—*
At least—	*But not more than—*		*At least—*	*But not more than—*		
			$835	$838	$271.00	$515.20
			839	842	272.00	516.80
			843	845	273.00	518.00
			846	849	274.00	519.60
			850	853	275.00	521.20
			854	857	276.00	522.80
			858	861	277.00	524.40
			862	864	278.00	525.60
			865	868	279.00	527.20
			869	872	280.00	528.80
			873	876	281.00	530.40
			877	880	282.00	532.00
			881	883	283.00	533.20
			884	887	284.00	534.80
			888	891	285.00	536.40
			892	895	286.00	538.00
			896	899	287.00	539.60
			900	900	288.00	540.00".

(3)Page 7, lines 7 and 8, strike out [the second month following the month in which the Social Security Amendments of 1967 are enacted] and insert: *the month of March 1968*

(4)Page 8, line 1, strike out [second]

(5)Page 8, lines 10 and 11, strike out [such second month, for each such person for such second month,] and insert: *March 1968, for each such person for March 1968,*

(6)Page 8, line 12, strike out [112.5] and insert: *115*

(7)Page 8, line 19, strike out [such second month,] and insert: *the month of March 1968,*

(8)Page 8, line 24, strike out [such second month,] and insert: *March 1968,*

(9)Page 9, line 5, strike out all after "becomes" down to and including "enacted," in line 7 and insert: *entitled, after February 1968,*

(10)Page 9, line 9, strike out [in or after such second month] and insert: *after February 1968*

(11)Page 10, line 2, strike out all after "the" where it appears the first time down to and including "month" in line 4 and insert: *month of March 1968, or who died before such month*

(12)Page 10, lines 7 and 8, strike out [and after the second month following the month in which this Act is enacted] and insert: *months after February 1968*

(13)Page 10, line 10, strike out [in or after such second month] and insert: *after February 1968*

(14)Page 10, lines 13 and 14, strike out [following the month in which this Act is enacted] and insert: *of February 1968*

(15)Page 10, line 15, strike out all after "the" down to and

including "month," in line 17 and insert: *month of March 1968, or who died in such month,*

(16) Page 11, line 5, strike out ["$40"] and insert: *"$50"*

(17) Page 11, line 6, strike out ["$20"] and insert: *"$25"*

(18) Page 11, line 9, strike out ["$40"] and insert: *"$50"*

(19) Page 11, line 11, strike out ["$40"] and insert: *"$50"*

(20) Page 11, line 13, strike out ["$40"] and insert: *"$50"*

(21) Page 11, line 14, strike out ["$20"] and insert: *"$25"*

(22) Page 11, line 16, strike out ["$20"] and insert: *"$25"*

(23) Page 11, line 18, strike out ["$40"] and insert: *"$50"*

(24) Page 11, line 20, strike out ["$20"] and insert: *"$25"*

(25) Page 11, lines 23 and 24, strike out [and after the second month following the month in which this Act is enacted] and insert: *months after February 1968*

(26) Page 13, line 10, strike out all after "for" down to and including "enacted" in line 12 and insert: *months after February 1968*

(27) Page 13, strike out all after line 12 over to and including line 11 on page 26 and insert:

BENEFITS FOR DISABLED WIDOWS AND WIDOWERS

SEC. 104. (a)(1) Subparagraph (B) of section 202 (e)(1) of the Social Security Act is amended to read as follows:

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

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

"(F) if she satisfies subparagraph (B) solely by reason of clause (i) thereof, the first month in which she becomes so entitled to such insurance benefits, or

"(G) if she satisfied subparagraph (B) by reason of clause (ii) thereof—

"(i) the first month after her waiting period (as defined in paragraph (6)) in which she becomes so entitled to such insurance benefits, or

"(ii) the first month during all of which she is under a disability and in which she becomes so entitled to such insurance benefits, but only if she was previously entitled to insurance benefits under this subsection on the basis of being under a disability

and such first month occurs (I) in the period specified in paragraph (5) and (II) after the month in which her previous entitlement to such benefits on such basis terminated,

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

(3) Section 202(e) of such Act is further amended by adding after paragraph (4) the following new paragraphs:

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

"*(A) the month in which occurred the death of the fully insured individual referred to in paragraph (1) on whose wages and self-employment income her benefits are or would be based, or*

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

"*(C) the month in which a previous entitlement to*

widow's insurance benefits on the basis of such wages and self-employment income terminated because her disability had ceased,

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

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

"(A) throughout which she has been under a disability, and

"(B) which begins not earlier than with whichever of the following is the later: (i) the first day of the eighteenth month before the month in which her application is filed, or (ii) the first day of the sixth month before the month in which the period specified in paragraph (5) begins.

"(7) A widow or surviving divorced wife entitled to benefits under this section shall be deemed to be so entitled on the basis of being under a disability for any month in which she—

"(A) has not attained age 62, and

"(B) is under a disability (as defined in section

223(d)) which began before the expiration of the period in paragraph (5),

but only if—

"(C) in the 6 calendar months preceding such month she was also under a disability (as so defined), or

"(D) such period, for purposes of subparagraph (B) of this paragraph, begins as of the month specified in subparagraph (C) of paragraph (5)."

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

"(E) A widow's insurance benefit which has been reduced as provided in paragraph (1), for a month for which she is entitled to benefits on the basis of being under a disability and which occurs before the month in which she attains age 62, shall be reduced for such month and subsequent months by the amount (if any) such widow's insurance benefit would be reduced under such paragraph had such individual attained age 62 in the first month for which she was entitled to such benefits on the basis of being under such disability."

(b)(1) Subparagraph (B) of section 202(f)(1) of such Act is amended to read as follows:

"(B)(i) has attained age 62, or (ii) is under a

disability (as defined in section 223(d)) which began before the end of the period specified in paragraph (6),".

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

"(F) if he satisfies subparagraph (B) solely by reason of clause (i) thereof, the first month in which he becomes so entitled to such insurance benefits, or

"(G) if he satisfies subparagraph (B) by reason of clause (ii) thereof—

"(i) the first month after his waiting period (as defined in paragraph (7)) in which he becomes so entitled to such insurance benefits, or

"(ii) the first month during all of which he is under a disability and in which he becomes so entitled to such insurance benefits, but only if he was previously entitled to insurance benefits under this subsection on the basis of being under a disability and such first month occurs (I) in the period specified in paragraph (6) and (II) after the month in which his previous entitlement to such benefits on such basis terminated,

and ending with the month preceding the first month in

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

(3) Section 202(f) of such Act is further amended by adding after paragraph (5) the following new paragraphs:

"*(6) The period referred to in paragraph (1)(B)(ii), in the case of any widower, is the period beginning with whichever of the following is the latest:*

"*(A) the month in which occurred the death of the fully insured individual referred to in paragraph (1) on whose wages and self-employment income his benefits are or would be based, or*

"*(B) the month in which a previous entitlement to widower's insurance benefits on the basis of such wages and self-employment income terminated because his disability had ceased,*

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

"*(7) The waiting period referred to in paragraph (1), in the case of any widower, is the earliest period of six consecutive calendar months—*

"(A) throughout which he has been under a disability, and

"(B) which begins not earlier than with whichever of the following is the later; (i) the first day of the eighteenth month before the month in which his application is filed, or (ii) the first day of the sixth month before the month in which the period specified in paragraph (6) begins.

"(8) A widower entitled to benefits under this section shall be deemed to be so entitled on the basis of being under a disability for any month in which he—

"(A) has not attained age 62, and

"(B) is under a disability (as defined in section 223(d)) which began before the expiration of the period in paragraph (6),

but only if—

"(C) in the six calendar months preceding such month he was also under a disability (as so defined). or

"(D) such period for purposes of subparagraph (B) of this paragraph begins as of the month specified in subparagraph (B) of paragraph (6)."

(c)(1)(A) The third sentence of section 203(c) of such Act is amended by striking out "or any subsequent month" and inserting in lieu thereof "or any subsequent month; nor

shall any deduction be made under this subsection from any widow's insurance benefit for any month in which the widow or surviving divorced wife is entitled, or from any widower's insurance benefit for any month in which the widower is entitled, to such benefit on the basis of being under a disability".

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

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

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

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

(3)(A) Section 222(a) of such Act is amended by inserting "individuals who are entitled to widow's insurance benefits or widower's insurance benefits on the basis of being under a disability," after "determination of disability,".

(B) Section 222(b)(1) of such Act is amended by striking out "child's insurance benefits or if" and inserting in lieu thereof "child's insurance benefits, a widow or surviving

divorced wife who has not attained age 62 and is entitled to widow's insurance benefits on the basis of being under a disability, a widower who has not attained age 62 and is entitled to widower's insurance benefits on the basis of being under a disability, or".

(4)(A) Section 222(c)(1) of such Act is amended by striking out "or 202(d)" and inserting in lieu thereof ", 202 (d), 202(e), or 202(f)".

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

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

"(C) entitled to widow's insurance benefits under section 202(e) on the basis of being under a disability prior to attaining age 62, or

"(D) entitled to widower's insurance benefits under section 202(f) on the basis of being under a disability prior to attaining age 62,".

(B) Section 222(d)(1) of such Act is further amended by striking out "who have attained age 18 and are under a disability," in the first sentence and inserting in lieu thereof the following: "who have attained age 18 and are under a disability, the benefits under section 202(e) for widows and surviving divorced wives who have not attained age 62 and are under a disability, the benefits under section 202(f) for widowers who have not attained age 62 and are under a disability,".

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

fits under section 202(f) on the basis of being under a disability,".

(B) The first sentence of section 225 of such Act is further amended by striking out "223 or 202(d)" and inserting in lieu thereof "202(d), 202(e), 202(f), or 223".

(d) The amendments made by this section shall apply with respect to monthly insurance benefits under title II of the Social Security Act for months after February 1968, but only on the basis of applications for such benefits filed in or after the month in which this Act is enacted.

(28) Page 26, after line 11, insert:

REDUCED BENEFITS AT AGE 60

SEC. 105. (a)(1) Paragraph (2) of subsection (a) of section 202 of the Social Security Act is amended by striking out "62" and inserting in lieu thereof "60".

(2) Paragraph (1) of subsection (b) of such section 202 is amended by striking out "62" wherever it appears therein and inserting in lieu thereof "60".

(3) Paragraphs (1) and (2) of subsection (c) of such section 202 are each amended by striking out "62" wherever it appears therein and inserting in lieu thereof "60".

(4)(A) Paragraph (1)(B) (as amended by section 104(b) of this Act) and paragraph (2) of subsection (f) of such section 202 are each amended by striking out "62"

wherever it appears therein and inserting in lieu thereof "60".

(B) Paragraph (1)(C) of subsection (f) of such section is amended by striking out "or was entitled" and inserting in lieu thereof "or was entitled, after attainment of age 62,".

(C) Paragraph (3) of subsection (f) of such section is amended by inserting "subsection (q) and" after "Except as provided in".

(D) Paragraph (5) of subsection (f) of such section is amended by striking out "62" and inserting in lieu thereof "60".

(5)(A) Paragraph (1)(A) of subsection (h) of such section 202 is amended by striking out "62" and inserting in lieu thereof "60".

(B) Paragraph (2)(A) of such subsection (h) of such section is amended by inserting "subsection (q) and" after "Except as provided in".

(C) Paragraph (2)(B) of such subsection (h) of such section is amended by inserting "subsection (q) and" after "except as provided in".

(D) Paragraph (2)(C) of such subsection (h) is amended by—

(i) striking out "shall be equal" and inserting in

lieu thereof "shall, except as provided in subsection (q). be equal"; and

(ii) inserting "and section 202(q)" after "section 203(a)".

(b)(1) The heading of section 202(q) is amended to read as follows:

"REDUCTION OF BENEFIT AMOUNTS FOR CERTAIN BENEFICIARIES"

(2) Paragraph (1) of such subsection (q) is amended by striking out "or widows" each time it appears and inserting in lieu thereof ", widow's, widower's, or parent's".

(3)(A) Paragraph (3)(A) of such subsection (q) is amended (i) by striking out (each place it appears therein) "or widow's" and inserting in lieu thereof ", widow's, widower's or parent's" and (ii) by deleting "62 (in case of a wife's or husband's insurance benefit) or age 60 (in the case of a widow's insurance benefit)" and inserting in lieu thereof "60".

(B) Paragraph (3)(B) of such subsection (q) is amended by striking out "or husband's" (each place it appears therein) and inserting in lieu thereof ", husband's, widow's, widower's, or parent's".

(C) Paragraph (3)(C) of such subsection (q) is amended by striking out "or widow's" (each place it appears

therein) and inserting in lieu thereof "widow's, widower's, or parent's".

(D) Paragraph (3)(D) of such subsection (q) is amended by striking out "or widow's" and inserting in lieu thereof "widow's, widower's, or parent's".

(E) Paragraph (3)(E) of such subsection (q) is amended (i) by striking out "(or would, but for subsection (e)(1), be) entitled to a widow's insurance benefit to which such individual was first entitled for a month before she" and inserting in lieu thereof "(or would, but for subsection (e)(1), (f)(1), or (h)(1), be) entitled to a widow's, widower's, or parent's insurance benefit to which such individual was first entitled for a month before such individual", (ii) by striking out "the amount by which such widow's insurance benefit" and inserting in lieu thereof "the amount by which such widow's, widower's, or parent's insurance benefit", and (iii) by striking out "over such widow's insurance benefit" and inserting in lieu thereof "over such widow's, widower's, or parent's insurance benefit".

(F) Paragraph (3)(F) of such subsection (q) is amended (i) by striking out "(or would, but for subsection (e)(1), be) entitled to a widow's insurance benefit to which such individual was first entitled for a month before she" and inserting in lieu thereof "(or would, but for subsection (e)(1), (f)(1), or (h)(1) be) entitled to a widow's, widow-

er's, or parent's insurance benefit to which such individual was first entitled for a month before such individual", (ii) by striking out "the amount by which such widow's insurance benefit" and inserting in lieu thereof "the amount by which such widow's, widower's, or parent's insurance benefit", and (iii) by striking out "over such widow's insurance benefit" and inserting in lieu thereof "over such widow's, widower's, or parent's insurance benefit".

(G) Paragraph (3)(G) of such subsection (q) is amended (i) by striking out "(or would, but for subsection (e)(1), be) entitled to a widow's insurance benefit" and inserting in lieu thereof "(or would, but for subsection (e)(1), (f)(1), or (h)(1), be) entitled to a widow's, widower's, or parent's insurance benefit", and (ii) by striking out "the amount such widow's insurance benefit" and inserting in lieu thereof "the amount such widow's, widower's, or parent's insurance benefit".

(4) Paragraph (5)(B) of such subsection (q) is amended by striking out "62" and inserting in lieu thereof "60".

(5) Paragraph (6) of such subsection (q) is amended by striking out "or widow's" (each place it appears therein) and inserting in lieu thereof "widow's, widower's, or parent's"; and

(6) Paragraph (7) of such subsection (q) is amended—

(A) by striking out "or widow's" and inserting in lieu thereof "widow's, widower's, or parent's"; and

(B) by striking out, in subparagraph (E), "widow's" and inserting in lieu thereof "widow's, widower's, or parent's".

(7) Paragraph (9) of such subsection (q) is amended by striking out "widow's insurance benefit" and inserting in lieu thereof "widow's, widower's, or parent's insurance benefit".

(c) Section 202(r)(1) of such Act is amended by striking out "or husband's" (each place it appears therein) and inserting in lieu thereof ", husband's, widow's, widower's, or parent's".

(d) Subsection (a) of section 214 of such Act is amended by striking out subparagraph (A), by redesignating subparagraphs (B) and (C) as subparagraphs (C) and (D), respectively, and by inserting the following new subparagraphs (A) and (B):

"(A) in the case of a woman who has died, the year in which she died or (if earlier) the year in which she attained age 62.

"(B) in the case of a woman who has not died, the year in which she attained (or would attain) age 62,".

(e)(1) Subsection (b)(3) of section 215 of such Act is amended by striking out subparagraph (A), by redesignating

subparagraph (B) and (C) as subparagraph (C) and (D) respectively, and by inserting the following new subparagraphs (A) and (B):

"(A) in the case of a woman who has died, the year in which she died or, if it occurred earlier but after 1960, the year in which she attained age 62,

"(B) in the case of a woman who has not died, the year occurring after 1960 in which she attained (or would attain) age 62,".

(2) Paragraph (5) of section 215(f) of such Act (as added by section 155(a)(6) of this Act) is further amended by (A) inserting after "attained age 65," the following: "or in the case of a woman who became entitled to such benefits and died before the month in which she attained age 62,"; (B) striking out "his" each place it appears therein and inserting in lieu thereof "his or her"; and (C) striking out "he" each place after the first place it appears therein and inserting in lieu thereof "he or she".

(f)(1) Subsection (b)(3)(A) of section 216 of such Act is amended by striking out "62" and inserting in lieu thereof "60".

(2) Subsection (c)(6)(A) of such section 216 is amended by striking out "62" and inserting in lieu thereof "60".

(3) Subsection (f)(3)(A) of such section 216 is

amended by striking out "62" and inserting in lieu thereof "60".

(4) Subsection (g)(6)(A) of such section 216 is amended by striking out "62" and inserting in lieu thereof "60".

(g)(1) Paragraph (5)(A) of subsection (q) of section 202 of such Act is amended by striking out "No wife's insurance benefit" and inserting in lieu thereof "No wife's insurance benefit to which a wife is entitled".

(2) Paragraph (5)(C) of such subsection is amended by striking out "woman" and inserting in lieu thereof "wife".

(3) Paragraph (6)(A)(ii) of such subsection is amended (A) by striking out "wife's insurance benefit" and inserting in lieu thereof "wife's insurance benefit to which a wife is entitled", and (B) by striking out "and" at the end and inserting in lieu thereof the following: "or in the case of a wife's insurance benefit to which a divorced wife is entitled, with the first day of the first month for which such individual is entitled to such benefit, and".

(4) Paragraph (7)(B) of such subsection is amended by striking out "wife's insurance benefits" and inserting in lieu thereof "wife's insurance benefits to which a wife is entitled".

(h) Section 224(a) of such Act is amended by striking out "62" and inserting in lieu thereof "60".

(i) Paragraph (5)(E) of section 202(q) of such Act (as added thereto by section 104(a)(5) of this Act) is further amended by—

(1) striking out "A widow's" and inserting in lieu thereof "A widow's or widower's";

(2) striking out "she" (each place it appears therein) and inserting in lieu thereof "she or he"; and

(3) striking out "such widow's" and inserting in lieu thereof "such widow's or widower's".

(j) The amendments made by this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after November 1968, but only on the basis of applications for such benefits filed after August 31, 1968.

(29) Page 26, line 13, strike out [105] and insert: *106*

(30) Page 27, lines 3 and 4, strike out [and after the second month following the month in which this Act is enacted,] and insert: *months after February 1968,*

(31) Page 27, line 9, strike out [106] and insert: *107*

(32) Page 28, line 23, strike out [107] and insert: *108*

(33) Page 29, line 2, strike out ["$140"] and insert: *"$200"*

(34) Page 29, line 5, strike out ["$140"] and insert: *"$200"*

(35) Page 29, strike out all after line 8 over to and including line 19 on page 32.

(36) Page 32, after line 19, insert:

INCREASE OF EARNINGS COUNTED FOR BENEFIT AND TAX PURPOSES

SEC. 109. (a)(1)(A) Section 209(a)(4) of the Social Security Act is amended by inserting "and prior to 1968" after "1965".

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

"(5) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $8,000 with respect to employment has been paid to an individual during the calendar year 1968, is paid to such individual during such calendar year;

"(6) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $8,800 with respect to employment has been paid to an individual during any calen-

dar year after 1968 and prior to 1972, is paid such individual during any such calendar year;

"(7) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $10,800 with respect to employment has been paid to an individual during any calendar year after 1971, is paid to such individual during such calendar year;".

(2)(A) Section 211(b)(1)(D) of such Act is amended by inserting "and prior to 1968" after "1965", by striking out "; or" and inserting in lieu thereof "; and".

(B) Section 211(b)(1) of such Act is further amended by adding at the end thereof the following new subparagraphs:

"(E) for any taxable year ending after 1967 and prior to 1969, (i) $8,000 minus (ii) the amount of wages paid to such individual during the taxable year;

"(F) for any taxable year ending after 1968 and prior to 1972, (i) $8,800 minus (ii) the amount of the wages paid to such individual during the taxable year; and

"(G) for any taxable year ending after 1971, (i) $10,800, minus (ii) the amount of the wages paid to such individual during the taxable year; or".

(3)(A) Section 213(a)(2)(ii) of such Act is amended by striking out "after 1965" and inserting in lieu thereof "after 1965 and before 1968, or $8,000 in the case of calendar year 1968, or $8,800 in the case of a calendar year after 1968 and before 1972, or $10,800 in the case of a calendar year after 1971".

(B) Section 213(a)(2)(iii) of such Act is amended by striking out "after 1965" and inserting in lieu thereof "after 1965 and prior to 1968, or $8,000 in the case of a taxable year ending after 1967 and prior to 1969, or $8,800 in the case of a taxable year ending after 1968 and prior to 1972, or $10,800 in the case of a taxable year ending after 1971".

(4) Section 215(e)(1) of such Act is amended by striking out "and the excess over $6,600 in the case of any calendar year after 1965" and inserting in lieu thereof "the excess over $6,600 in the case of any calendar year after 1965 and before 1968, the excess over $8,000 in the case of calendar year 1968, the excess over $8,800 in the case of any calendar year after 1968 and before 1972, and the excess over $10,800 in the case of any calendar year after 1971".

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

after "1965", and by striking out "; or" and inserting in lieu thereof "; and".

(B) Section 1402(b)(1) of such Code is further amended by adding at the end thereof the following new subparagraphs:

"(E) for any taxable year ending after 1967 and before 1969, (i) $8,000 minus (ii) the amount of the wages paid to such individual during the taxable year; and

"(F) for any taxable year ending after 1968 and before 1972, (i) $8,800 minus (ii) the amount of the wages paid to such individual during the taxable year; and

"(G) for any taxable year ending after 1971, (i) $10,800 minus (ii) the amount of the wages paid to such individual during the taxable year; or".

(2)(A) Section 3121(a)(1) of such Code (relating to definition of wages) is amended by striking out "$6,600", each place it appears and inserting in lieu thereof "$8,000".

(B) Effective with remuneration paid after 1968, section 3121(a)(1) of such Code is amended by striking out "$8,000" each place it appears therein and inserting in lieu thereof "$8,800".

(C) Effective with remuneration paid after 1971,

section 3121(a)(1) of such Code is amended by striking out "$8,800" each place it appears and inserting in lieu thereof "$10,800".

(3)(A) The second sentence of section 3122 of such Code (relating to Federal service) is amended by striking out "$6,600" and inserting in lieu thereof "$8,000".

(B) Effective with remuneration paid after 1968, the second sentence of section 3122 of such Code is amended by striking out "$8,000" and inserting in lieu thereof "$8,800".

(C) Effective with remuneration paid after 1971, the second sentence of section 3122 of such Code is amended by striking out "$8,800" and inserting in lieu thereof "$10,800".

(4)(A) Section 3125 of such Code (relating to returns in the case of governmental employees in Guam, American Samoa, and the District of Columbia) is amended by striking out "$6,600" where it appears in subsections (a), (b), and (c) and inserting in lieu thereof "$8,000".

(B) Effective with remuneration paid after 1968, section 3125 of such Code is amended by striking out "$8,000" each place it appears in subsection (a), (b), and (c) and inserting in lieu thereof "$8,800".

(C) Effective with remuneration paid after 1971, section 3125 of such Code is amended by striking out "$8,800"

where it appears in subsections (a), (b), and (c) and inserting in lieu thereof "$10,800".

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

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

(B) by inserting after "exceed $6,600," the following: "or (D) during the calendar year 1968, the wages received by him during such year exceed $8,000, or (E) during any calendar year after calendar year 1968 and prior to the calendar year 1972, the wages received by him during such year exceed $8,800, or (F) during any calendar year after the calendar year 1971, the wages received by him during such year exceed $10,800," and

(C) by inserting before the period at the end thereof the following: "and before 1968, or which exceeds the tax with respect to the first $8,000 of such wages received in the calendar year 1968, or which exceeds the tax with respect to the first $8,800 of such wages received in such calendar year after 1968 and before 1972, or which exceeds the tax with respect to the first $10,800 after 1971".

(6) Section 6413(c)(2)(A) of such Code (relating

to refunds of employment taxes in the case of Federal employees) is amended by striking out "or $6,600 for any calendar year after 1965" and inserting in lieu thereof "$6,600 for the calendar year 1966 or 1967, or $8,000 for the calendar year 1968, or $8,800 for the calendar year 1969, 1970, or 1971, or $10,800 for any calendar year after 1971."

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

(37) Page 32, strike out all after line 19 over to and including line 5 on page 38 and insert:

CHANGES IN TAX SCHEDULES

SEC. 110. (a)(1) Section 1401(a) of the Internal Revenue Code of 1954 (relating to rate of tax on self-employment income for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1), (2), (3), and (4) and inserting in lieu thereof the following:

"(1) in the case of any taxable year beginning after December 31, 1967, and before January 1, 1969, the tax shall be equal to 5.8 percent of the amount of the self-employment income for such taxable year;

"(2) in the case of any taxable year beginning after December 31, 1968, and before January 1, 1971, the tax shall be equal to 6.3 percent of the amount of the self-employment income for such taxable year;

"(3) in the case of any taxable year beginning after December 31, 1970, and before January 1, 1973, the tax shall be equal to 6.9 percent of the amount of the self-employment income for such taxable year; and

"(4) in the case of any taxable year beginning after December 31, 1972, the tax shall be equal to 7.0 percent of the amount of the self-employment income for such taxable year."

(2) Section 3101(a) of such Code (relating to rate of tax on employees for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1), (2), (3), and (4) and inserting in lieu thereof the following:

"(1) with respect to wages received during the calendar year 1968, the rate shall be 3.8 percent;

"(2) with respect to wages received during the

calendar years 1969 and 1970, the rate shall be 4.2 percent;

"(3) with respect to wages received during the calendar years 1971 and 1972, the rate shall be 4.6 percent;

"(4) with respect to wages received during the calendar years 1973, 1974, and 1975, the rate shall be 5.0 percent; and

"(5) with respect to wages received after December 31, 1975, the rate shall be 5.05 percent."

(3) Section 3111(a) of such Code (relating to rate of tax on employers for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1), (2), (3), and (4) and inserting in lieu thereof the following:

"(1) with respect to wages paid during the calendar year 1968, the rate shall be 3.8 percent;

"(2) with respect to wages paid during the calendar years 1969 and 1970, the rate shall be 4.2 percent;

"(3) with respect to wages paid during the calendar years 1971 and 1972, the rate shall be 4.6 percent; and

"(4) with respect to wages paid during the calendar years 1973, 1974, and 1975, the rate shall be 5.0 percent; and

"(5) with respect to wages paid after December 31, 1975, the rate shall be 5.05 percent."

(b)(1) Section 1401(b) of such Code (relating to rate of tax on self-employment income for purposes of hospital insurance) is amended by striking out paragraphs (1) through (6) and inserting in lieu thereof the following:

"(1) in the case of any taxable year beginning after December 31, 1967, and before January 1, 1973, the tax shall be equal to 0.60 percent of the amount of the self-employment income for such taxable year;

"(2) in the case of any taxable year beginning after December 31, 1972, and before January 1, 1980, the tax shall be equal to 0.65 percent of the amount of the self-employment income for such taxable year; and

"(3) in the case of any taxable year beginning after December 31, 1979, the tax shall be equal to 0.75 percent of the amount of the self-employment income for such taxable year."

(2) Section 3101(b) of such Code (relating to rate of tax on employees for purposes of hospital insurance) is amended by striking out paragraphs (1) through (6) and inserting in lieu thereof the following:

"(1) with respect to wages received during the cal-

endar years 1968, 1969, 1970, 1971, and 1972, the rate shall be 0.60 percent;

"(2) with respect to wages received during the calendar years 1973, 1974, 1975, 1976, 1977, 1978, and 1979, the rate shall be 0.65 percent; and

"(3) with respect to wages received after December 31, 1979, the rate shall be 0.75 percent."

(3) Section 3111(b) of such Code (relating to rate of tax on employers for purposes of hospital insurance) is amended by striking out paragraphs (1) through (6) and inserting in lieu thereof the following:

"(1) with respect to wages paid during the calendar years 1968, 1969, 1970, 1971, and 1972, the rate shall be 0.60 percent;

"(2) with respect to wages paid during the calendar years 1973, 1974, 1975, 1976, 1977, 1978, and 1979, the rate shall be 0.65 percent; and

"(3) with respect to wages paid after December 31, 1979, the rate shall be 0.75 percent."

(c) The amendments made by subsections (a)(1) and (b)(1) shall apply only with respect to taxable years beginning after December 31, 1967. The remaining amendments made by this section shall apply only with respect to remuneration paid after December 31, 1967.

(38) Page 38, line 7, strike out [110] and insert: *111*

(39) Page 38, after line 25, insert:

EXTENSION OF TIME FOR FILING APPLICATION FOR DISABILITY FREEZE WHERE FAILURE TO MAKE TIMELY APPLICATION IS DUE TO INCOMPETENCY

SEC. 112. (a) Section 216(i)(2) of the Social Security Act is amended (1) by striking out "No" in subparagraph (E) and inserting in lieu thereof "Except as is otherwise provided in subparagraph (F), no", (2) by redesignating subparagraph (F) as subparagraph (G), and (3) by adding after subparagraph (E) the following new subparagraph:

"(F) An application for a disability determination which is filed more than 12 months after the month prescribed by subparagraph (D) as the month in which the period of disability ends (determined without regard to subparagraphs (B) and (E)) shall be accepted as an application for purposes of this paragraph if—

"(i) in the case of an application filed by or on behalf of an individual with respect to a disability which ends after the month in which the Social Security Amendments of 1967 is enacted, such application is filed not more than 36 months after the month in which such

disability ended, such individual is alive at the time the application is filed, and the Secretary finds in accordance with regulations prescribed by him that the failure of such individual to file an application for a disability determination within the time specified in subparagraph (E) was attributable to a physical or mental condition of such individual which rendered him incapable of executing such an application, and

"(ii) in the case of an application filed by or on behalf of an individual with respect to a period of disability which ends in or before the month in which the Social Security Amendments of 1967 is enacted,

"(I) such application is filed not more than 12 months after the month in which the Social Security Amendments of 1967 is enacted,

"(II) a previous application for a disability determination has been filed by or on behalf of such individual (1) in or before the month in which the Social Security Amendments of 1967 is enacted, and (2) not more than 36 months after the month in which his disability ended, and

"(III) the Secretary finds in accordance with regulations prescribed by him, that the failure of such individual to file an application within the time specified in subparagraph (E) was attributable

to a physical or mental condition of such individual which rendered him incapable of executing such an application.

In making a determination under this subsection, with respect to the disability or period of disability of any individual whose application for a determination thereof is accepted solely by reason of the provisions of this subparagraph (F), the provisions of this subsection (other than the provisions of this subparagraph) shall be applied as such provisions are in effect at the time such determination is made. Notwithstanding any other provision of this title, no monthly insurance benefits under this title shall be payable or increased by reason of the preceding provisions of this subparagraph for any month before the month in which the Social Security Amendments of 1967 is enacted."

(40) Page 38, after line 25, insert:

MARRIAGE NOT TO TERMINATE CHILD'S BENEFITS OF CERTAIN CHILDREN WHO ARE FULL-TIME STUDENTS

SEC. 113. (a) Section 202(d) of the Social Security Act (as amended by section 151 of this Act) is further amended by adding at the end thereof the following new paragraph:

"(10)(A) Notwithstanding the provisions of paragraph (1)(D), the entitlement of a child to benefits under

this subsection shall not be terminated by reason of the marriage of such child for any period during which such child is a full-time student, and (in case such child is a female) her husband is also a full-time student.

"(B) A child whose entitlement to child's insurance benefits on the basis of the wages and self-employment income of an insured individual is terminated by reason of the marriage of such child may again become entitled to such benefits for any period—

"(i) during which he is a full-time student, and (in the case such child is a female) her husband is also a full-time student, and

"(ii) with respect to which such child would (except for such marriage) have otherwise been entitled to such benefits;

except that no such child shall become reentitled to such benefits unless he has filed application for reentitlement thereto."

(b) The amendments made by subsection (a) shall apply only with respect to monthly benefits under section 202(d) of the Social Security Act for months after February 1968, and, in the case of an individual who was not entitled to a monthly benefit under such section for the month in which this Act is enacted, only on the basis of an application filed in or after the month in which this Act is enacted.

(41) Page 38, after line 25, insert:

BENEFITS FOR CERTAIN ADOPTED CHILDREN

SEC. 114. (a) Section 202(d)(9) of the Social Security Act is amended—

(1) by striking out the period at the end of subparagraph (D), and inserting in lieu of such period "; or", and

(2) by adding after and below subparagraph (D) the following new subparagraph:

"(E) was legally adopted by such individual—

"(i) in an adoption which took place under the supervision of a public or private child-placement agency,

"(ii) in an adoption decreed by a court of competent jurisdiction within the United States,

"(iii) on a date immediately preceding which such individual had continuously resided for not less than one year within the United States;

"(iv) at a time prior to the attainment of age 18 by such child."

(b) The amendments made by subsection (a) shall apply with respect to monthly benefits payable under title II of the Social Security Act for months after February 1968, but only on the basis of applications filed after the date of enactment of this Act.

(42) Page 38, after line 25, insert:

CHILD OVER AGE 18 CONSIDERED TO BE IN CARE OF MOTHER IF CHILD IS FULL-TIME STUDENT IN ELEMENTARY OR SECONDARY SCHOOL

SEC. 114a. (a) Section 202(s)(1) of the Social Security Act is amended by inserting immediately before the period the following: ", or unless such child is a full-time student (for purposes of subsection (d)) in an elementary or secondary school".

(b) The amendment made by subsection (a) shall be applicable with respect to monthly insurance benefits under title II of the Social Security Act beginning with the second month following the month in which this Act is enacted; but in the case of an individual who was not entitled to a monthly insurance benefit under section 202 of such Act for the first month following the month in which this Act is enacted, only on the basis of an application filed in or after the month in which this Act is enacted.

(43) Page 38, after line 25, insert:

STUDY OF OLD-AGE INSURANCE BENEFITS

SEC. 114b. That the Social Security Administration cause a study to be made and reported to Congress relative

to an increase in old-age insurance benefit amounts on account of delayed retirement.

(44) Page 39, line 7, after "service" insert: *(other than service performed by a member of a religious order who has taken a vow of poverty as a member of such order)*

(45) Page 39, line 14, after "service" insert: *(other than service performed by a member of a religious order who has taken a vow of poverty as a member of such order)*

(46) Page 39, line 23, after "order" insert: *(other than a member of a religious order who has taken a vow of poverty as a member of such order)*

(47) Page 40, lines 2 and 3, strike out [with a statement that he is conscientiously opposed to the acceptance] and insert: *with a statement that either he is conscientiously opposed to, or because of religious principles he is opposed to, the acceptance*

(48) Page 43, after line 25, insert:

(d) The first sentence of section 218(d)(6)(F) of the Social Security Act is amended by striking out "1967" and inserting in lieu thereof "1970".

(49) Page 44, line 18, strike out [of the Treasury]

(50) Page 46, after line 23, insert:

INCLUSION OF PUERTO RICO AMONG STATES PERMITTED TO INCLUDE FIREMEN AND POLICEMEN

SEC. 119. (a) Section 218(p) of the Social Security Act is amended by inserting "Puerto Rico," after "Oregon,".

(b) In any case in which—

(1) an individual has performed services prior to the enactment of this Act in the employ of a political subdivision of the State of Nebraska in a fireman's position, and

(2) amounts, equivalent to the sum of the taxes which would have been imposed by sections 3101 and 3111 of the Internal Revenue Code of 1954 had such services constituted employment for purposes of section 21 of such Code at the time they were performed, were timely paid in good faith to the Secretary of the Treasury, and

(3) no refunds of such amounts paid in lieu of taxes have been obtained,

the amount of the remuneration for such services with respect to which such amounts have been paid shall be deemed to constitute remuneration for employment as defined in section 209 of the Social Security Act.

(51) Page 46, after line 23, insert:

COVERAGE OF FIREMEN'S POSITIONS PURSUANT TO A STATE AGREEMENT

SEC. 120. (a) Section 218(p) of the Social Security Act is amended by—

(1) inserting "(1)" after "(p)"; and

(2) adding the following paragraph:

"(2) A State, not otherwise listed by name in paragraph (1), shall be deemed to be a State listed in such paragraph for the purpose of extending coverage under this title to service in firemen's positions covered by a retirement system, if the governor of the State, or an official of the State designated by him for the purpose, certifies to the Secretary of Health, Education, and Welfare that the overall benefit protection of the employees in such positions would be improved by reason of the extension of such coverage to such employees. Notwithstanding the provisions of the second sentence of such paragraph (1), such firemen's positions shall be deemed a separate retirement system and no other positions shall be included in such system.

(b) Nothing in the amendments made by subsection (a) shall authorize the extension of the insurance system established by title II of the Social Security Act under the pro-

visions of section 218(d)(6)(C) of such Act to service in any fireman's position.

(c) The amendment made by this section shall apply in the case of any State with respect to modifications of such State agreement under section 218 of the Social Security Act made after the date of enactment of this Act.

(52) Page 46, after line 23, insert:

VALIDATION OF COVERAGE ERRONEOUSLY REPORTED

SEC. 121. Section 218(f) of such Act is amended by adding at the end thereof the following new paragraph:

"(3) Notwithstanding the provisions of paragraph (2) of this subsection, in the case of services performed by individuals as members of any coverage group to which an agreement under this section is made applicable, and with respect to which there were timely paid in good faith to the Secretary of the Treasury amounts equivalent to the sum of the taxes which would have been imposed by sections 3101 and 3111 of the Internal Revenue Code of 1954 had such services constituted employment for purposes of chapter 21 of such Code at the time they were performed, and with respect to which refunds were not obtained, such individuals may, if so requested by the State, be deemed to be members of such coverage group on the date designated pursuant to paragraph (2)."

(53) Page 46, after line 23, insert:

COVERAGE OF FEES OF STATE AND LOCAL GOVERNMENT EMPLOYEES AS SELF-EMPLOYMENT INCOME

SEC. 122. (a)(1) Section 211(c)(1) of the Social Security Act is amended to read as follows:

"(1) The performance of the functions of a public office, other than the functions of a public office of a State or a political subdivision thereof with respect to fees received in any period in which the functions are performed in a position compensated solely on a fee basis and in which such functions are not covered under an agreement entered into by such State and the Secretary pursuant to section 218;".

(2) Section 211(c)(2) of such Act is amended (A) by striking out "and" at the end of subparagraph (C); (B) by striking out the semicolon at the end of subparagraph (D) and inserting in lieu thereof ", and"; and (C) by adding after such subparagraph the following new subparagraph:

"(E) service performed by an individual as an employee of a State or a political subdivision thereof in a position compensated solely on a fee basis with respect to fees received in any period in which such service is not covered under an agree-

ment entered into by such State and the Secretary pursuant to section 218;".

(b)(1) Section 1402(c)(1) of the Internal Revenue Code of 1954 is amended to read as follows:

"(1) the performance of the functions of a public office, other than the functions of a public office of a State or a political subdivision thereof with respect to fees received in any period in which the functions are performed in a position compensated solely on a fee basis and in which such functions are not covered under an agreement entered into by such State and the Secretary of Health, Education, and Welfare pursuant to section 218 of the Social Security Act;".

(2) Section 1402(c)(2) of such Code is amended (A) by striking out "and" at the end of subparagraph (C); (B) by striking out the semicolon at the end of subparagraph (D) and inserting in lieu thereof ", and"; and (C) by adding after such subparagraph the following new subparagraph:

"(E) service performed by an individual as an employee of a State or a political subdivision thereof in a position compensated solely on a fee basis with respect to fees received in any period in which such service is not covered under an agreement entered into by such State and the Secretary

of Health, Education, and Welfare pursuant to section 218 of the Social Security Act;".

(c)(1) The amendments made by subsections (a) and (b) of this section shall apply with respect to fees received after 1967.

(2) Notwithstanding the provisions of subsections (a) and (b) of this section, any individual who in 1968 is in a position to which the amendments made by such subsections apply may make an irrevocable election not to have such amendments apply to the fees he receives in 1968 and every year thereafter, if on or before the due date of his income tax return for 1968 (including any extensions thereof) he files with the Secretary of the Treasury or his delegate, in such manner as the Secretary of the Treasury or his delegate shall by regulations prescribe, a certificate of election of exemption from such amendments.

(d) Section 218 of such Act is further amended by adding the following new subsection:

"Positions Compensated Solely on a Fee Basis

"(u)(1) Notwithstanding any other provision in this section, an agreement entered into under this section may be made applicable to service performed after 1967 in any class or classes of positions compensated solely on a fee basis to which such agreement did not apply prior to 1968 only if

the State specifically requests that its agreement be made applicable to such service in such class or classes of positions.

"(2) Notwithstanding any other provision in this section, an agreement entered into under this section may be modified, at the option of the State, at any time after 1967, so as to exclude services performed in any class or classes of positions compensation for which is solely on a fee basis.

"(3) Any modification made under this subsection shall be effective with respect to services performed after the last day of the calendar year in which the modification is agreed to by the Secretary and the State.

"(4) If any class or classes of positions have been excluded from coverage under the State agreement by a modification agreed to under this subsection, the Secretary and the State may not thereafter modify such agreement so as to again make the agreement applicable with respect to such class or classes of positions."

(54) Page 46, after line 23, insert:

FAMILY EMPLOYMENT IN A PRIVATE HOME

SEC. 123. (a) Section 210(a)(3)(B) of the Social Security Act is amended by inserting after the semicolon the following: "except that the provisions of this subparagraph shall not be applicable to such domestic service if—

"(i) the employer is a surviving spouse or a divorced

individual and has not remarried, or has a spouse living in the home who has a mental or physical condition which results in such spouse's being incapable of caring for a son, daughter, stepson, or stepdaughter (referred to in clause (ii)) for at least 4 continuous weeks in the calendar quarter in which the service is rendered, and

"(ii) a son, daughter, stepson, or stepdaughter of such employer is living in the home, and

"(iii) the son, daughter, stepson, or stepdaughter (referred to in clause (ii)) (I) has not attained age 18 or (II) has a mental or physical condition which requires the personal care and supervision of an adult for at least 4 continuous weeks in the calendar quarter in which the service is rendered;"

(b) Section 3121(b)(3)(B) of the Internal Revenue Code of 1954 is amended by inserting after the semicolon the following: "except that the provisions of this subparagraph shall not be applicable to such domestic service if—

"(i) the employer is a surviving spouse or a divorced individual and has not remarried, or has a spouse living in the home who has a mental or physical condition which results in such spouse's being incapable of caring for a son, daughter, stepson, or stepdaughter (referred to in clause (ii)) for at least 4 continuous weeks in the

calendar quarter in which the service is rendered, and

"(ii) a son, daughter, stepson, or stepdaughter of such employer is living in the home, and

"(iii) the son, daughter, stepson, or stepdaughter (referred to in clause (ii)) (I) has not attained age 18 or (II) has a mental or physical condition which requires the personal care and supervision of an adult for at least 4 continuous weeks in the calendar quarter in which the service is rendered;"

(c) The amendments made by this section shall apply with respect to services performed after December 31, 1967.

(55) Page 46, after line 23, insert:

TERMINATION OF COVERAGE OF EMPLOYEES OF THE MASSACHUSETTS TURNPIKE AUTHORITY

SEC. 124. (a) Nothwitstanding the provisions of section 218(g)(1) of the Social Security Act the Secretary may, under such conditions as he deems appropriate, permit the State of Massachusetts to terminate the coverage of the employees of the Massachusetts Turnpike Authority to be effective at the end of any calendar quarter within the two years next following the filing with him of such notice.

(b) If the coverage of employees of the Massachusetts Turnpike Authority has been terminated pursuant to sub-

section (a), coverage cannot later be extended to the employees of such Authority.

(56) Page 47, line 10, strike out [a receipted] and insert: *an itemized*

(57) Page 47, line 13, strike out [or]

(58) Page 47, strike out all after line 13 over to and including line 7 on page 48.

(59) Page 48, line 8, after "but" insert: *(in the case of bills submitted, or requests for payment made, after March 1968)*

(60) Page 48, strike out lines 15 to 18, inclusive, and insert:

(b) The amendments made by subsection (a) shall apply with respect to claims on which a final determination has not been made on or before the date of enactment of this Act.

(61) Page 50, line 21, strike out [subsection (k)] and insert: *subsections (j), (k), (m), and (o)*

(62) Page 52, line 2, strike out [eyes,".] and insert: *eyes (other than procedures performed in connection with furnishing prosthetic lenses),*".

(63) Page 54, line 9, after "(6)" insert: *(A)*

(64) Page 54, after line 10, insert:

(B) Section 1832(a)(2)(B) of such Act is amended by striking out "hospital" and inserting in lieu thereof "hospital and the services for which payment may be made pursuant to section 1835(b)(2)".

(65) Page 54, line 25, after " " (b) " insert: *(1)*

(66) Page 55, lines 1 and 2, strike out [described in subparagraph (C) of section 1861(s)(2) furnished to an individual] and insert: *described in section 1861(s) furnished as an outpatient service by a hospital or by others under arrangements made by it to an individual*

(67) Page 55, line 5, strike out [services and] and insert: *services,*

(68) Page 55, lines 7 and 8, strike out [hereunder.] and insert: *hereunder, and (C) such hospital has made an election pursuant to section 1814(d)(1)(C) with respect to the calendar year in which such emergency services are provided.*

(69) Page 55, line 11, strike out [1866(a)."] and insert: *1866(a).*

(70) Page 55, after line 11, insert:

"(2) Payment may also be made on the basis of an

itemized bill to an individual for services described in paragraph (1) of this subsection if (A) payment cannot be made under such paragraph (1) solely because the hospital does not elect, in accordance with section 1814(d)(1)(C), to claim such payments and (B) such individual files application (submitted within such time and in such form and manner, and containing and supported by such information as the Secretary shall by regulations prescribe) for reimbursement. The amounts payable under this paragraph shall, subject to the provisions of section 1833, be equal to 80 percent of the hospital's reasonable charges for such services."

(71) Page 56, line 17, strike out [December 31, 1967.] and insert: *March 31, 1968, except that subsection (c)(5) of such section shall become effective with respect to services furnished after the date of enactment of this Act.*

(72) Page 57, line 1, strike out [(c)".] and insert: *(c),*".

(73) Page 57, line 10, strike out [subparagraphs (B) and (C) of]

(74) Page 57, line 11, strike out [(2)]

(75) Page 57, line 23, strike out [December 31, 1967.] and insert: *March 31, 1968.*

(76) Page 58, line 24, strike out [December 31, 1967.] and insert: *March 31, 1968.*

(77) Page 60, strike out lines 1 to 12, inclusive, and insert:

PAYMENT FOR PHYSICAL THERAPY SERVICES FURNISHED TO OUTPATIENTS

SEC. 133. (a) Section 1861(s)(2) of the Social Security Act (as amended by section 129(a)(2) of this Act) is amended by—

(1) striking out "and" at the end of subparagraph (B);

(2) inserting "and" at the end of subparagraph (C); and

(3) adding at the end thereof the following:

"(D) outpatient physical therapy services;"

(b) Section 1861 of such Act is amended by inserting after subsection (o) the following new subsection (in lieu of subsection (p) repealed by section 129(c)(10) of this Act):

"Outpatient Physical Therapy Services

"(p) The term 'outpatient physical therapy services' means physical therapy services furnished by a provider of services, a clinic, rehabilitation agency, or a public health agency, or by others under an arrangement with, and under the supervision of, such provider, clinic, rehabilitation agency, or public health agency to an individual as an outpatient—

"(1) who is under the care of a physician (as defined in section 1861(r)(1)), and

"(2) with respect to whom a plan prescribing the type, amount, and duration of physical therapy services that are to be furnished such individual has been established, and is periodically reviewed, by a physician (as so defined);

excluding, however—

"(3) any item or service if it would not be included under subsection (b) if furnished to an inpatient of a hospital; and

"(4) any such service—

"(A) if furnished, by a clinic rehabilitation *agency, or by others under arrangements with such clinic or agency unless such clinic or rehabilitation agency—*

"(i) provides an adequate program of physical therapy services for outpatients and has the facilities and personnel required for such program or required for the supervision of such a program, in accordance with such requirements as the Secretary may specify,

"(ii) has policies, established by a group of professional personnel, including one or more

physicians (associated with the clinic or rehabilitation agency) and one or more qualified physical therapists, to govern the services (referred to in clause (i)) it provides,

"(iii) maintains clinical records on all patients,

"(iv) if such clinic or agency is situated in a State in which State or applicable local law provides for the licensing of institutions of this nature, (I) is licensed pursuant to such law, or (II) is approved by the agency of such State or locality responsible for licensing institutions of this nature, as meeting the standards established for such licensing; and

"(v) meets such other conditions relating to the health and safety of individuals who are furnished services by such clinic or agency on an outpatient basis, as the Secretary may find necessary, or

"(B) if furnished by a public health agency, unless such agency meets such other conditions relating to health and safety of individuals who are furnished services by such agency on an outpatient basis, as the Secretary may find necessary."

(c) Section 1866 of such Act is amended by adding at the end thereof the following new subsection:

"(e) For purposes of this section, the term 'provider of services' shall include a clinic, rehabilitation agency, or public health agency if, in the case of a clinic or rehabilitation agency, such clinic or agency meets the requirements of section 1861(p)(4)(A), or if, in the case of a public health agency, such agency meets the requirements of section 1861(p)(4)(B), but only with respect to the furnishing of outpatient physical therapy services (as therein defined)."

(d) Section 1832(a) of such Act is amended by—

(1) deleting "and" at the end of paragraph (2)(A) thereof;

(2) striking out the period at the end and inserting in lieu thereof the following: "; and"; and

(3) adding at the end thereof the following new subparagraph:

"(C) outpatient physical therapy services."

(e) Section 1835(a)(2) of such Act (as amended by section 126(b) of this Act) is amended by—

(1) striking out "and" at the end of subparagraph (A);

(2) striking out the period at the end and inserting in lieu thereof the following: "; and";

(3) adding at the end thereof the following new subparagraph:

"(C) in the case of outpatient physical therapy services, (i) such services are or were required because the individual needed physical therapy services on an outpatient basis, (ii) a plan for furnishing such services has been established, and is periodically reviewed, by a physician, and (iii) such services are or were furnished while the individual is or was under the care of a physician."

(4) striking out "(B) and (C) of section 1861 (s)(2)" and inserting in lieu thereof "(B), (C), and (D) of section 1861(s)(2)"; and

(5) adding at the end thereof the following new sentence: "For purposes of this section, the term 'provider of services' shall include a clinic, rehabilitation agency, or public health agency if, in the case of a clinic or rehabilitation agency, such clinic or agency meets the requirements of section 1861(p)(4)(A), or if, in the case of a public health agency, such agency meets the requirements of section 1861(p)(4)(B), but only with respect to the furnishing of outpatient physical therapy services (as therein defined)."

(f) The first sentence of section 1864(a) of such Act is amended by inserting before the period the following: ", or

whether a clinic, rehabilitation agency or public health agency meets the requirements of subparagraph (A) or (B), as the case may be, of section 1861(p)(4)".

(g) The amendments made by the preceding subsections of this section shall apply to services furnished after June 30, 1968.

(78) Page 62, lines 5 and 6, strike out [in addition to the number of pints] and insert: *for each pint*

(79) Page 63, lines 3 and 4, strike out [in addition to the number of pints] and insert: *for each pint*

(80) Page 64, strike out all after line 5 over to and including line 11 on page 65 and insert:

EXTENSION BY 60 DAYS DURING INDIVIDUAL'S LIFETIME OF MAXIMUM DURATION OF BENEFITS FOR INPATIENT HOSPITAL SERVICES

SEC. 137. (a)(1) Section 1812(a)(1) of the Social Security Act is amended by striking out "up to 90 days during any spell of illness" and inserting in lieu thereof "up to 150 days during any spell of illness minus 1 day for each day of inpatient hospital services in excess of 90 received during any preceding spell of illness (if such individual was entitled to have payment for such services made under this part unless he specifies in accordance with regula-

tions of the Secretary that he does not desire to have such payment made)".

(2) Section 1812(b)(1) of such Act is amended by striking out "for 90 days during such spell" and inserting in lieu thereof "for 150 days during such spell minus 1 day for each day of inpatient hospital services in excess of 90 received during any preceding spell of illness (if such individual was entitled to have payment for such services made under this part unless he specifies in accordance with regulations of the Secretary that he does not desire to have such payment made)".

(b) The second sentence of section 1813(a)(1) of such Act is amended by striking out "(before the 91st day)" and inserting in lieu thereof "(before the day following the last day for which the individual is entitled under section 1812(a)(1) to have payment made on his behalf for inpatient hospital services during such spell of illness)".

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

(81) Page 65, line 19, strike out [120-day period] and insert: *150-day period*

(82) Page 65, line 21, strike out [120-day limit] and insert: *number of days limit*

(83) Page 66, line 4, strike out [120-day limit] and insert: *number of days limit*

(84) Page 69, after line 2, insert:

METHOD OF DETERMINING REASONABLE COST FOR PROVIDERS OF SERVICES

SEC. 142. (a)(1) Strike out the third sentence of section 1861(v)(1) of the Social Security Act and insert in lieu thereof the following: "Such regulations (A) shall provide for the determination of costs of services on a per diem basis, at the option of the provider of services, in all cases where the circumstances under which the services provided so permit, and, otherwise, shall provide for the determination of costs of services on a per unit, per capita, or other basis, insuring the provider of services reasonable cost reimbursement, (B) may provide for the use of estimates of costs of particular items or services, and (C) may provide for the use of charges or a percentage of charges where this method reasonably reflects the costs. With a view to not encouraging inefficiency, in determining a per diem basis for cost of services there shall be taken into account the per diem costs prevailing in a community for comparable quality and levels of services."

(2) The fourth sentence of such section 1861(v)(1) is amended by inserting "(except as might happen by rea-

son of the provisions of clause (A) of the preceding sentence)" immediately after "will not".

(b) The amendments made by subsection (a) shall be applicable to services provided under title XVIII of the Social Security Act on and after July 1, 1968.

(85) Page 69, after line 2, insert:

ALLOWANCE FOR DEPRECIATION AND INTEREST IN DETERMINING REASONABLE COST UNDER TITLES V, XVIII, AND XIX

SEC. 143. (a)(1) Section 1861(v) of the Social Security Act is amended by adding at the end thereof the following new paragraph:

"(5)(A) Notwithstanding any other provisions of this title, the term 'reasonable cost' shall include amounts attributable to the depreciation of plant and equipment of a provider of services and interest on funds borrowed by a provider of services for plant and equipment, except as provided in the succeeding subparagraphs of this paragraph.

"(B) Where a provider of services makes a capital expenditure with respect to plant and equipment and a State agency (established or designated pursuant to section 314 (a)(2) of the Public Health Service Act) determines (and so informs such provider) that such capital expenditure does not conform to the overall plan developed by such agency for

adequate health-care facilities in such State or any part thereof, then the Secretary shall, if such provider had notice that such capital expenditure did not conform to such overall plan at the time such capital expenditure was made, deduct from future payments under this title to such provider of services, for such periods of time as the Secretary finds necessary to effectuate the purposes of this paragraph, the amounts for depreciation attributable to, and interest on funds borrowed for, such capital expenditure.

"(C) For purpose of this paragraph, a 'capital expenditure' means an expenditure which, under accepted accounting procedures, is not properly chargeable as an expense of operation and maintenance and which either (i) exceeds $50,000, (ii) changes the bed capacity of the facility with respect to which such expenditure is made, or (iii) substantially changes the services of the facility with respect to which such expenditure is made. For purposes of clause (i) of the preceding sentence, the cost of the studies, surveys, designs, plans, working drawings, specifications, and other activities essential to the acquisition, improvement, expansion, or replacement of the plant and equipment with respect to which such expenditure is made shall be included in determining whether such expenditure exceeds $50,000."

(2) The amendment made by this subsection shall apply,

in the case of any State, with respect to capital expenditures made after whichever of the following is the earlier: (A) June 30, 1970, or (B) the last day of the calendar quarter in which a request is made by such State that such amendment apply in such State or any part thereof specified by such State.

(b)(1) Section 1902(a)(13) of the Social Security Act (as amended by section 224 of this Act) is further amended by—

(A) striking out "(D)" and inserting in lieu thereof "(D)(i)";

(B) inserting immediately before the semicolon at the end thereof the following: "and (ii) that, in determining the reasonable cost of inpatient hospital services provided under the plan, there shall be included an amount attributable to the depreciation of plant and equipment and interest on funds borrowed for plant and equipment, but not, with respect to a capital expenditure in the case of any institution furnishing such services, for such periods as the Secretary may specify, after a determination has been made (and the institution has been so notified) by a State agency (established or designated pursuant to section 314(a)(2) of the Public Health Service Act) that such capital expenditure (as defined in section 1861(v)(5)(C)) with respect to the

plant and equipment of such institution does not conform to the overall plan of such State agency (so established or designated) for adequate health-care facilities and the institution had notice that such capital expenditure did not conform to such overall plan at the time such capital expenditure was made".

(2) Section 1903(b) of such Act is amended by adding at the end thereof (after paragraph (2) added to such subsection by section 222(c) of this Act) the following new paragraph:

"(3) Notwithstanding the previous provisions of this section where an institution furnishing care and services under the plan has made a capital expenditure (as defined in section 1861(v)(5)(C) which a State agency (established or designated pursuant to section 314(a)(2) of the Public Health Service Act) has determined (and so informs such institution) does not conform to the overall plan developed by such State agency (so established or designated) for adequate health-care facilities and such institution had notice that such capital expenditure did not conform to such overall plan at the time such expenditure was made, the amount determined under subsection (a)(1) for care and services furnished by such institution shall not take into account, for such period of time as the Secretary may specify, the amounts attributable to

depreciation of, and interest on, funds borrowed for such capital expenditure."

(c)(1) Section 505(a)(6) of the Social Security Act (as added to such Act by section 301 of this Act) is amended by—

(A) striking out "provides" and inserting in lieu thereof "(A) provides"; and

(B) striking out "under the plan" and inserting in lieu thereof the following: "under the plan, and (B) provides that, in determining the reasonable cost of inpatient hospital services provided under the plan, there shall be included an amount attributable to the depreciation of plant and equipment and interest on funds borrowed for plant and equipment, but not, with respect to a capital expenditure in the case of any institution furnishing such services, for such periods as the Secretary may specify, after a determination has been made (and the institution has been so notified) by a State agency (established or designated pursuant to section 314(a)(2) of the Public Health Service Act) that such capital expenditure (as defined in section 1861(v)(5)(C)) with respect to the plant and equipment of such institution does not conform to the overall plan of such State agency (so established or designated) for adequate healthcare facilities and the institution had notice that such

capital expenditure did not conform to such overall plan at the time such capital expenditure was made".

(2) Section 506(a) of the Social Security Act (as added to such Act by section 301 of this Act) is amended by adding at the end before the period the following: "(including expenditures for inpatient hospital services in accordance with the requirements of section 505(a)(6)(B))".

(3)(A) Clause (2) of the second sentence of section 509(a) of the Social Security Act (as added by section 301 of this Act) is amended by striking out "by the Secretary" and inserting in lieu thereof "by the Secretary and the provisions of the succeeding sentence of this subsection)".

(B) Section 509(a) of the Social Security Act (as added by section 301 of this Act) is amended by adding at the end the following new sentence: "For purposes of the preceding sentence, 'reasonable cost' shall include an amount attributable to the depreciation of plant and equipment and interest on funds borrowed for plant and equipment, but not, with respect to a capital expenditure in the case of any institution furnishing inpatient hospital services, for such periods as the Secretary may specify, after a determination has been made (and the institution has been so notified) by a State agency (established or designated pursuant to section 314(a)(2) of the Public Health Service Act) that such capital expenditure (as defined in section 1861(v)(5)(C))

with respect to the plant and equipment of such institution does not conform to the overall plan of such State agency (so established or designated) for adequate health-care facilities and the institution had notice that such capital expenditure did not conform to such overall plan at the time such capital expenditure was made."

(4) Title V of the Social Security Act (as added to such Act by section 301 of this Act) is amended by adding at the end thereof the following new section:

"LIMITATION ON PAYMENTS AND GRANTS

"SEC. 515. Notwithstanding the previous provisions of this title, where an institution furnishing health-care, services, and treatment has made a capital expenditure (as defined in section 1861(v)(5)(C)) which a State agency (established or designated pursuant to section 314(a)(2) of the Public Health Service Act) has determined (and so informed such institution) does not conform to the overall plan of such State agency (so established or designated) for adequate health-care facilities and such institution had notice that such capital expenditure did not conform to such overall plan at the time the expenditure was made, the Secretary shall not, for such period or periods of time as he may specify, take into account the amounts attributable to depreciation of, and the interest on funds borrowed for, such capital expenditure."

(d) The amendments made by subsections (b) and (c) shall apply, in the case of any State, with respect to care, services, or treatment provided after whichever of the following is the earlier: (A) June 30, 1970, or (B) the last day of the calendar quarter in which the State has requested the amendment made by subsection (a) of this section to apply in such State or any part thereof.

(86) Page 69, after line 2, insert:

STATE AGREEMENTS FOR COVERAGE UNDER THE HOSPITAL INSURANCE PROGRAM FOR THE AGED

SEC. 144. Title XVIII of the Social Security Act is amended by adding after section 1817 the following new section:

"STATE AGREEMENTS FOR COVERAGE OF ANNUITANTS AND MEMBERS OF A RETIREMENT SYSTEM AND THEIR DEPENDENTS AND SURVIVORS

"SEC. 1818. (a) The Secretary shall, at the request of a State which has entered into an agreement under section 218, enter into an agreement with such State pursuant to which all individuals in any of the coverage groups described in subsection (b) (as specified in the agreement) will be entitled to benefits under this part.

"(b) For purposes of this section—

"(1) the term 'retirement system' means a pension,

annuity, retirement, or similar fund or system established by a State or by a political subdivision thereof.

"(2) the term 'political subdivision' includes an instrumentality of (A) a State, (B) one or more political subdivisions of a State, or (C) a State and one or more political subdivisions.

"(3) the term 'State' includes an instrumentality of two or more States.

"(4) the term 'coverage group' means (A) annuitants under a retirement system, (B) members of a retirement system who are not annuitants, (C) the wives or husbands of annuitants under a retirement system, (D) the wives or husbands of members of a retirement system who are not annuitants, (E) the widows or widowers of annuitants under a retirement system, and (F) the widows or widowers of members of a retirement system who were not annuitants; except that such term shall not include any individual who is entitled to monthly insurance benefits under title II or who is entitled to receive an annuity or a pension under the Railroad Retirement Act of 1937 or who is entitled to benefits under this part pursuant to section 103 of the Social Security Amendments of 1965.

"(c) (1) An agreement entered into with any State under this section shall be applicable to one or more coverage

groups, referred to in clause (A) of subsection (b)(4), and as designated by the State in such agreement.

"(2) An agreement entered into with any State under this section may be applicable to one or more of the coverage groups referred to in any of the clauses of subsection (b)(4) (except clause (A)) but only with respect to retirement systems (A) the annuitants of which are individuals in a coverage group designated, pursuant to paragraph (1), as a coverage group to which such agreement applies and (B) in the case of wives, husbands, widows, and widowers, referred to in clauses (D) and (F), the members of which are individuals in a coverage group designated, pursuant to this paragraph, as a coverage group to which this agreement applies.

"(d) The Secretary shall, at the request of any State, modify the agreement with such State under this section to include any coverage group to which the agreement did not previously apply; but the agreement as so modified may not be inconsistent with the provisions of this section applicable in the case of an original agreement with a State.

"(e) For purposes of this section an individual, who is in a coverage group to which the agreement under this section applies, shall (subject to the succeeding provisions of this section) be entitled (1) to benefits under this part in the same manner and under the same conditions as though he

established such entitlement under section 226, and (2) for the purposes of section 144 of the Social Security Amendments of 1967.

"(f) The entitlement to benefits under this part of an individual, who is in a coverage group to which the agreement under this section applies, shall—

"(1) begin on whichever of the following is the latest:

"(A) April 1, 1968,

"(B) the first day of the month in which such individual attains the age of 65,

"(C) the first day of the month following the first month in which he is in such coverage group,

"(D) the first day of the second month following the month in which such agreement is entered into, or

"(E) the first day of the second month following the month to which such agreement, pursuant to a modification, becomes applicable to such coverage group, and

"(2) end on whichever of the following is the earliest—

"(A) the last day of the month in which such individual dies,

"(B) the last day of the month preceding the

first month for which he becomes entitled to monthly benefits under title II or to an annuity or a pension under the Railroad Retirement Act of 1937 or to benefits under this part pursuant to section 103 of the Social Security Amendments of 1965,

"(C) the first day of the month following the month in which he ceases to be in the coverage group to which such agreement is applicable,

"(D) the day on which such agreement terminates, or

"(E) the day on which such agreement terminates with respect to such coverage group.

"(g) Each such agreement shall provide that the State—

"(1) will, at such time or times as the Secretary specifies, reimburse the Federal Hospital Insurance Trust Fund (A) for payments made from such Fund to pay for the services furnished to individuals entitled to have payment made for such services by reason of such agreement and (B) for the administrative expenses incurred by the Department of Health, Education, and Welfare in carrying out such agreement and by such public or private agencies that such Department may utilize for such purpose,

"(2) will comply with such rules and regulations

as the Secretary may issue in carrying out such agreement,

"(3) will furnish the Secretary such timely information and reports as he may find necessary in performing his functions under this section and will maintain such records and afford such access thereto as the Secretary finds necessary to assure the correctness and verification of the information and reports under this paragraph and otherwise carry out this agreement,

and shall contain such other terms and conditions not inconsistent with this section as the Secretary may find necessary and appropriate.

"(h) Upon giving at least 6 months notice in writing to the Secretary, a State may terminate, effective at the end of a calendar quarter specified in the notice, its agreement with the Secretary either in its entirety or with respect to a coverage group.

"(i) If the Secretary, after giving reasonable notice and opportunity for hearing to a State with whom he has entered into an agreement pursuant to this section, finds that the State has failed or is no longer legally able substantially to comply with any provision of such agreement or of this section, he shall notify such State that the agreement

will be terminated in its entirety, or with respect to any one or more coverage groups designated by him, at such time as he deems appropriate, unless prior to such time he finds there no longer is any such failure or that the cause for such legal inability has been removed.

"(j) A determination by a State, which has entered into an agreement with the Secretary under this section, as to whether an individual is an annuitant or member of a retirement system or the wife, widow, husband, or widower of such an annuitant or member shall, for purposes of this section, be final and conclusive upon the Secretary.

"(k)(1) If more or less than the correct amount due under an agreement pursuant to this section is paid, proper adjustments with respect to the amounts due under such agreement shall be made, without interest, in such manner and at such times as may be prescribed by regulations of the Secretary.

"(2) In case any State does not make, at the time or times due, the payments provided for under an agreement pursuant to this section, there shall be added, as part of the amounts due, interest at the rate of 6 per centum per annum from the date due until paid."

(87) Page 69, after line 2, insert:

PROVISIONS FOR BENEFITS UNDER PART A OF TITLE XVIII OF THE SOCIAL SECURITY ACT FOR SERVICES TO PATIENTS ADMITTED PRIOR TO 1968 TO CERTAIN HOSPITALS

SEC. 145. (a) Notwithstanding any provision of title XVIII of the Social Security Act, an individual who is entitled to hospital insurance benefits under section 226 of such Act may, subject to subsections (b) and (c), receive, on the basis of an itemized bill, reimbursement for charges to him for inpatient hospital services (as defined in section 1861 of such Act, but without regard to subsection (e) of such section) furnished by, or under arrangements (as defined in section 1861(w) of such Act) with, a hospital if—

(1) the hospital did not have an agreement in effect under section 1866 of such Act but would have been eligible for payment under such part A with respect to such services if at the time such services were furnished the hospital had such an agreement in effect;

(2) the hospital (A) meets the requirements of paragraphs (5) and (7) of section 1861(e) of such Act, (B) is not primarily engaged in providing the services described in section 1861(j)(1)(A) of such Act, and (C) is primarily engaged in providing, by or under the supervision of individuals referred to in paragraph

(1) of section 1861(r) of such Act, to inpatients (i) diagnostic services and therapeutic services for medical diagnosis, treatment, and care of injured, disabled, or sick persons, or (ii) rehabilitation services for the rehabilitation of injured, disabled, or sick persons;

(3) the hospital did not meet the requirements that must be met to permit payment to the hospital under such part A; and

(4) an application is filed (submitted in such form and manner and by such person, and containing and supported by such information, as the Secretary shall by regulations prescribe) for reimbursement before January 1, 1969.

(b) Payments under this section may not be made for inpatient hospital services (as defined in subsection (a)) furnished to an individual—

(1) prior to July 1, 1966,

(2) after December 31, 1967, unless furnished with respect to an admission to the hospital prior to January 1, 1968, and

(3) for more than—

(A) 90 days in any spell of illness, but only if (i) prior to January 1, 1969, the hospital furnishing such services entered into an agreement under section 1866 of the Social Security Act and (ii) the

hospital's plan for utilization review, as provided for in section 1861(k) of such Act, has, in accordance with section 1814 of such Act, been applied to the services furnished such individual, or

(B) 20 days in any spell of illness, if the hospital did not meet the conditions of clauses (i) and (ii) of subparagraph (A).

(c)(1) The amounts payable in accordance with subsection (a) with respect to inpatient hospital services shall, subject to paragraph (2) of this subsection, be paid from the Federal Hospital Insurance Trust Fund in amounts equal to 60 percent of the hospital's reasonable charges for routine services furnished in the accommodations occupied by the individual or in semi-private accommodations (as defined in section 1861(v)(4)) whichever is less, plus 80 percent of the hospital's reasonable charges for ancillary services. If separate charges for routine and ancillary services are not made by the hospital, reimbursement may be based on two-thirds of the hospital's reasonable charges for the services received but not to exceed the charges which would have been made if the patient had occupied semi-private accommodations (as so defined). For purposes of the preceding provisions of this paragraph, the term "routine services" shall mean the regular room, dietary, and nursing services, minor medical and surgical supplies and the use of equipment and

facilities for which a separate charge is not customarily made; the term "ancillary services" shall mean those special services for which charges are customarily made in addition to routine services.

(2) Before applying paragraph (1), payments made under this section shall be reduced to the extent provided for under section 1813 of the Social Security Act in the case of benefits payable to providers of services under part A of title XVIII of such Act.

(d) For the purposes of this section—

(1) the 90-day period, referred to in subsection (b)(3)(A), shall be reduced by the number of days of inpatient hospital services furnished to such individual during the spell of illness, referred to therein, and with respect to which he was entitled to have payment made under part A of title XVIII of the Social Security Act;

(2) the 20-day period, referred to in subsection (b)(3)(B) shall be reduced by the number of days in excess of 70 days of inpatient hospital services furnished during the spell of illness, referred to therein, and with respect to which such individual was entitled to have payment made under such part A;

(3) the term "spell of illness" shall have the meaning assigned to it by subsection (a) of section 1861 of such Act except that the term "inpatient hospital services" as

it appears in such subsection shall have the meaning assigned to it by subsection (a) of this section.

(88) Page 69, after line 2, insert:

PAYMENTS FOR EMERGENCY HOSPITAL SERVICES

SEC. 146. (a) The second sentence following paragraph (8) of section 1861(e) of the Social Security Act is amended by striking out "which meets the requirement of paragraphs (1), (2), (3), (4), (5) and (7) of this subsection" and inserting in lieu thereof "which (i) meets the requirements of paragraphs (5) and (7) of this subsection, (ii) is not primarily engaged in providing the services described in section 1861(j)(1)(A) and (iii) is primarily engaged in providing, by or under the supervision of individuals referred to in paragraph (1) of section 1861(r), to inpatients diagnostic services and therapeutic services for medical diagnosis, treatment, and care of injured, disabled, or sick persons, or rehabilitation services for the rehabilitation of injured, disabled, or sick persons."

(b) That portion of section 1812(a) of such Act that precedes paragraph (1) thereof is amended by inserting "or, in the case of payments referred to in section 1814(d)(2) to him" after "on his behalf".

(c) Section 1814(d) is amended by—

(1) striking out "Payments" and inserting in lieu thereof "(1) Payments";

(2) deleting "furnished" and inserting "furnished in a calendar year";

(3) deleting "and" at the end of clause (A) and inserting a comma in lieu thereof;

(4) inserting before the period at the end of the first sentence the following: ", and (C) such hospital has elected to claim payments for all such inpatient emergency services and for the emergency outpatient services referred to in section 1835(b) furnished during such year"; and

(5) adding at the end of such section 1814(d) the following new paragraphs:

"(2) Payment may be made on the basis of an itemized bill to an individual entitled to hospital insurance benefits under section 226 for services described in paragraph (1) which are emergency services if (A) payment cannot be made under paragraph (1) solely because the hospital does not elect to claim such payment, and (B) such individual files application (submitted within such time and in such form and manner and by such person, and containing and sup-

ported by such information as the Secretary shall by regulations prescribe) for reimbursement.

"(3) The amounts payable under the preceding paragraph with respect to services described therein shall, subject to the provisions of section 1813, be equal to 60 percent of the hospital's reasonable charges for routine services furnished in the accommodations occupied by the individual or in semiprivate accommodations (as defined in section 1861(v)(4)), whichever is less, plus 80 percent of the hospital's reasonable charges for ancillary services. If separate charges for routine and ancillary services are not made by the hospital, reimbursement may be based on two-thirds of the hospital's reasonable charges for the services received but not to exceed the charges which would have been made if the patient had occupied semiprivate accommodations. For purposes of the preceding provisions of this paragraph, the term 'routine services' shall mean the regular room, dietary, and nursing services, minor medical and surgical supplies and the use of equipment and facilities for which a separate charge is not customarily made; the term 'ancillary services' shall mean those special services for which charges are customarily made in addition to routine services."

(d) The provisions made by subsection (a) of this section shall become effective as of July 1, 1966, and the provisions made by subsections (b) and (c) of this section

shall apply to services furnished with respect to admissions occurring after December 31, 1967, and to outpatient hospital diagnostic services furnished after December 31, 1967, and before April 1, 1968.

(89) Page 69, after line 2, insert:

PAYMENT FOR CERTAIN SERVICES FURNISHED OUTSIDE THE UNITED STATES

SEC. 147. (a) Section 1814(f) of the Social Security Act is amended to read as follows:

"PAYMENT FOR CERTAIN SERVICES FURNISHED OUTSIDE THE UNITED STATES

"(f)(1) Payment shall be made for inpatient hospital services (as defined in section 1861, but without regard to subsection (e) of such section) furnished to an individual entitled to hospital insurance benefits under section 226 by a hospital (or under arrangements (as defined in section 1861(w)) with it) which is situated within 50 miles outside the continental United States (or within a city or other municipality any part of which is within 50 miles of the United States) in a country contiguous thereto if such individual is a resident of the United States and if—

"(A)(i) such hospital was closer to, or substantially more accessible from the residence of such individual than the nearest hospital within the United States which was

adequately equipped to deal with, and was available for the treatment of, such individual's illness or injury, or (ii) such services were emergency services and the emergency which necessitated such services occurred in a place within (I) the United States or (II) 50 miles outside the United States in a country contiguous thereto and such hospital was closer to or substantially more accessible from such place than the nearest hospital within the United States which was adequately equipped to deal with, and was available for the treatment of, such individual's illness or injury, and

"(B)(i) the hospital was accredited by the Joint Commission on Accreditation of Hospitals or (ii) the Secretary finds that the accreditation or comparable approval standards of a program of the country in which the hospital is located are essentially equivalent to the requirements specified in clause (i) of this subparagraph and the hospital was accredited or similarly approved by such program.

"(2) Payment under this subsection may not be made for inpatient hospital services (as defined in paragraph (1)) furnished to an individual for more than twenty days in a spell of illness (as defined in subsection (a) of section 1861, except that for such purposes the term 'inpatient hospital services' shall have the meaning assigned to it by para-

graph (1) of this subsection); and days in excess of twenty in which inpatient hospital services (as so defined) are furnished during such spell of illness for which payment, but for this paragraph, would be made under this subsection shall not be taken into account for purposes of section 1812 (b)(1).

"(3) Payments under this subsection shall be made to the individual on the basis of an itemized bill in the amount specified in paragraph (4), if such individual files application (submitted within such time and in such form and manner and by such person, and containing and supported by such information as the Secretary shall by regulations prescribe) for such payment.

"(4) The amounts payable under paragraph (3) shall, subject to the provisions of section 1813, be equal to 60 per centum of the hospital's reasonable charges for routine services furnished in the accommodations occupied by the individual or in semiprivate accommodations (as defined in section 1861(v)(4)), whichever is less, plus 80 per centum of the hospital's reasonable charges for ancillary services. If separate charges for routine and ancillary services are not made by the hospital, reimbursement may be based on two-thirds of the hospital's reasonable charges for the services received but not to exceed the charges which would have been made if the patient had occupied

semiprivate accommodations. For purposes of the preceding provisions of this paragraph, the term 'routine services' shall mean the regular room, dietary, and nursing services, minor medical and surgical supplies, and the use of equipment and facilities for which a separate charge is not customarily made; the term 'ancillary services' shall mean those special services for which charges are customarily made in addition to routine services."

(b) The provisions made by this section shall apply to services furnished with respect to admissions occurring after March 31, 1968.

(90) Page 69, after line 2, insert:

PAYMENT UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM FOR CERTAIN INPATIENT ANCILLARY SERVICES

SEC. 148. (a) So much of section 1861(s) of the Social Security Act which precedes paragraph (1) is amended by striking out "(unless they would otherwise constitute inpatient hospital services, extended care services, or home health services)".

(b) The sentence immediately following paragraph (9) of section 1861(s) of such Act is amended by inserting after "hospital" the following: "(which, for purposes of this

sentence, means an institution considered a hospital for purposes of section 1814(d))".

(c) Section 1861(s) of such Act is amended by adding at the end thereof (after and below paragraph (13) as added to such section by section 129(b) of this Act) the following new sentence: "None of the items and services referred to in the preceding paragraphs (other than paragraphs (1) and (2)(A)) of this subsection which are furnished to a patient of an institution which meets the definition of a hospital for purposes of section 1814(d) shall be included unless such other conditions are met as the Secretary may find necessary relating to health and safety of individuals with respect to whom such items and services are furnished."

(d) Section 1861(s)(6) of such Act is amended by striking out "as his home" and inserting in lieu thereof "as his home other than an institution that meets the requirements of subsection (e)(1) or (j)(1) of this section".

(e) The amendments made by this section shall apply with respect to services furnished after March 31, 1968.

(91) Page 69, after line 2, insert:

GENERAL ENROLLMENT PERIOD UNDER TITLE XVIII

SEC. 149. (a) Section 1837(b)(1) of the Social Security Act is amended to read as follows:

"(1) No individual may enroll for the first time under this part unless he does so in a general enrollment period (as provided in subsection (e)) which begins within 3 years after the close of the first enrollment period during which he could have enrolled under this part."

(b) Section 1837(e) of such Act is amended to read as follows:

"(e) There shall be a general enrollment period, after the period described in subsection (c), during the period beginning on January 1 and ending on March 31 of each year beginning with 1969."

(c) Section 1838(b) of such Act is amended by—

(1) striking out in paragraph (1) the following: ", during a general enrollment period described in section 1837(e),"; and

(2) striking out "December 31 of the year" and inserting in lieu thereof "the calendar quarter following the calendar quarter".

(d) Section 1839(b)(2) of such Act is amended to read as follows:

"(2) The Secretary shall, during December 1968 and of each year thereafter, determine and promulgate the dollar amount (whether or not such dollar amount was applicable for premiums for any prior month) which shall be

applicable for premiums for months occurring in the 12-month period commencing July 1 in each succeeding year. Such dollar amount shall be such amount as the Secretary estimates to be necessary so that the aggregate premiums for such 12-month period will equal one-half of the total of the benefits and administrative costs which he estimates will be payable from the Federal Supplementary Medical Insurance Trust Fund for such 12-month period. In estimating aggregate benefits payable for any period, the Secretary shall include an appropriate amount for a contingency margin. Whenever the Secretary, pursuant to the preceding sentence, promulgates the dollar amount which shall be applicable for premiums for any period, he shall, at the time such promulgation is announced, issue a public statement setting forth the actuarial assumptions and bases employed by him in arriving at the amount of premiums so promulgated.

(e) Section 1839(c) of such Act is amended to read as follows:

"(c)(1) In the case of an individual whose coverage period began pursuant to an enrollment after his initial enrollment period (determined pursuant to subsection (c) or (d) of section 1837), there shall be collected, at such time and in such manner as the Secretary may by regulations prescribe, from such individual—

"(A) 2 additional monthly premiums each of which is equal to the monthly premium for the first month of his current coverage period, if his period of delayed enrollment (as defined in paragraph (2)) is at least 12 full months, but no more than 23 full months, or

"(B) 3 additional monthly premiums each of which is equal to the monthly premium for the first month of his current coverage period if his period of delayed enrollment (as defined in paragraph (2)) is at least 24 full months;

except that there shall not be collected from an individual—

"(C) more than 2 additional monthly premiums pursuant to subparagraph (A), and

"(D) more than one additional monthly premium under subparagraph (B) if 2 additional monthly premiums had been collected from him pursuant to subparagraph (A).

"(2) For purposes of paragraph (1) of this subsection, a period of delayed enrollment with respect to an individual shall be—

"(A) the number of months between the close of his initial enrollment period and the close of the enrollment period in which he enrolled, plus

"(B) if he enrolls for a second time, the number of months which elapsed between the date of the termina-

tion of his first coverage period and the close of the enrollment period in which he enrolled for the second time."

(f)(1) The amendments made by subsections (a), (b), and (c) shall become effective April 1, 1968. Notwithstanding the provisions of section 2 of Public Law 90–97, the amendments made by subsection (d) shall become effective December 1, 1968.

(2) The amendment made by subsection (e) shall apply to individuals who enroll under part B of title XVIII of the Social Security Act in a general enrollment period which begins after September 30, 1967, except that in the case of an individual who enrolled in the general enrollment period beginning October 1, 1967, and ending March 31, 1968 (as provided for in Public Law 90–97), then his period of delayed enrollment, for purposes of section 1839(c) of the Social Security Act, as amended by this section, shall not include January through March 1968.

(92) Page 69, after line 2, insert:

ELIMINATION OF SPECIAL REDUCTION IN ALLOWABLE DAYS OF INPATIENT HOSPITAL SERVICES FOR PATIENTS IN TUBERCULOSIS HOSPITALS

SEC. 149a. (a) Section 1812(c) of the Social Security Act (as amended by section 138 of this Act) is further amended—

(1) by striking out "a psychiatric hospital or a tuberculosis hospital" and inserting in lieu thereof "a psychiatric hospital",

(2) by striking out "and inpatient tuberculosis hospital services", and

(3) by striking out "or tuberculosis".

(b) The amendments made by subsection (a) shall apply with respect to payment for services furnished after December 31, 1967.

(93) Page 69, after line 2, insert:

INCLUSION OF OPTOMETRISTS' SERVICES UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

SEC. 149b. (a) Section 1861(r) of the Social Security Act (as amended by section 127(a) of this Act) is further amended by—

(1) striking out "or (3)" and inserting in lieu thereof "(3)"; and

(2) inserting before the period at the end thereof the following: ", or (4) a doctor of optometry, but only for purposes of sections 1861(s)(1) and 1861(s)(2)(A) and only with respect to functions which he is legally authorized to perform as such by the State in which he performs them".

(b) Section 1862(a) of such Act (as amended by section 127(b) of this Act) is further amended by—

(1) striking out "or" at the end of paragraph (12);

(2) striking out the period at the end of paragraph (13) and inserting in lieu thereof "; or"; and

(3) adding after paragraph (13) the following new paragraph:

"(14) where such expenses constitute charges with respect to (A) the detection of eye diseases or (B) the referral of an individual to a physician (as defined in section 1861 (r)(1)), by a doctor of optometry arising out of a procedure in connection with the detection of eye diseases."

(c) The amendment made by subsections (a) and (b) shall apply with respect to services furnished after March 31, 1968.

(94) Page 69, after line 2, insert:

INCLUSION OF CHIROPRACTORS' SERVICES UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

SEC. 149c. (a) Section 1861(r) of the Social Security Act (as amended by section 127(a) and section 149b(a) of this Act) is further amended by—

(1) striking out "or (4)" and inserting in lieu thereof "(4)", and

(2) inserting before the period at the end thereof the following: ", or (5) a chiropractor licensed as such by a State, but only for purposes of sections 1861(s)(1)

and 1861(s)(2)(A) and only with respect to functions which he is legally authorized to perform as such by the State in which he performs them".

(b) The amendments made by subsection (a) of this section shall take effect with respect to services furnished after March 31, 1968.

(95) Page 69, after line 2, insert:

INCLUSION OF PSYCHOLOGISTS' SERVICES UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

SEC. 149d. (a) Section 1861(r) of the Social Security Act (as amended by sections 127, 149b, and 149c, of this Act) is further amended by—

(1) striking out "or (5)" and inserting in lieu thereof "(5)", and

(2) inserting before the period at the end thereof the following: ", or (6) a psychologist licensed or certified as such by the State, but only for purposes of 1861(s)(1) and 1861(s)(2)(A) and only with respect to functions which he is legally authorized to perform as such by the State in which he performs them".

(b) The amendments made by subsection (a) of this section shall take effect with respect to services furnished after March 31, 1968.

(96) Page 69, lines 18 and 19, strike out [and after the

second month following the month in which this Act is enacted,] and insert: *months after February 1968,*

(97)Page 71, lines 6 and 7, strike out [and after the second month following the month in which this Act is enacted,] and insert: *months after February 1968,*

(98)Page 71, after line 9, insert:

RECOVERY OF OVERPAYMENTS

SEC. 152. (a) Section 204(a) of the Social Security Act is amended to read as follows:

"SEC. 204. (a) Whenever the Secretary finds that more or less than the correct amount of payment has been made to any person under this title, proper adjustment or recovery shall be made, under regulations prescribed by the Secretary, as follows:

"(1) With respect to payment to a person of more than the correct amount, the Secretary shall decrease any payment under this title to which such overpaid person is entitled, or shall require such overpaid person or his estate to refund the amount in excess of the correct amount, or shall decrease any payment under this title payable to his estate or to any other person on the basis of the wages and self-employment income which were the basis of the payments to such overpaid person, or shall apply any combination of the foregoing.

"(2) With respect to payment to a person of less than the correct amount, the Secretary shall make payment of the balance of the amount due such underpaid person, or, if such person dies before payments are completed or before negotiating one or more checks representing correct payments, disposition of the amount due shall be made in accordance with subsection (d)."

(b) Section 204(b) of such Act is amended to read as follows:

"(b) In any case in which more than the correct amount of payment has been made, there shall be no adjustment of payments to, or recovery by the United States from, any person who is without fault if such adjustment or recovery would defeat the purpose of this title or would be against equity and good conscience."

(99) Page 71, after line 9, insert:

BENEFITS PAID ON BASIS OF ERRONEOUS REPORTS OF DEATH IN MILITARY SERVICE

SEC. 153. (a) Section 204(a)(1) of the Social Security Act (as amended by section 152 of this Act) is further amended by adding at the end the following sentence: "A payment made under this title on the basis of an erroneous report of death by the Department of Defense of an individual in the line of duty while he is a member of the uniformed

services (as defined in section 210(m)) on active duty (as defined in section 210(l)) shall not be considered an incorrect payment prior to the month such Department notifies the Secretary that such individual is alive."

(b) The amendment made by this section shall apply with respect to benefits under title II of the Social Security Act if the individual to whom such benefits were paid would have been entitled to such benefits in or after the month in which this Act was enacted if the report mentioned in the amendment made by subsection (a) of this section had been correct (but without regard to the provisions of section 202 (j)(1) of such Act).

(100) Page 71, strike out all after line 9 over to and including line 6 on page 75 and insert:

UNDERPAYMENTS

SEC. 154. (a) Section 204(d) of the Social Security Act is amended to read as follows:

"(d) If an individual dies before any payment due him under this title is completed, payment of the amount due (including the amount of any unnegotiated checks) shall be made—

"(1) to the person, if any, determined by the Secretary to be the surviving spouse of the deceased individual and who either (i) was living in the same house-

hold with the deceased at the time of his death or (ii) was, for the month in which the deceased individual died, entitled to a monthly benefit on the basis of the same wages and self-employment income as was the deceased individual;

"(2) if there is no person who meets the requirements of paragraph (1), or if the person who meets such requirements dies before the payment due him under this title is completed, to the child or children, if any, of the deceased individual who were, for the month in which the deceased individual died, entitled to monthly benefits on the basis of the same wages and self-employment income as was the deceased individual (and, in case there is more than one such child, in equal parts to each such child);

"(3) if there is no person who meets the requirements of paragraph (1) or (2), or if each person who meets such requirements dies before the payment due him under this title is completed, to the parent or parents, if any, of the deceased individual who were, for the month in which the deceased individual died, entitled to monthly benefits on the basis of the same wages and self-employment income as was the deceased individual (and, in case there is more than one such parent, in equal parts to each such parent);

"(4) if there is no person who meets the requirements of paragraph (1), (2), or (3), or if each such person dies before the payment due under this title is completed, to the person, if any, determined by the Secretary to be the surviving spouse of the deceased individual;

"(5) if there is no person who meets the requirements of paragraph (1), (2), (3), or (4), or if each person who meets such requirements dies before the payment due him under this title is completed, to the person or persons, if any, determined by the Secretary to be the child or children of the deceased individual (and, in case there is more than one such child, in equal parts to each such child);

"(6) if there is no person who meets the requirements of paragraph (1), (2), (3), (4), or (5), or if each person who meets such requirements dies before the payment due under this title is completed, to the parent or parents, if any, of the deceased individual (and, in case there is more than one such parent, in equal parts to each such parent);

"(7) if there is no person who meets the requirements of paragraph (1), (2), (3), (4), (5), or (6), or if each person who meets such requirements dies before the payment due him under this title is completed,

to the legal representative of the estate of the deceased individual, if any;

"(8) if there is no such person who meets the requirements of paragraph (1), (2), (3), (4), (5), (6), or (7), or if each such person who meets such requirements dies before payment under this title is completed, to the person or persons related to the deceased individual by blood, marriage, or adoption, if any, determined by the Secretary to be the proper person to receive payment on behalf of the estate."

(b) The heading of section 1870 of such Act is amended by adding at the end thereof "AND SETTLEMENT OF CLAIMS FOR BENEFITS ON BEHALF OF DECEASED INDIVIDUALS".

(c) Section 1870 of such Act is amended by adding after subsection (d) the following new subsections:

"(e) If an individual, who received services for which payment may be made to such individual under this title or under section 144 of the Social Security Amendments of 1967, dies, and payment for such services was made (other than under this title), and the individual died before any payment due with respect to such services was completed, payment of the amount due (including the amount of any unnegotiated checks) shall be made—

"(1) if the payment for such services was made

before such individual's death by a person other than the deceased individual, to the person or persons determined by the Secretary under regulations to have paid for such services, or if the payment for such services was made by the deceased individual before his death, to the legal representative of the estate of such deceased individual, if any;

"(2) if there is no person who meets the requirements of paragraph (1), to the person, if any, determined by the Secretary to be the surviving spouse of the deceased individual and who was either living in the same household with the deceased at the time of his death or was, for the month in which the deceased individual died, entitled to a monthly benefit on the basis of the same wages and self-employment income as was the deceased individual;

"(3) if there is no person who meets the requirements of paragraph (1) or (2), or if the person who meets such requirements dies before the payment due him under this title is completed, to the child or children, if any, of the deceased individual who were, for the month in which the deceased individual died, entitled to monthly benefits on the basis of the same wages and self-employment income as was the deceased individual (and,

in case there is more than one such child, in equal parts to each such child);

"(4) if there is no person who meets the requirements of paragraph (1), (2), or (3), or if each person who meets such requirements dies before the payment due him under this title is completed, to the parent or parents, if any, of the deceased individual who were, for the month in which the deceased individual died, entitled to monthly benefits on the basis of the same wages and self-employment income as was the deceased individual (and, in case there is more than one such parent, in equal parts to each such parent);

"(5) if there is no person who meets the requirements of paragraph (1), (2), (3), or (4), or if each such person dies before the payment due under this title is completed, to the person, if any, determined by the Secretary to be the surviving spouse of the deceased individual;

"(6) if there is no person who meets the requirements of pargraph (1), (2), (3), (4), or (5), or if each person who meets such requirements dies before the payment due him under this title is completed, to the person or persons, if any, determined by the Secretary to be the child or children of the deceased individual

(and, in case there is more than one such child, in equal parts to each such child);

"(7) if there is no person who meets the requirements of paragraph (1), (2), (3), (4), (5), or (6), or if each person who meets such requirements dies before the payment due under this title is completed, to the parent or parents, if any, of the deceased individual (and, in case there is more than one such parent, in equal parts to each such parent);

"(8) if there is no person who meets the requirements of paragraph (1), (2), (3), (4), (5), (6), or (7), or if each person who meets such requirements dies before the payment due him under this title is completed, to the legal representatives of the estate of the deceased individual, if any;

"(9) if there is no such person who meets the requirements of paragraph (1), (2), (3), (4), (5), (6), (7), or (8), or if each such person who meets such requirements dies before payment under this title is completed, to the person or persons related to the deceased individual by blood, marriage, or adoption, if any, determined by the Secretary to be the proper person to receive payment on behalf of the estate.

(101) Page 75, line 21, strike out [128(a)] and insert: *125(a)*

(102) Page 76, line 4, strike out [153] and insert: *155*

(103) Page 80, lines 19 and 20, strike out [the second month following the month in which this Act is enacted] and insert: *March 1968*

(104) Page 82, line 19, strike out [154] and insert: *156*

(105) Page 84, lines 18 and 19, strike out [and after the second month following the month in which this Act is enacted] and insert: *months after February 1968*

(106) Page 85, line 4, strike out [155] and insert: *157*

(107) Page 86, lines 17 and 18, strike out [and after the second month following the month in which this Act is enacted] and insert: *months after February 1968*

(108) Page 86, line 22, strike out [156] and insert: *158*

(109) Page 87, strike out all after line 21 over to and including line 4 on page 89.

(110) Page 89, line 5, strike out ["(5)] and insert: *"(2)*

(111) Page 90, strike out lines 3 to 6, inclusive.

(112) Page 90, line 7, strike out [(9)] and insert *(8)*

(113) Page 90, strike out lines 10 to 17, inclusive.

(114) Page 90, line 18, strike out [(e)] and insert: *(d)*

(115) Page 91, line 15, strike out [157] and insert: *159*

(116) Page 92, lines 10 and 11, strike out [the month in which this Act is enacted] and insert: *February 1968*

(117) Page 92, line 23, strike out [158] and insert: *160*

(118) Page 93, line 11, strike out [159] and insert: *161*

(119) Page 95, after line 7, insert:

AMENDMENTS TO COMPLY WITH TREATY OBLIGATIONS

SEC. 162. (a) Section 228(a) of the Social Security Act is amended by adding at the end thereof the following new sentence: "For purposes of the preceding sentence, the provisions of clause (3)(B) thereof relating to the period of continuous residence in the United States shall not be applied in the case of any individual if the application of such provisions would be contrary to the obligations of the United States under any treaty to which the United States is a party in effect on the date of enactment of the Social Security Amendments of 1967."

(b) Section 1836 of the Social Security Act is amended by adding at the end thereof the following new sentence:

"For purposes of the preceding sentence, the provisions of clause (2)(A)(ii) thereof relating to the period of continuous residence in the United States shall not be applied in the case of any individual if the application of such provisions would be contrary to the obligations of the United States under any treaty to which the United States is a party in effect on the date of enactment of the Social Security Amendments of 1967."

(c) Section 103(a) of the Social Security Amendments of 1965 is amended by adding at the end thereof the following new sentence: "For purposes of the preceding sentences of this subsection, the provisions of clause (4)(B) of the first sentence of this subsection which relate to the period of continuous residence in the United States shall not be applied in the case of any individual if the application of such provisions subsequent to June 30, 1966, would be contrary to the obligations of the United States under any treaty to which the United States is a party in effect on the date of enactment of the Social Security Amendments of 1967."

(120) Page 95, line 10, strike out [160] and insert: *163*

(121) Page 96, lines 19 and 20, strike out [and after the sixth month following the month in which this Act is enacted] and insert: *months beginning after December 31, 1968*

(122) Page 96, line 25, strike out all after "beginning" over to and including "enacted" in line 1 on page 97 and insert: *after December 31, 1968*

(123) Page 97, line 12, strike out all after "Act" down to and including "been" in line 14 and insert: *are, on December 31, 1968, being*

(124) Page 98, strike out lines 7 to 24, inclusive, and insert:

SPECIAL SAVING PROVISION FOR CERTAIN CHILDREN

SEC. 164. Where—

(1) one or more persons were entitled (without the application of section 202(j)(1) of the Social Security Act) to monthly benefits under section 202 or 223 of such Act for August 1965 and for February 1968 on the basis of the wages and self-employment income of an individual, and

(2) one or more persons (not included in paragraph (1)) became entitled to monthly benefits for September 1965 under section 202(d) by reason of section 216(h)(3), on the basis of such wages and self-employment income and are so entitled for February 1968, and

(3) the total of benefits to which all persons are entitled under such section 202 or 223 on the basis of such

wages and self-employment for February 1968 are reduced by reason of section 203(a) of such Act, as amended by this Act (or would, but for the penultimate sentence of such section 203(a), be so reduced),

then the amount of the benefit to which each such person referred to in paragraph (1) above is entitled for months after February 1968 shall be increased, after the application of such section 203(a), to the amount it would have been if the person or persons referred to in paragraph (2) were not entitled to a benefit referred to in such paragraph.

(125) Page 99, line 4, strike out [162] and insert: *165*

(126) Page 102, strike out lines 1 to 8, inclusive, and insert:

ADVISORY COUNCIL ON SOCIAL SECURITY

SEC. 166. (a)(1) Section 706(a) of the Social Security Act is amended by striking out "During 1968 and every fifth year thereafter" and inserting in lieu thereof "During 1969 (but not before February 1, 1969) and every fourth year thereafter (but not before February 1 of such fourth year)".

(2) Section 706(d) such Act is amended by striking out "reports of its" and inserting in lieu thereof "reports (including any interim reports such Council may have issued) of its".

(127) Page 102, line 17, strike out [164] and insert: *167*

(128) Page 103, line 3, strike out [165] and insert: *168*

(129) Page 104, line 5, strike out [166] and insert: *169*

(130) Page 104, line 13, after "orders" insert: *or entertain petitions*

(131) Page 104, line 16, strike out all after "the" down to and including "purpose)" in line 18 and insert: *use of the court (and for no other purpose) in issuing or determining whether to issue such an order against such individual or in determining (in the event such individual is not within the jurisdiction of the court) the court to which a petition for support and maintenance against such individual should be forwarded under any reciprocal arrangements with other States to obtain or improve court orders for support*

(132) Page 105, line 8, strike out [167] and insert: *170*

(133) Page 105, line 17, strike out [SAVINGS] and insert: *SAVING*

(134) Page 105, line 18, strike out [168] and insert: *171*

(135) Page 105, line 22, strike out [the effective month] and insert: *February 1968*

(136) Page 106, line 5, strike out [the first month after the effective month] and insert: *March 1968*

(137) Page 106, strike out line 8 and insert: *104, 113, 114, 150, 151, 156, 157, 175, and*

(138) Page 106, line 11, strike out [such first month] and insert: *March 1968*

(139) Page 106, line 17, strike out [the effective month] and insert: *February 1968*

(140) Page 106, strike out all after line 20 and insert:

(b) Where—

(1) one or more persons were entitled (without the application of section 202(j)(1) of the Social Security Act) to monthly benefits under section 202 or 223 of such Act for November 1968 on the basis of the wages and self-employment income of an individual, and

(2) one or more persons (not included in paragraph (1)) become entitled to monthly benefits under such section 202 for December 1968 on the basis of such wages and self-employment by reason of the amendments made to such Act by section 105 of this Act, and

(3) the total of benefits to which all persons are entitled under such section 202 or 223 on the basis of such wages and self-employment for December 1968 are re-

duced by reason of section 203(a) of such Act, as amended by this Act (or would, but for the penultimate sentence of such section 203(a), be so reduced),

then the amount of the benefit to which each such person referred to in paragraph (1) is entitled for months after November 1968 shall be increased, after the application of such section 203(a), to the amount it would have been if the person or persons referred to in paragraph (2) were not entitled to a benefit referred to in such paragraph.

(141) Page 106, after line 23, insert:

EXPEDITED BENEFIT PAYMENTS

SEC. 172. (a) Section 205 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"Expedited Benefit Payments

"(q)(1) The Secretary shall establish and put into effect procedures under which expedited payment of monthly insurance benefits under this title will, subject to paragraph (4) of this subsection, be made as set forth in paragraphs (2) and (3) of this subsection.

"(2) In any case in which—

"(A) an individual makes an allegation that a monthly benefit under this title was due him in a particular month but was not paid to him, and

"(B) such individual submits a written request for the payment of such benefit—

"(i) in the case of an individual who received a regular monthly benefit in the month preceding the month with respect to which such allegation is made, not less than 30 days after the 15th day of the month with respect to which such allegation is made (and in the event that such request is submitted prior to the expiration of such 30-day period, it shall be deemed to have been submitted upon the expiration of such period), and

"(ii) in any other case, not less than 90 days after the later of (I) the date on which such benefit is alleged to have been due, or (II) the date on which such individual furnished the last information requested by the Secretary (and such written request will be deemed to be filed on the day on which it was filed, or the ninetieth day after the first day on which the Secretary has evidence that such allegation is true, whichever is later),

the Secretary shall, if he finds that benefits are due, certify such benefits for payment, and payment shall be made within 15 days immediately following the date on which the written request is deemed to have been filed.

"(3) In any case in which the Secretary determines that

there is evidence, although additional evidence might be required for a final decision, that an allegation described in paragraph (2)(A) is true, he may make a preliminary certification of such benefit for payment even though the 30-day or 90-day periods described in paragraph (2)(B)(i) and (B)(ii) have not elapsed.

"(4) Any payment made pursuant to a certification under paragraph (3) of this subsection shall not be considered an incorrect payment for purposes of determining the liability of the certifying or disbursing officer.

"(5) For purposes of this subsection, benefits payable under section 228 shall be treated as monthly insurance benefits payable under this title. However, this subsection shall not apply with respect to any benefit for which a check has been negotiated, or with respect to any benefit alleged to be due under either section 223, or section 202 to a wife, husband, or child of an individual entitled to or applying for benefits under section 223, or to a child who has attained age 18 and is under a disability, or to a widow or widower on the basis of being under a disability."

(b) The amendment made by subsection (a) of this section shall be effective with respect to written requests filed under section 205(q) of the Social Security Act after June 30, 1968.

(142) Page 106, after line 23, insert:

STUDY OF PROPOSED LEGISLATION

SEC. 173. (a) The Secretary of Health, Education, and Welfare is authorized and directed to conduct a study and investigation to determine the effects which would result from the enactment of a proposal to establish, through a formulary committee, quality and cost control standards for drugs for which payments may be made under the various Federal-State assistance programs and under the hospital insurance program established by part A of title XVIII of the Social Security Act, and the effects which would result from the enactment of a proposal to provide coverage, under the program of supplementary medical insurance benefits established by part B of title XVIII of the Social Security Act, of certain expenses incurred by an insured individual in obtaining such drugs as may be found to be qualified drugs by a formulary committee. In such study and investigation, the Secretary shall give consideration to (1) savings which might accrue to the United States Government from the enactment of such legislation, (2) effects of the enactment thereof upon the health professions, (3) effects of the enactment thereof upon the pharmaceutical industry, including large and small manufacturers of drugs, wholesalers and retailers of drugs, and (4) such other medical, economic, and social factors as the Secretary shall determine to be material.

(b) On or before January 1, 1969, the Secretary shall transmit to the Congress a report which shall contain a full and complete statement of the findings of fact and conclusions made by the Secretary upon the basis of such study and investigation.

(143) Page 106, after line 23, insert:

DISABILITY BENEFITS FOR BLIND PERSONS

SEC. 174. (a)(1) Section 223(a)(1)(B) of the Social Security Act is amended to read as follows:

"(B) in the case of any individual other than an individual whose disability is blindness (as defined in subsection (d)(1)(B)), has not attained the age of 65,".

(2) Subsection (a)(1) of section 223 of such Act is amended by striking out "the month in which he attains age 65" and inserting in lieu thereof "in the case of any individual other than an individual whose disability is blindness (as defined in subsection (d)(1)(B)), the month in which he attains age 65".

(3) That part of paragraph (2) of section 223(a) of such Act which precedes subparagraph (A) thereof is amended by inserting immediately after "(if a man)" the following: ", and, in the case of any individual whose dis-

ability is blindness (as defined in subsection (d)(1)(B)), as though he were a fully insured individual,".

(4) The last sentence of section 223(a)(1) of such Act is repealed.

(b)(1) Paragraph (1) of subsection (c) of section 223 of such Act is amended—

(A) by inserting "(other than an individual whose disability is blindness, as defined in subsection (d)(1)(B))" after "An individual"; and

(B) by adding at the end thereof (after the sentence following subparagraph (B)) the following new sentence: "An individual whose disability is blindness (as defined in subsection (d)(1)(B)) shall be insured for disability insurance benefits in any month if he had not less than six quarters of coverage before the quarter in which such month occurs."

(2) Subparagraph (B) of paragraph (1) of subsection (d) of section 223 of such Act (as amended by section 158 (b) of this Act) is further amended to read as follows:

"(B) blindness; and, for purposes of this subparagraph, the term 'blindness' means central visual acuity of 20/200 or less in the better eye with the use of correcting lenses, or visual acuity greater than 20/200 if accompanied by a limitation in the fields of vision such

that the widest diameter of the visual field subtends an angle no greater than twenty degrees."

(3) The second sentence of paragraph (4) of subsection (d) of section 223 of such Act (as added by section 158(b) of this Act) is further amended by inserting "(other than an individual whose disability is blindness)" immediately after "individual".

(c)(1) The first sentence of section 216(i)(1) of such Act is amended by striking out "(B)" and all that follows, and inserting in lieu thereof the following: "(B) blindness (as defined in section 223(d)(1)(B))."

(2) The second sentence of such section 216(i) is repealed.

(d) The first sentence of section 222(b)(1) of such Act is amended by inserting "(other than such an individual whose disability is blindness, as defined in section 223(d)(1)(B))" after "an individual entitled to disability insurance benefits".

(e) The amendments made by the preceding subsections of this section shall apply only with respect to monthly benefits under title II of the Social Security Act for months after November 1968, on the basis of applications for such benefits filed after August 31, 1968.

(144) Page 106, after line 23, insert:

ENTITLEMENT TO CHILD'S INSURANCE BENEFITS BASED ON DISABILITY WHICH BEGAN BETWEEN 18 AND 22

SEC. 175. (a) Clause (ii) of section 202(d)(1)(B) of the Social Security Act is amended by striking out "which began before he attained the age of 18" and inserting in lieu thereof "which began before he attained the age of 22".

(b) Subparagraphs (F) and (G) of section 202(d)(1) of such Act are amended to read as follows:

"(F) if such child was not under a disability (as so defined) at the time he attained the age of 18, the earlier of—

"(i) the first month during no part of which he is a full-time student, or

"(ii) the month in which he attains the age of 22,

but only if he was not under a disability (as so defined) in such earlier month; or

"(G) if such child was under a disability (as so defined) at the time he attained the age of 18, or if he was not under a disability (as so defined) at such time but was under a disability (as so defined) at or prior to the time he attained (or would attain) the age of 22, the third month following the month in which he ceases to be under such disability or (if later) the earlier of—

"(i) the first month during no part of which he is a full-time student, or

"(ii) the month in which he attains the age of 22,

but only if he was not under a disability (as so defined) in such earlier month."

(c) Section 202(d)(1) of such Act is further amended by adding at the end thereof the following new sentence: "No payment under this paragraph may be made to a child who would not meet the definition of disability in section 223(d) except for paragraph (1)(B) thereof for any month in which he engages in substantial gainful activity."

(d) Paragraph (6) of section 202(d) (as redesignated by section 151) is amended by striking out "in which he is a full-time student and has not attained the age of 22" and all that follows and inserting in lieu thereof "in which he—

"(A)(i) is a full-time student or (ii) is under a disability (as defined in section 223(d)), and

"(B) has not attained the age of 22,

but only if he has filed application for such reentitlement. Such reentitlement shall end with the month preceding whichever of the following first occurs:

"(C) the first month in which an event specified in paragraph (1)(D) occurs; or

"(D) the earlier of (i) the first month during no part of which he is a full-time student or (ii) the month in which he attains the age of 22, but only if he is not under a disability (as so defined) in such earlier month; or

"(E) of he was under a disability (as so defined), the third month following the month in which he ceases to be under such disability or (if later) the earlier of—

"(i) the first month during no part of which he is a full-time student, or

"(ii) the month in which he attains the age of 22."

(e) Section 202(s) of such Act is amended—

(1) by striking out "before he attained such age" in paragraph (1) and inserting in lieu thereof "before he attained the age of 22"; and

(2) by striking out "before such child attained the age of 18" in paragraphs (2) and (3) and inserting in lieu thereof "before such child attained the age of 22".

(f) The amendments made by this section shall apply only with respect to monthly insurance benefits payable under section 202 of the Social Security Act for months after February 1968; except that in the case of an individual who was not entitled to a monthly benefit under such section for February 1968, such amendments shall apply only on the

basis of an application filed in or after the month in which this Act is enacted.

(145)Page 106, after line 23, insert:

ATTORNEYS FEES FOR CLAIMANTS

SEC. 176. Section 206(a) of the Social Security Act is amended by inserting, immediately before the last sentence thereof, the following new sentences: "Whenever the Secretary, in any claim before him for benefits under this title, makes a determination favorable to the claimant, he shall, if the claimant was represented by an attorney in connection with such claim, fix (in accordance with the regulations prescribed pursuant to the preceding sentence) a reasonable fee to compensate such attorney for the services performed by him in connection with such claim. If as a result of such determination, such claimant is entitled to past-due benefits under this title, the Secretary shall, notwithstanding section 205(i), certify for payment (out of such past-due benefits) to such attorney an amount equal to whichever of the following is the smaller: (A) 25 per centum of the total amount of such past-due benefits, (B) the amount of the attorney's fee so fixed, or (C) the amount agreed upon between the claimant and such attorney as the fee for such attorney's services."

(146)Page 107, strike out lines 5 to 12, inclusive, and insert:

SEC. 201. (a)(1) Section 402(a) of the Social Security Act (as amended by section 202(a) of this Act) is amended by—

(A) striking out "and" at the end of clause (13);

(B) striking out clause (14), including the period at the end thereof, and inserting in lieu thereof the following: "(14) provide for the development and application of a program for such family services, as defined in section 406(d), and child-welfare services, as defined in section 425, for each child and relative who receives aid to families with dependent children, and each appropriate individual (living in the same home as a relative and child receiving such aid whose needs are taken into account in making the determination under clause (7)), as may be necessary in the light of the particular home conditions and other needs of such child, relative, and individual, in order to assist such relative, child, and individual to attain or retain capability for self-support and care and in order to maintain and strengthen family life and to foster child development;"; and

(C) adding after clause (14) the following new clauses: "(15) provide—

(147) Page 108, strike out lines 1 and 2 and insert: *births out of wedlock and otherwise strengthening family life,*

(148) Page 108, lines 3 and 4, strike out [by assuring that—] and insert: *by—*

(149) Page 108, strike out lines 5 to 17, inclusive, and insert:

"(i) assuring that such relative, child, or individual who is referred to the Secretary of Labor pursuant to clause (19) is furnished child-care services and that in all appropriate cases family planning services are offered them, and

"(ii) in appropriate cases, providing aid to families with dependent children in the form of payments of the types described in section 406 (b)(2), and

"(C) that the acceptance by such child, relative, or individual of family planning services provided under the plan shall be voluntary on the part of such child, relative, or individual and shall not be a prerequisite to eligibility for or the receipt of any other service or aid under the plan,

(150) Page 108, line 18, strike out ["(C)] and insert: *"(D)*

(151) Page 108, line 22, strike out ["(D)] and insert: *"(E)*

(152) Page 108, line 25, strike out ["(E)] and insert: *"(F)*

(153) Page 108, line 25, after "programs" insert: *under this clause or clause (14)*

(154) Page 109, line 2, strike out all after "agency" where it appears the first time down to and including "State," in line 4.

(155) Page 109, line 5, strike out [such State or local agency, as the case may be,] and insert: *the State*

(156) Page 109, line 17, strike out [an illegitimate child] and insert: *a child born out of wedlock who is*

(157) Page 111, strike out all after line 6 over to and including line 20 on page 112 and insert:

(c) Section 403(a)(3) of such Act is amended by striking out subparagraphs (A) and (B) and inserting in lieu thereof the following:

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

"(i) services which are furnished pursuant

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

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

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

(158) Page 112, after line 22, insert:

(1) by redesignating subparagraphs (C), (D), and (E) as (B), (C), and (D), respectively;

(159) Page 112, line 23, strike out [(1)] and insert: *(2)*

(160) Page 112, line 24, strike out [(C)] and insert: *(B) (as redesignated by paragraph (1) of this subsection)*

(161) Page 113, line 1, strike out [(2)] and insert: *(3)*

(162) Page 113, line 2, strike out [(C)] and insert: *(B) (as redesignated by paragraph (1) of this subsection)*

(163) Page 113, line 6, strike out [(D) and (E)] and insert: *(C) and (D)*

(164) Page 113, line 7, strike out [(3)] and insert: *(4)*

(165) Page 113, line 9, strike out [(C)] and insert: *(B)*

(166) Page 113, strike out all after line 9 over to and including line 8 on page 114, and insert:

(e)(1) Section 403(c) of such Act is repealed.

(167) Page 114, strike out all after line 24 over to and including line 11 on page 115, and insert:

(g)(1) The amendments made by subsections (a), (b), (d), (e), and (f) of this section shall be effective July 1, 1968 (or earlier if the State plan so provides); except that if on the date of enactment of this Act the agency of a State referred to in section 402(a)(3) of the Social Security Act is different from the agency of such State responsible for administering the plan for child-welfare

services developed pursuant to part 3 of title V of the Social Security Act, the provisions of section 402(a)(15)(F) of such Act (added thereto by such subsection (a) of this section) shall not apply with respect to such State but only so long as such agencies of the State are different".

(2) The amendment made by subsection (c) shall apply with respect to services furnished after June 30, 1968, or furnished after such earlier date as the State plan may provide with respect to the amendment made by paragraph (1) of this subsection.

(168) Page 115, line 17, strike out [clause (15)] and insert: *clauses (14) and (15)*

(169) Page 115, lines 18 and 19, strike out [October 1, 1967] and insert: *the date of enactment of this Act*

(170) Page 115, strike out lines 20 and 21, and insert:

EARNINGS EXEMPTION FOR PUBLIC ASSISTANCE RECIPIENTS

(171) Page 115, line 22, after "(a)" insert: *(1)*

(172) Page 115, line 25, strike out [(b)] and insert: *(2)*

(173) Page 116, line 16, strike out all after "children" down to and including "21," in line 18, and insert: *who*

(174) Page 116, line 20, after "student" insert: *or part-time student who is not a full-time employee*

(175) Page 117, line 4, strike out [$30] and insert: *$50*

(176) Page 117, line 5, strike out [one-third] and insert: *one-half*

(177) Page 118, line 15, strike out [plan;".] and insert: *plan; and*

(178) Page 118, after line 15, insert:

except that, in the case of a dependent child who has been deprived of parental support or care by reason of the continued absence from the home of a parent and such parent is making contributions pursuant to an order of a court of competent jurisdiction, to such child, a relative (specified in section 406(a)(1)), or any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, the State agency shall, in disregarding earned income under subparagraph (A), consider—

"(E) (for purposes of clause (ii) of such subparagraph (A)) such contributions for any month as earned income with respect to such month (but not for purposes of subparagraph (C)); and

"(F) (for purposes of clause (i) of such sub-

paragraph (A)) the first $50 of such contributions for any month plus one-half of the remainder of such contribution for such month as earned income with respect to such month;".

(179) Page 118, line 16, strike out [(c)] and insert: *(3)*

(180) Page 118, lines 20 and 21, strike out [September 30,] and insert: *December 31,*

(181) Page 118, after line 25, insert:

(b)(1) Effective July 1, 1969, clauses (i) and (ii) of section 2(a)(10)(A) of such Act are amended to read as follows: "(i) the State agency shall with respect to any month disregard the first $50 of the total of the earned income of such individual for such month plus one-half of the remainder of such income for such month and (ii) the State agency may, before disregarding the amount referred to in clause (i), disregard not more than $5 per month of any income;".

(2) A State whose plan under section 2 of the Social Security Act has been approved by the Secretary shall not be deemed to have failed to comply substantially with the requirements of section 2(a)(10)(A) of such Act (as in effect prior to July 1, 1969) for any period beginning after December 31, 1967, and ending prior to July 1, 1969, if for

such period the State agency disregards earned income of the individuals involved in accordance with the requirements specified in clause (i) of section 2(a)(10)(A) of such Act as amended by this section.

(182) Page 118, after line 25, insert:

(c)(1) Effective July 1, 1969, clauses (A) and (B) of section 1402(a)(8) of such Act are amended to read as follows: "(A) the State agency shall with respect to any month disregard the first $50 of the total of the earned income of such individual for such month plus one-half of the remainder of such income for such month, (B) the State agency may, before disregarding the amount referred to in clause (A), disregard not more than $5 per month of any income, and".

(2) A State whose plan under section 1402 of the Social Security Act has been approved by the Secretary shall not be deemed to have failed to comply substantially with the requirements of section 1402(a)(8) of such Act (as in effect prior to July 1, 1969) for any period beginning after December 31, 1967, and ending prior to July 1, 1969, if for such period the State agency disregards earned income of the individual involved in accordance with the requirements specified in clause (A) of section 1402 (a)(8) of such Act as amended by this section.

(183) Page 118, after line 25, insert:

(d)(1) Effective July 1, 1969, clause (i) of section 1602(a)(14)(B) of such Act is amended to read as follows: "(i) the State agency shall with respect to any month disregard the first $50 of the total of the earned income of such individual for such month plus one-half of the remainder of such income for such month, and".

(2) Effective July 1, 1969, subparagraph (C) of section 1602(a)(14) of such Act is amended to read as follows: "if such individual has attained age 65 and is neither blind nor permanently and totally disabled, the State agency shall with respect to any month disregard the first $50 of the total of the earned income of such individual for such month plus one-half of the remainder of such income for such month, and".

(3) A State whose plan under section 1602 of the Social Security Act has been approved by the Secretary shall not be deemed to have failed to comply substantially with the requirements of section 1602(a)(14) of such Act (as in effect prior to July 1, 1969) for any period beginning after December 31, 1967, and ending prior to July 1, 1969, if for such period the State agency disregards earned income of the individual involved in accordance with the requirements specified in clause (i) of section 1602(a)(14)(B) or subparagraph (C) of section 1602(a)(14) as amended by this section.

(184) Page 119, strike out lines 1 to 10, inclusive, and insert:

(e) In determining the need of individuals claiming aid or assistance under a State plan approved under title I, X, XIV, XVI, or XIX, or part A of title IV of the Social Security Act which provides for the determination of such need under the provisions of such title or such part as amended by this section, the State shall apply such provisions notwithstanding any provisions of law (other than such Act) requiring the State to disregard earned income of such individuals in determining need under such State plan.

(185) Page 120, line 7, after "aid," insert: *and*

(186) Page 120, strike out all after line 12 over to and including line 15 on page 121, and insert:

"(2) provides—

"(A) for such assurances as will satisfy the Secretary that fathers of dependent children as defined in subsection (a) will be referred to the Secretary of Labor as provided in section 402(a)(19) within thirty days after receipt of aid with respect to such children;

(187) Page 121, line 16, strike out [(C)] and insert: *(B)*

(188) Page 121, line 24, strike out [(D)] and insert: *(C)*

(189) Page 122, line 2, strike out [father—] and insert: *father is not currently registered with the public employment offices in the State.*

(190) Page 122, strike out lines 3 to 22, inclusive.

(191) Page 122, strike out all after line 22 over to and including line 11 on page 125, and insert:

"(c) Notwithstanding any other provisions of this section—

"(1) a State plan may, at the option of the State, provide for denial of all (or any part) of the aid under the plan with respect to a dependent child as defined in subsection (a) to which any child or relative might otherwise be entitled for any month if the father of such child receives unemployment compensation under an unemployment compensation law of a State or of the United States for any week any part of which is included in such month, and

"(2) expenditures pursuant to this section shall be excluded from aid to families with dependent children (A) where such expenditures are made under the plan with respect to any dependent child as defined in subsection (a), (i) for any part of the 30-day period referred to in subparagraph (A) of subsection (b)(1), or (ii) for any period prior to the time when the father

satisfies subparagraph (B) of such subsection, and (B) if, and for as long as, no action is taken (after the 30-day period referred to in subparagraph (A) of subsection (b)(2)), under the program therein specified, to refer such father to the Secretary of Labor pursuant to section 402(a)(19)."

(192) Page 125, line 12, strike out [(c)] and insert: *(b)*

(193) Page 125, line 13, strike out [October 1, 1967] and insert: *January 1, 1968*

(194) Page 125, line 13, strike out [(1)]

(195) Page 125, line 17, strike out [July] and insert: *October*

(196) Page 125, line 20, strike out all after "July 1," down to and including "July 1," in line 24.

(197) Page 125, after line 24, insert:

(c) Section 402(a) of such Act is amended by adding at the end before the period the following: "; and (30) effective July 1, 1969, provide for assistance to children in need because of the unemployment of their father as provided in section 407".

(198) Page 126, strike out all beginning with line 1 over to and including line 3 on page 136, and insert:

WORK INCENTIVE PROGRAM FOR RECIPIENTS OF AID UNDER PART A OF TITLE IV

SEC. 204. (a) Title IV of the Social Security Act is amended by inserting after part B (hereinafter added to such title by section 235 of this Act) the following material:

"PART C—WORK INCENTIVE PROGRAM FOR RECIPIENTS OF AID UNDER STATE PLAN APPROVED UNDER PART A

"PURPOSE

"SEC. 430. The purpose of this part is to require the establishment of a program utilizing all available manpower services, including those authorized under other provisions of law, under which individuals receiving aid to families with dependent children will be furnished incentives, opportunities, and necessary services in order for (1) the employment of such individuals in the regular economy, (2) the training of such individuals for work in the regular economy, and (3) the participation of such individuals in special work projects, thus restoring the families of such individuals to independence and useful roles in their communities. It is expected that the individuals partici-

pating in the program established under this part will acquire a sense of dignity, self-worth, and confidence which will flow from being recognized as a wage-earning member of society and that the example of a working adult in these families will have beneficial effects on the children in such families.

"*APPROPRIATION*

"*SEC. 431. There is hereby authorized to be appropriated to the Secretary of Health, Education, and Welfare for each fiscal year a sum sufficient to carry out the purposes of this part. The Secretary of Health, Education, and Welfare shall transfer to the Secretary of Labor from time to time sufficient amounts, out of the moneys appropriated pursuant to this section, to enable him to carry out such purposes.*

"*ESTABLISHMENT OF PROGRAMS*

"*SEC. 432. (a) The Secretary of Labor (hereinafter in this part referred to as the Secretary) shall, in accordance with the provisions of this part, establish work incentive programs (as provided for in subsection (b)) in each State and in each political subdivision of a State in which he determines there is a significant number of individuals who have attained age 16 and are receiving aid to families with dependent children. In other political subdivisions, he shall use his best efforts to provide such programs either within such subdivisions or through the provision of transportation*

for such persons to political subdivisions of the State in which such programs are established.

"(b) Such programs shall include, but shall not be limited to, (1) a program placing as many individuals as is possible in employment, and utilizing on-the-job training positions for others, (2) a program of institutional and work experience training for those individuals for whom such training is likely to lead to regular employment, and (3) a program of special work projects for individuals for whom a job in the regular economy cannot be found.

"(c) In carrying out the purposes of this part the Secretary may make grants to, or enter into agreements with, public or private agencies or organizations (including Indian tribes with respect to Indians on a reservation), except that no such grant or agreement shall be made to or with a private employer for profit or with a private nonprofit employer not organized for a public purpose for purposes of the work experience program established by clause (2) of subsection (b).

"(d) Using funds appropriated under this part, the Secretary, in order to carry out the purposes of this part, shall utilize his authority under the Manpower Development and Training Act of 1962, the Act of June 6, 1933, as

amended (48 Stat. 113), and other Acts, to the extent such authority is not inconsistent with this Act.

"(e) The Secretary shall take appropriate steps to assure that the present level of manpower services available under the authority of other statutes to recipients of aid to families with dependent children is not reduced as a result of programs under this part.

"OPERATION OF PROGRAM

"SEC. 433. (a) The Secretary shall provide a program of testing and counseling for all persons referred to him by a State, pursuant to section 402, and shall select those persons whom he finds suitable for the programs established by clauses (1) and (2) of section 432(b). Those not so selected shall be deemed suitable for the program established by clause (3) of such section 432(b) unless the Secretary finds that there is good cause for an individual not to participate in such program.

"(b) The Secretary shall develop an employability plan for each suitable person referred to him under section 402 which shall describe the education, training, work experience, and orientation which it is determined that each such person needs to complete in order to enable him to become self-supporting.

"(c) The Secretary shall make maximum use of services available from other Federal and State agencies and, to the

extent not otherwise available on a nonreimbursable basis, he may reimburse such agencies for services rendered to persons under this part.

"(d) To the extent practicable and where necessary, work incentive programs established by this part shall include, in addition to the regular counseling, testing, and referral available through the Federal-State Employment Service System, program orientation, basic education, training in communications and employability skills, work experience, institutional training, on-the-job training, job development, and special job placement and followup services, required to assist participants in securing and retaining employment and securing possibilities for advancement.

"(e)(1) In order to develop special work projects under the program established by section 432(b)(3), the Secretary shall enter into agreements with (A) public agencies, (B) private nonprofit organizations established to serve a public purpose, and (C) Indian tribes with respect to Indians on a reservation, under which individuals deemed suitable for participation in such a program will be provided work which serves a useful public purpose and which would not otherwise be performed by regular employees.

"(2) Such agreements shall provide—

"(A) for the payment by the Secretary to each

employer a portion of the wages to be paid by the employer to the individuals for the work performed;

"(B) the hourly wage rate and the number of hours per week individuals will be scheduled to work on special work projects of such employer;

"(C) that the Secretary will have such access to the premises of the employer as he finds necessary to determine whether such employer is carrying out his obligations under the agreement and this part; and

"(D) that the Secretary may terminate any agreement under this subsection at any time.

"(3) The Secretary shall establish one or more accounts in each State with respect to the special work projects established and maintained pursuant to this subsection and place into such accounts the amounts paid to him by the State agency pursuant to section 402(a)(19)(E). The amounts in such accounts shall be available for the payments specified in subparagraph (A) of paragraph (2). At the end of each fiscal year and for such period of time as he may establish, the Secretary shall determine how much of the amounts paid to him by the State agency pursuant to section 402(a)(19)(E) were not expended as provided by the preceding sentence of this paragraph and shall return such unexpended amounts to the State, which amounts shall be regarded as overpayments for purposes of section 403(b)(2).

"(4) No wage rates provided under any agreement entered into under this subsection shall be lower than the applicable minimum wage for the particular work concerned.

"(f) Before entering into a project under any of the programs established by this part, the Secretary shall have reasonable assurances that—

"(1) appropriate standards for the health, safety, and other conditions applicable to the performance of work and training on such project are established and will be maintained,

"(2) such project will not result in the displacement of employed workers,

"(3) with respect to such project the conditions of work, training, education, and employment are reasonable in the light of such factors as the type of work, geographical region, and proficiency of the participant,

"(4) appropriate workmen's compensation protection is provided to all participants.

"(g) Where an individual, referred to the Secretary of Labor pursuant to section 402(a)(19)(A)(i) and (ii) refuses without good cause to accept employment or participate in a project under a program established by this part, the Secretary of Labor shall (after providing opportunity for fair hearing) notify the State agency which referred such

individual and submit such other information as he may have with respect to such refusal.

"(h) With respect to individuals who are participants in special work projects under the program established by section 432(b)(3), the Secretary shall periodically (but at least once every six months) review the employment record of each such individual while on such special work project and on the basis of such record and such other information as he may acquire determine whether it would be feasible to place such individual in regular employment or on any of the projects under the programs established by section 432 (b) (1) and (2).

"INCENTIVE PAYMENT

"SEC. 434. The Secretary is authorized to pay to any participant under a program established by section 432(b) (2) an incentive payment of not more than $20 per week.

"FEDERAL ASSISTANCE

"SEC. 435. (a) Federal assistance under this part shall not exceed 90 per centum of the costs of carrying out this part. Non-Federal contributions may be cash or in kind, fairly evaluated, including but not limited to plant, equipment, and services.

"(b) Costs of carrying out this part include costs of training, supervision, materials, administration, incentive payments, transportation, and other items as are authorized

by the Secretary, but may not include any reimbursement for time spent by participants in work, training, or other participation in the program; except that with respect to special work projects under the program established by section 432(b)(3), the costs of carrying out this part shall include only the costs of administration.

"PERIOD OF ENROLLMENT

"SEC. 436. *(a) The program established by section 432(b)(2) shall be designed by the Secretary so that the average period of enrollment under all projects under such program throughout any area of the United States will not exceed one year.*

"*(b) Services provided under this part may continue to be provided to an individual for such period as the Secretary determines (in accordance with regulations prescribed by the Secretary after consultation with the Secretary of Health, Education, and Welfare) is necessary to qualify him fully for employment even though his earnings disqualify him from aid under a State plan approved under section 402.*

"RELOCATION OF PARTICIPANTS

"SEC. 437. *The Secretary may assist participants to relocate their place of residence when he determines such relocation is necessary in order to enable them to become permanently employable and self-supporting. Such assistance shall be given only to participants who concur in their re-*

location and who will be employed at their place of relocation at wage rates which will meet at least their full need as determined by the State to which they will be relocated. Assistance under this section shall not exceed the reasonable costs of transportation for participants, their dependents, and their household belongings plus such relocation allowance as the Secretary determines to be reasonable.

"PARTICIPANTS NOT FEDERAL EMPLOYEES

"SEC. 438. Participants in projects under programs established by this part shall be deemed not to be Federal employees and shall not be subject to the provisions of laws relating to Federal employment, including those relating to hours of work, rates of compensation, leave, unemployment compensation, and Federal employee benefits.

"RULES AND REGULATIONS

"SEC. 439. The Secretary may issue such rules and regulations as he finds necessary to carry out the purposes of this part: Provided, That in developing policies for programs established by this part the Secretary shall consult with the Secretary of Health, Education, and Welfare.

"ANNUAL REPORT

"SEC. 440. The Secretary shall annually report to the Congress (with the first such report being made on or before July 1, 1970) on the work incentive programs established by this part.

"EVALUATION AND RESEARCH

"SEC. 441. The Secretary shall (jointly with the Secretary of Health, Education, and Welfare) provide for the continuing evaluation of the work incentive programs established by this part, including their effectiveness in achieving stated goals and their impact on other related programs. He also may conduct research regarding ways to increase the effectiveness of such programs. He may, for this purpose, contract for independent evaluations of and research regarding such programs or individual projects under such programs. For purposes of sections 435 and 443, the costs of carrying out this section shall not be regarded as costs of carrying out work incentive programs established by this part.

"REVIEW OF SPECIAL WORK PROJECTS BY A STATE PANEL

"SEC. 442. (a) The Secretary shall make an agreement with any State which is able and willing to do so under which the Governor of the State will create one or more panels to review applications tentatively approved by the Secretary for the special work projects in such State to be established by the Secretary under the program established by section 432(b)(3).

"(b) Each such panel shall consist of not more than five and not less than three members, appointed by the Governor. The members shall include one representative of em-

ployers and one representative of employees; the remainder shall be representatives of the general public. No special work project under such program developed by the Secretary pursuant to an agreement under section 433(e)(1) shall, in any State which has an agreement under this section, be established or maintained under such program unless such project has first been approved by a panel created pursuant to this section.

"COLLECTION OF STATE SHARE

"SEC. 443. If a non-Federal contribution of 10 per centum of the costs of the work incentive programs established by this part is not made in any State (as specified in section 402(a)), the Secretary of Health, Education, and Welfare may withhold any action under section 404 because of the State's failure to comply substantially with a provision required by section 402. If the Secretary of Health, Education, and Welfare does withhold such action, he shall, after reasonable notice and opportunity for hearing to the appropriate State agency or agencies, withhold any payments to be made to the State under sections 3(a), 403(a), 1003(a), 1403(a), 1603(a), and 1903(a) until the amount so withheld (including any amounts contributed by the State pursuant to the requirement in section 402(a)(19)(C)) equals 10 per centum of the costs of such work incentive programs. Such withholding shall remain in effect until such

time as the Secretary has assurances from the State that such 10 per centum will be contributed as required by section 402. Amounts so withheld shall be deemed to have been paid to the State under such sections and shall be paid by the Secretary of Health, Education, and Welfare to the Secretary. Such payment shall be considered a non-Federal contribution for purposes of section 435.

"AGREEMENTS WITH OTHER AGENCIES PROVIDING ASSISTANCE TO FAMILIES OF UNEMPLOYED PARENTS

"SEC. 444. (a) The Secretary is authorized to enter into an agreement (in accordance with the succeeding provisions of this section) with any qualified State agency (as described in subsection (b)) under which the program established by the preceding sections of this part C will (except as otherwise provided in this section) be applicable to individuals referred by such State agency in the same manner, to the same extent, and under the same conditions as such program is applicable with respect to individuals referred to the Secretary by a State agency administering or supervising the administration of a State plan approved by the Secretary of Health, Education, and Welfare under part A of this title.

"(b) A qualified State agency referred to in subsection (a) is a State agency which is charged with the administration of a program—

"(1) the purpose of which is to provide aid or assistance to the families of unemployed parents,

"(2) which is not established pursuant to part A of title IV of the Social Security Act,

"(3) which is financed entirely from funds appropriated by the Congress, and

"(4) none of the financing of which is made available under any program established pursuant to title V of the Economic Opportunity Act.

"(c)(1) Any agreement under this section with a qualified State agency shall provide that such agency will, with respect to all individuals receiving aid or assistance under the program of aid or assistance to families of unemployed parents administered by such agency, comply with the requirements imposed by section 402(a)(15) and section 402 (a)(19)(F) in the same manner and to the same extent as if (A) such qualified agency were the agency in such State administering or supervising the administration of a State plan approved under part A of this title, and (B) individuals receiving aid or assistance under the program administered by such qualified agency were recipients of aid under a State plan which is so approved.

"(2) Any agreement entered into under this section shall remain in effect for such period as may be specified in the agreement by the Secretary and the qualified State agency,

except that, whenever the Secretary determines, after reasonable notice and opportunity for hearing to the qualified State agency, that such agency has failed substantially to comply with its obligations under such agreement, the Secretary may suspend operation of the agreement until such time as he is satisfied that the State agency will no longer fail substantially to comply with its obligations under such agreement.

"(3) Any such agreement shall further provide that the agreement will be inoperative for any calendar quarter if, for the preceding calendar quarter, the maximum amount of benefits payable under the program of aid or assistance to families of unemployed parents administered by the qualified State agency which is a party to such agreement is lower than the maximum amount of benefits payable under such program for the quarter which ended September 30, 1967.

"(d) The Secretary shall, at the request of any qualified State agency referred to in subsection (a) of this section and upon receipt from it of a list of the names of individuals re-referred to the Secretary, furnish to such agency the names of each individual on such list participating in a special work project under section 433(a)(3) whom the Secretary determines should continue to participate in such project. The Secretary shall not comply with any such request with respect to an individual on such list unless such individual has been

referred to the Secretary by such agency under such section 402(a)(15) for a period of at least six months."

(b) Section 402(a) of such Act is amended by adding at the end thereof before the period the following:

"; (19) provide—

"(A) for the prompt referral to the Secretary of Labor or his representative for participation under a work incentive program established by part C of—

"(i) each appropriate child and relative who has attained age sixteen and is receiving aid to families with dependent children,

"(ii) each appropriate individual (living in the same home as a relative and child receiving such aid) who has attained such age and whose needs are taken into account in making the determination under section 402(a)(7), and

"(iii) any other person claiming aid under the plan (not included in clauses (i) and (ii)), who, after being informed of the work incentive programs established by part C, requests such referral unless the State agency determines that participation in any of such programs would be inimical to the welfare of such person or the family;

except that the State agency shall not so refer a child, relative, or individual under clauses (i) and (ii) if such child, relative, or individual is—

"(iv) a person with illness, incapacity, advanced age, or

"(v) so remote from any of the projects under the work incentive programs established by part C that he cannot effectively participate under any of such programs, or

"(vi) a child attending school full time, or

"(vii) a person whose presence in the home on a substantially continuous basis is required because of the illness or incapacity of another member of the household, or

"(viii) a mother or other person who is actually caring for one or more children of preschool age, or a mother or other relative who is actually caring for one or more children under the age of 16 who are attending school, except where participation in such work program does not necessitate the absence of such mother or relative from the home during hours when the child or children are not attending school, or

"(ix) a person with respect to whom the State agency finds, in accordance with criteria

established by the Secretary, that participation under the work incentive programs established by part C would be not in the best interests of such child, relative, or individual and inconsistent with the objectives of such programs;

"(B) that aid under the plan will not be denied by reason of such referral or by reason of an individual's participation on a project under the program established by section 432(b) (2) or (3);

"(C) for arrangements to assure that there will be made a non-Federal contribution to the work incentive programs established by part C by appropriate agencies of the State or private organizations of 10 per centum of the cost of such programs, as specified in section 435(b);

"(D) that (i) training incentives authorized under section 434, and income derived from a special work project under the program established by section 432(b)(3) shall be disregarded in determining the needs of an individual under section 402(a)(7), and (ii) in determining such individual's needs the additional expenses attributable to his participation in a program established by section 432(b) (2) or (3) shall be taken into account;

"(E) that, with respect to any individual re-

ferred pursuant to subparagraph (A) who is participating in a special work project under the program established by section 432(b)(3), (i) the State agency, after proper notification by the Secretary of Labor, will pay to such Secretary (at such times and in such manner as the Secretary of Health, Education, and Welfare prescribes) the money payments such State would otherwise make to or on behalf of such individual (including such money payments with respect to such individual's family), or 80 per centum of such individual's earnings under such program, whichever is lesser and (ii) the State agency will supplement any earnings received by such individual by payments to such individual (which payments shall be considered aid under the plan) to the extent that such payments when added to the individual's earnings from his participation in such special work project will be equal to the amount of the aid that would have been payable by the State agency with respect to such individual's family had he not participated in such special work project, plus 20 per centum of such individual's earnings from such special work project; and

"(F) that if and for so long as any child, relative, or individual (referred to the Secretary of Labor pursuant to subparagraph (A) (i) and (ii)) has been found by the Secretary of Labor under section 433(g) to have refused without good cause to participate under a work incentive program established by part C with respect to which the Secretary of Labor has determined his participation is consistent with the purposes of such part C, or to have refused without good cause to accept employment in which he is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined, after notification by him, to be a bona fide offer of employment—

"(i) if the relative makes such refusal, such relative's needs shall not be taken into account in making the determination under clause (7), and aid for any dependent child in the family shall be continued;

"(ii) aid with respect to a dependent child will be denied if a child who is the only child receiving aid in the family makes such refusal;

"(iii) if there is more than one child receiving aid in the family, aid for any such child

will be denied (and his needs will not be taken into account in making the determination under clause (7)) if that child makes such refusal; and

"(iv) if such individual makes such refusal, such indivdual's needs shall not be taken into account in making the determination under clause (7);

except that the State agency shall, for a period of sixty days, make payments of the type described in section 406(b)(2) (without regard to clauses (A) through (E) thereof) on behalf of the relative specified in clause (i), or continue aid in the case of a child specified in clause (ii) or (iii), or take the individual's needs into account in the case of an individual specified in clause (iv), but only if during such period such child, relative, or individual accepts counseling or other services (which the State agency shall make available to such child, relative, or individual) aimed at persuading such relative, child, or individual, as the case may be, to participate in such program in accordance with the determination of the Secretary of Labor".

(c)(1) The amendment made by subsection (b) shall in the case of any State be effective on July 1, 1968, or if

a statute of such State prevents it from complying with the requirements of such amendment on such date, such amendment shall with respect to such State be effective on July 1, 1969; except such amendment shall be effective earlier (in the case of any State) if a modification of the State plan to comply with such amendment is approved on an earlier date.

(2) The provisions of section 409 of the Social Security Act shall not apply to any State with respect to any quarter beginning after the first full quarter in which such State is not prohibited by a State statute from complying with such amendment.

(d) During the fiscal year ending June 30, 1969, the Secretary of Labor may, notwithstanding the provisions of section 433(e)(2)(A) of the Social Security Act, pay all of the wages to be paid by the employer to the individuals for work performed for public agencies (including Indian tribes with respect to Indians on a reservation) under special work projects established under the program established by section 432(b)(3) of such Act and may transfer into accounts established pursuant to section 433(e)(3) of such Act such amounts as he finds necessary in addition to amounts paid into such accounts pursuant to section 402(a)(19)(E) of such Act.

(e) Section 402(a)(8) of the Social Security Act (as

amended by section 202(b) of this Act) is further amended by striking out "; and" at the end of subparagraph (A) and inserting in lieu thereof: "(except that the provisions of this clause (ii) shall not apply to earned income derived from participation on a project maintained under the programs established by section 432(b) (2) and (3)); and".

(199) Page 136, line 9, strike out [and (23)] and insert: *(20)*

(200) Page 136, line 18, strike out [$100] and insert: *$50*

(201) Page 137, line 12, strike out [September 1967] and insert: *December 1967*

(202) Page 137, line 14, strike out [DEPENDENT]

(203) Page 137, line 17, strike out [(3)] and insert: *(4)*

(204) Page 137, line 19, strike out [(3)] and insert: *(4)*

(205) Page 137, line 20, strike out [(4)] and insert: *(5)*

(206) Page 138, line 11, after "(e)" insert: *(1)*

(207) Page 138, line 13, strike out [30] and insert: *60*

(208) Page 138, line 18, strike out all after "home," down to and including "child—" in line 22, and insert: *but only where such child is without available resources, the pay-*

ments, care, or services involved are necessary to avoid destitution of such child or to provide living arrangements in a home for such child, and such destitution or need for living arrangements did not arise because such child or relative refused without good cause to accept employment or training for employment—

(209) Page 138, line 23, strike out [(1)] and insert: *(A)*

(210) Page 139, line 4, strike out [(2)] and insert: *(B)*

(211) Page 139, line 7, strike out [assistance."] and insert: *assistance.*

(212) Page 139, after line 7, insert:

"(2) Emergency assistance as authorized under paragraph (1) may be provided under the conditions specified in such paragraph to migrant workers with families in the State or in such part or parts thereof as the State shall designate."

(213) Page 140, strike out lines 6 to 15, inclusive, and insert:

(b) Section 403(a) of such Act (as amended by the preceding provisions of this Act) is amended by striking out "5" in the sentence immediately following paragraph (4) and inserting in lieu thereof "10".

(214) Page 140, strike out all after line 18 over to and including line 13 on page 141.

(215) Page 141, line 14, after "FEDERAL" insert: *PARTICIPATION IN*

(216) Page 141, line 16, strike out [209] and insert: *208*

(217) Page 141, line 24, strike out [XVI,] and insert: *XVI, or part A of title IV*

(218) Page 142, line 7, strike out [person] and insert: *individual*

(219) Page 142, line 18, after "3(a)," insert: *403(a),*

(220) Page 142, lines 23 and 24, strike out [September 30,] and insert: *December 31,*

(221) Page 142, after line 24, insert:

USE OF SUBPROFESSIONAL STAFF AND VOLUNTEERS IN PROVIDING SERVICES TO INDIVIDUALS APPLYING FOR AND RECEIVING ASSISTANCE

SEC. 209. (a)(1) Section 2(a)(5) of the Social Security Act is amended by—

(A) striking out "provide" and inserting in lieu thereof "provide (A)"; and

(B) adding at the end thereof before the semicolon the following: ", and (B) for the training and effective use of paid subprofessional staff, with particular emphasis on the full-time or part-time employment of recipients and other persons of low income, as community service aides, in the administration of the plan and for the use of nonpaid or partially paid volunteers in a social service volunteer program in providing services to applicants and recipients and in assisting any advisory committees established by the State agency".

(2) Section 402(a)(5) of such Act is amended by—

(A) striking out "provide" and inserting in lieu thereof "provide (A)"; and

(B) adding at the end thereof before the semicolon the following: ", and (B) for the training and effective use of paid subprofessional staff, with particular emphasis on the full-time or part-time employment of recipients and other persons of low income, as community services aides, in the administration of the plan and for the use of nonpaid or partially paid volunteers in a social service volunteer program in providing services to applicants and recipients and in assisting any advisory committees established by the State agency".

(3) Section 1002(a)(5) of such Act is amended by—

(A) striking out "provide" and inserting in lieu thereof "provide (A)"; and

(B) adding at the end thereof before the semicolon the following: ", and (B) for the training and effective use of paid subprofessional staff, with particular emphasis on the full-time or part-time employment of recipients and other persons of low-income, as community service aides, in the administration of the plan and for the use of nonpaid or partially paid volunteers in a social service volunteer program in providing services to applicants and recipients and in assisting any advisory committees established by the State agency".

(4) Section 1402(a)(5) of such Act is amended by—

(A) striking out "provide" and inserting in lieu thereof "provide (A)"; and

(B) adding at the end thereof before the semicolon the following: ", and (B) for the training and effective use of paid subprofessional staff, with particular emphasis on the full-time or part-time employment of recipients and other persons of low income, as community service aides, in the administration of the plan and for the use of nonpaid or partially paid volunteers in a social service volunteer program in providing serv-

ices to applicants and recipients and in assisting any advisory committees established by the State agency".

(5) Section 1602(a)(5) of such Act is amended by—

(A) striking out "provide" and inserting in lieu thereof "provide (A)"; and

(B) adding at the end thereof before the semicolon the following: ", and (B) for the training and effective use of paid subprofessional staff, with particular emphasis on the full-time or part-time employment of recipients and other persons of low income, as community service aides, in the administration of the plan and for the use of nonpaid or partially paid volunteers in a social service volunteer program in providing services to applicants and recipients and in assisting any advisory committees established by the State agency".

(6) Section 1902(a)(4) of such Act is amended by—

(A) striking out "provide" and inserting in lieu thereof "provide (A)"; and

(B) adding at the end thereof before the semicolon the following: ", and (B) for the training and effective use of paid subprofessional staff, with particular emphasis on the full-time or part-time employment of recipients and other persons of low income, as community service aides, in the administration of the plan and for the use

of nonpaid or partially paid volunteers in a social service volunteer program in providing services to applicants and recipients and in assisting any advisory committees established by the State agency".

(b) Each of the amendments made by subsection (a) shall become effective July 1, 1969, or, if earlier (with respect to a State's plan approved under title I, X, XIV, XVI, or XIX, or part A of title IV) on the date as of which the modification of the State plan to comply with such amendment is approved.

(222) Page 142, after line 24, insert:

SIMPLICITY OF ADMINISTRATION

SEC. 210. Effective July 1, 1969—

(a) Section 2(a)(5) of the Social Security Act (as amended by section 210 of this Act) is amended by—

(1) striking out "necessary" and inserting in lieu thereof "necessary (i)"; and

(2) adding at the end before the comma the following: "and (ii) to assure that eligibility for and the extent of assistance under the plan will be determined in a manner consistent with simplicity of administration and the best interests of the recipients";

(b) Section 402(a)(5) of such Act (as amended by section 210 of this Act) is amended by—

(1) striking out "necessary" and inserting in lieu thereof "necessary (i)"; and

(2) adding at the end before the comma the following: "and (ii) to assure that eligibility for and the extent of aid under the plan will be determined in a manner consistent with simplicity of administration and the best interests of the recipients";

(c) Section 1002(a)(5) of such Act (as amended by section 210 of this Act) is amended by—

(1) striking out "necessary" and inserting in lieu thereof "necessary (i)"; and

(2) adding at the end before the comma the following: "and (ii) to assure that eligibility for and the extent of aid under the plan will be determined in a manner consistent with simplicity of administration and the best interests of the recipients";

(d) Section 1402(a)(5) of such Act (as amended by section 210 of this Act) is amended by—

(1) striking out "necessary" and inserting in lieu thereof "necessary (i)"; and

(2) adding at the end before the comma the following: "and (ii) to assure that eligibility for and the extent of aid under the plan will be determined in a manner consistent with simplicity of administration and the best interests of the recipients"; and

(e) Section 1602(a)(5) of such Act (as amended by section 210 of this Act) is amended by—

(1) striking out "necessary" and inserting in lieu thereof "necessary (i)"; and

(2) adding at the end before the comma the following: "and (ii) to assure that eligibility for and the extent of aid or assistance under the plan will be determined in a manner consistent with simplicity of administration and the best interests of the recipients".

(223) Page 142, after line 24, insert:

LOCATION OF CERTAIN PARENTS WHO DESERT OR ABANDON DEPENDENT CHILDREN; ESTABLISHMENT AND COLLECTION OF LIABILITY TO UNITED STATES

SEC. 211. (a) Effective January 1, 1969, section 402 (a) of the Social Security Act (as amended by the preceding sections of this Act) is further amended by inserting before the period at the end thereof the following new clauses: "; (21) provide that the State agency will report to the Secretary, at such times (not less often than once each calendar quarter) and in such manner as the Secretary may prescribe—

"(A) the name, and social security account number, if known, of each parent of a dependent child or children with respect to whom aid is being provided under the State plan—

"(i) against whom an order for the support and maintenance of such child or children has been issued by a court of competent jurisdiction but who is not making payments in compliance or partial compliance with such order, or against whom a petition for such an order has been filed in a court having jurisdiction to receive such petition, and

"(ii) whom it has been unable to locate after requesting and utilizing information included in the files of the Department of Health, Education, and Welfare maintained pursuant to section 205,

"(B) the last known address of such parent and any information it has with respect to the date on which such parent could last be located at such address, and

"(C) such other information as the Secretary may specify to assist in carrying out the provisions of section 410;

(22) provide that the State agency will, in accordance with standards prescribed by the Secretary, cooperate with the State agency administering or supervising the administration of the plan of another State under this part—

"(A) in locating a parent residing in such State (whether or not permanently) against whom a petition has been filed in a court of competent jurisdiction of such other State for the support and maintenance of a

child or children of such parent with respect to whom aid is being provided under the plan of such other State, and

"(B) in securing compliance or good faith partial compliance by a parent residing in such State (whether or not permanently) with an order issued by a court of competent jurisdiction against such parent for the support and maintenance of a child or children of such parent with respect to whom aid is being provided under the plan of such other State;

(23) provide that the State agency will report to the Secretary—

"(A) the name, the social security account number, if known, and the address (or last known address) of any parent (i) against whom an order has been issued by a court of competent jurisdiction for the support and maintenance of a child or children of such parent with respect to whom aid is being provided under the State plan, (ii) who is not making payments in compliance or good faith partial compliance with such order, and (iii) who is residing in another State (whether or not permanently),

"(B) the amount of aid with respect to the dependent child or children of such parent which has been

provided under the State plan after March 31, 1968, or after the date of such court order, whichever is later,

"(C) the amount of the payments for the support and maintenance of such child or children specified in such court order,

"(D) all information which it has been able to obtain concerning the ability of such parent to make payments in compliance with such order, and

"(E) such other information as the Secretary may from time to time specify to assist in carrying out the provisions of section 411".

(b) Title IV of such Act is amended by adding after section 409 the following new sections:

"ASSISTANCE BY INTERNAL REVENUE SERVICE IN LOCATING PARENTS

"SEC. 410. Upon receiving a report from a State agency made pursuant to section 402(a)(21), the Secretary shall furnish to the Secretary of the Treasury or his delegate the names and social security account numbers of the parents contained in such report, and the name of the State agency which submitted such report. The Secretary of the Treasury or his delegate shall endeavor to ascertain the address of each such parent from the master files of the Internal Revenue Service, and shall furnish any address so ascertained to the State agency which submitted such report.

"ESTABLISHMENT AND COLLECTION OF LIABILITY TO THE UNITED STATES

"SEC. 411. (a) If a State agency reports to the Secretary pursuant to section 402(a)(23) that a parent residing in another State is not making payments in compliance or good faith partial compliance with a court order for the support and maintenance of a child or children with respect to whom aid is being provided under the State plan, the Secretary shall determine, on the basis of the information reported by such State agency and such other information as the Secretary may obtain, whether such parent is able to make payments in compliance with such order or to make payments in partial compliance in amounts larger than he is making (taking into consideration the income of such parent, his current obligations, and such other factors as the Secretary considers proper).

"(b)(1) If the Secretary determines with respect to a parent under subsection (a) that such parent is able to make payments in compliance with the court order issued against him, or to make payments in partial compliance in amounts larger than he is making, such parent shall become liable to the United States, as provided in subsection (c)(3), for an amount not in excess of the lower of—

"(A) the Federal share of the amounts expended

as aid with respect to the child or children of such parent as computed (or recomputed) by the Secretary under paragraph (2), or

"(B) the amount of payments required in compliance with the court order issued against such parent for the period with respect to which the computation under paragraph (2) is made (not including any portion of such period during which such parent made payments in compliance or good faith partial compliance with such court order), reduced by the amount of payments made in partial compliance with such order by such parent for such period (not including any such portion of such period).

"(2) The Federal share referred to in paragraph (1) (A) with respect to any parent shall be an amount computed by the Secretary equal to the Federal share (as determined by the Secretary in accordance with standards prescribed by him) of the amounts expended as aid to families with dependent children with respect to the child or children of such parent during the period beginning on April 1, 1968, on the date of such court order, or on the first day after the close of any period for which a prior computation was made under this paragraph with respect to such parent, whichever is later, and ending with the close of the calendar quarter preceding the day on which such computation is made (not including

any portion of such period during which such parent made payments in compliance or good faith partial compliance with such court order). If at any time after the close of such period such parent makes any payments attributable to such period, the Secretary shall recompute the amount under this paragraph.

"(c) (1) The Secretary shall from time to time (but not more often than quarterly) determine with respect to each parent with respect to whom he had made a determination under subsection (b) (1), on the basis of information furnished by the State agency which submitted the report under subsection (a) with respect to such parent and such other information as he may obtain, the portion of the applicable amount described in subsection (b) (1) (A) or (B) with respect to such parent which, in his judgment, such parent is able to pay (taking into consideration the income of such parent, his current obligations, and such other factors as the Secretary considers proper). The Secretary shall certify the amount so determined to the Secretary of the Treasury or his delegate, together with the social security account number, if known, of such parent, the address (or last known address) of such parent, and such other information as the Secretary of the Treasury or his delegate considers necessary to assist him in collecting such amount.

"(2) The Secretary shall not make a certification under paragraph (1) with respect to any parent—

"(A) who is making payments in compliance or good faith partial compliance with the court order issued against him, or

"(B) after the obligation of such parent to make payments under such court order terminates.

"(3) Upon certification by the Secretary with respect to a parent under paragraph (1), such parent shall become liable to the United States for the amount certified.

"(d) Upon receiving a certification from the Secretary under subsection (c) with respect to any parent, the Secretary of the Treasury or his delegate shall assess and collect the amount certified by the Secretary, in the same manner, with the same powers, and subject to the same limitations and restrictions as if such amount were a tax imposed by subtitle C of the Internal Revenue Code of 1954 (except that no interest or penalties shall be assessed or collected).

"(e)(1) There are hereby authorized to be appropriated such sums as may be necessary to carry out the purposes of this section and section 410.

"(2) The Secretary shall transfer to the Secretary of the Treasury from time to time sufficient amounts out of the monies appropriated pursuant to paragraph (1) to enable him to perform his functions and duties under this section and section 410."

(c)(1) Subchapter A of chapter 64 of the Internal Revenue Code of 1954 (relating to collection of taxes) is amended by adding at the end thereof the following new section:

"SEC. 6305. COLLECTION OF CERTAIN LIABILITY TO THE UNITED STATES.

"Upon receiving a certification from the Secretary of Health, Education, and Welfare under section 411(c) of the Social Security Act with respect to any parent, the Secretary or his delegate shall assess and collect the amount certified by the Secretary of Health, Education, and Welfare, in the same manner, with the same powers, and subject to the same limitations and restrictions as if such amount were a tax imposed by subtitle C (except that no interest or penalties shall be assessed or collected)."

(2) The table of sections for such subchapter is amended by adding at the end thereof the following new item:

"Sec. 6305. Collection of certain liability to the United States."

(224) Page 142, after line 24, insert:

PROVISION OF SERVICES BY OTHERS THAN A STATE

SEC. 212. (a) So much of section (3)(a)(4) of the Social Security Act as follows subparagraph (C) and precedes subparagraph (D) is amended by inserting after "shall" the following: ", except to the extent specified by the Secretary,".

(b) So much of section 1003(a)(3) of such Act as follows subparagraph (C) and precedes subparagraph (D) is amended by inserting after "shall" the following: ", except to the extent specified by the Secretary,".

(c) So much of section 1403(a)(3) of such Act as follows subparagraph (C) and precedes subparagraph (D) is amended by inserting after "shall" the following: ", except to the extent specified by the Secretary,".

(d) So much of section 1603(a)(4) of such Act as follows subparagraph (C) and precedes subparagraph (D) is amended by inserting after "shall" the following: ", except to the extent specified by the Secretary,".

(e) The amendments made by the preceding subsections of this section shall take effect January 1, 1968.

(225) Page 142, after line 24, insert:

INCREASING INCOME OF RECIPIENTS OF PUBLIC ASSISTANCE

SEC. 213. (a)(1) Section (2)(a)(10) of the Social Security Act is amended by adding at the end thereof the following subparagraph:

> *"(D) effective July 1, 1968, provide that the standards used for determining the need of applicants and recipients for and the extent of assistance under the plan, and any maximum on the*

amount of assistance, will be so modified that an increase in the amount of assistance and other income will be no less than $7.50 per month per individual (determined on an average per individual in accordance with standards prescribed by the Secretary) above such amount of assistance and other income available under the standards and maximum applicable under the plan on December 31, 1966 (as of June 30, 1966, if the State plan includes provisions for automatic cost-of-living adjustments in aid or assistance under such plan); and".

(2) Section 1002(a) of such Act is amended by—

(A) striking out "and" at the end of clause (12); and

(B) adding at the end before the period the following: "; and (14) effective July 1, 1968, provide that the standards used for determining the need of applicants and recipients for and the extent of aid under the plan, and any maximum on the amount of aid, will be so modified that an increase in the amount of aid and other income will be no less than $7.50 per month per individual (determined on an average per individual in accordance with standards prescribed by the Secretary) above such amount of aid and other income available

under the standards and maximum applicable under the plan on December 31, 1966 (as of June 30, 1966, if the State plan includes provisions for automatic cost-of-living adjustments in aid or assistance under such plan)".

(3) Section 1402(a) of such Act is amended by—

(A) striking out "and" at the end of clause (11); and

(B) adding at the end before the period the following: "; and (13) effective July 1, 1968, provide that the standards used for determining the need of applicants and recipients for and the extent of aid under the plan, and any maximum on the amount of aid, will be so modified that an increase in the amount of aid and other income will be no less than $7.50 per month per individual (determined on an average per individual in accordance with standards prescribed by the Secretary) above such amount of aid and other income available under the standards and maximum applicable under the plan on December 31, 1966 (as of June 30, 1966, if the State plan includes provisions for automatic cost-of-living adjustments in aid or assistance under such plan)".

(4) Section 1602(a)(14) of such Act is amended by—

(A) striking out "and" at the end of subparagraph (C);

(B) inserting "and" at the end of subparagraph (D); and

(C) adding at the end the following new subparagraph:

"(E) effective July 1, 1968, provide that the standards used for determining the need of applicants and recipients for and the extent of aid under the plan, and any maximum on the amount of aid, will be so modified that an increase in the amount of aid and other income will be no less than $7.50 per month per individual (determined on an average per individual in accordance with standards prescribed by the Secretary) above such amount of aid and other income available under the standards and maximum applicable under the plan on December 31, 1966 (as of June 30, 1966, if the State plan includes provisions for automatic cost-of-living adjustments in aid or assistance under such plan)".

(5) Section 402(a) of such Act is amended by striking out "and" at the end of clause (22); and adding at the end before the period the following: "; and (24) provide that by July 1. 1969, and at least annually thereafter, the amounts used by the State to determine the needs of individuals will be adjusted to reflect fully changes in living costs since such

amounts were established, and that any maximums that the State imposes on the amount of aid paid to families will be proportionately adjusted".

(b)(1) The Secretary of Health, Education, and Welfare shall, in the case of any State, determine the expenditures made during the period beginning July 1, 1968, and ending with the close of June 30, 1970, under the plans of such State approved under title I, X, XIV, or XVI which are necessitated by compliance with the new requirements under such title imposed by this section.

(2) The Secretary is authorized to pay to any State the expenditures determined pursuant to paragraph (1).

(226)Page 143, strike out all after line 1 over to and including line 21 on page 146, and insert:

LIMITATION ON FEDERAL PARTICIPATION IN MEDICAL ASSISTANCE

SEC. 220. (a) Section 1903(a)(1) of the Social Security Act is amended by—

(1) inserting "(A)" immediately after "(1)",

(2) inserting after "under the State plan" the following: "for individuals who (i) are recipients of money payments under one of the approved State plans hereinafter referred to in this subparagraph, (ii) are not eligible to receive money payments under one of the

approved State plans hereinafter referred to in this subparagraph, but would be eligible for such payments if they met the duration of residence requirements imposed as a condition of eligibility for such payments, (iii) are children under age 21 who are not but would be (except for age and school attendance requirements) eligible for aid under the State plan of such State approved under part A of title IV, or (iv) are in medical institutions and are not, but would be (if they were not in such institutions), eligible to receive money payments under one of the State plans hereinafter referred to in this subparagraph", and

(3) inserting after and below the end thereof the following new subparagraph:

"(B) an amount equal to the square of the fraction which is equivalent to the Federal medical assistance percentage (as defined in section 1905 (b)) of the total amount expended during such quarter as medical assistance under the State plan for individuals who are not described in clause (i), (ii), (iii), or (iv) of subparagraph (A); plus".

(b) Section 1903 of such Act is amended by adding at the end thereof the following new subsection:

"(f)(1) Payments under the preceding provisions of

this section shall not be made with respect to any expenditures for medical assistance in any State for individuals whose income exceeds the amount determined, in accordance with standards prescribed by the Secretary, to be equivalent to 150 percent of the amount, applicable in the State for determining need, for determining eligibility of an individual for aid or assistance in the form of money payments under the plan of such State approved under title I or XVI (as the case may be), or if there is more than one such individual living in the same home, the amount so determined for one such individual plus such additional amounts for each of the other individuals living in the same home, as may be determined in accordance with such standards prescribed by the Secretary and the total so determined, if it is not a multiple of $100 or such other amount as the Secretry may prescribe, may be rounded by the next multiple of $100 or such other amount, as the case may be.

"(2) In computing an individual's (or family's) income for purposes of the preceding paragraph .there shall be excluded any costs (whether in the form of insurance premiums or otherwise) incurred by him (or the family) for medical care or for any other type of remedial care recognized under State law."

(c) The amendment made by subsection (b) shall (except in the cases of Puerto Rico, Guam, and the Virgin Islands)

apply with respect to calendar quarters beginning after June 30, 1968, and the amendment made by subsection (a) shall (except in the cases of Puerto Rico, Guam, and the Virgin Islands) apply with respect to calendar quarters beginning after June 30, 1969.

(227) Page 147, line 1, strike out [1969] and insert: *1968*

(228) Page 147, line 12, strike out [1969] and insert: *1968*

(229) Page 149, after line 5, insert:

(c) Section 1117(a) of such Act is further amended by striking out "December 31, 1965" and inserting in lieu thereof "June 30, 1966".

(230) Page 149, after line 5, insert:

(d) Effective July 1, 1968, section 1117 of the Social Security Act is repealed.

(231) Page 150, after line 20, insert:

(3) Section 1843(g)(1) of such Act is amended by striking out "1968" and inserting in lieu thereof "1970".

(232) Page 150, line 21, strike out [(3)] and insert: *(4)*

(233) Page 153, strike out lines 1 to 14, inclusive, and insert:

REQUIRED SERVICES UNDER STATE MEDICAL ASSISTANCE PLAN

SEC. 224. (a) Section 1902(a)(13) of the Social Security Act is amended to read as follows:

"(13) provide—

"(A) for inclusion of some institutional and some noninstitutional care and services, and

"(B) in the case of individuals receiving aid or assistance under the State's plan approved under title I, X, XIV, or XVI, or part A of title IV, for the inclusion of at least the care and services listed in clauses (1) through (5) of section 1905(a), and

"(C) in the case of individuals not included under subparagraph (B), for the inclusion of at least—

(i) the care and services listed in clauses (1) through (5) of section 1905(a) or

(ii)(I) the care and services listed in any 7 of the clauses numbered (1) through (14) of such section and (II) in the event the care and services provided under the State plan include hospital or skilled nursing home services, physicians' services to an individual in a hospital or skilled nursing home during any period he is receiving hospital services from such hos-

pital or skilled nursing home services from such home, and

"(D) for payment of the reasonable cost (under section 1861(v)(1)) of inpatient hospital services, and, effective July 1, 1970, extended care (skilled nursing home and intermediate care facility) services, and home health care services provided under the plan;".

(b) The amendment made by subsection (a) shall apply with respect to calendar quarters beginning after December 31, 1967.

(c)(1) Section 1902(a)(13)(A) of the Social Security Act (as amended by subsection (a) of this section) is further amended to read as follows:

"(A)(i) for the inclusion of some institutional and some non-institutional care and services, and

"(ii) for the inclusion of home health services for any individual who, under the State plan, is entitled to skilled nursing home services, and".

(2) The amendment made by paragraph (1) of this subsection shall apply with respect to calendar quarters beginning after June 30, 1970.

(234) Page 156, line 12, after "assistance" where it appears the first time, insert: *(including drugs)*

(235)Page 156, line 13, after "agency," insert: *community pharmacy,*

(236)Page 159, line 19, strike out all after "physicians'" down to and including "IV,"." in line 22 and insert: *or dentists' services, at the option of the State (and under such safeguards as the Secretary may prescribe to assure the quality thereof and the reasonableness of any charge therefor), to individuals,".*

(237)Page 160, after line 6, insert:

OBSERVANCE OF RELIGIOUS BELIEFS

SEC. 232. Title XIX of the Social Security Act (as amended by section 226 of this Act) is further amended by adding at the end thereof the following new section:

"OBSERVANCE OF RELIGIOUS BELIEFS

"SEC. 1907. Nothing in this title shall be construed to require any State which has a plan approved under this title to compel any person to undergo any medical screening, examination, diagnosis, or treatment or to accept any other health care or services provided under such plan for any purpose (other than for the purpose of discovering and preventing the spread of infection or contagious disease or for the purpose of protecting environmental health), if such

person objects (or, in case such person is a child, his parent or guardian objects) thereto on religious grounds."

(238) Page 160, after line 6, insert:

COVERAGE UNDER TITLE XIX OF CERTAIN SPOUSES OF INDIVIDUALS RECEIVING CASH WELFARE AID OR ASSISTANCE

SEC. 233. (a) Section 1905(a) of the Social Security Act is amended (1) by striking out "or" at the end of clause (iv), (2) by inserting "or" at the end of clause (v), and (3) by inserting immediately below clause (v) the following new clause:

"(vi) persons essential (as described in the second sentence of this subsection) to individuals receiving aid or assistance under State plans approved under title I, X, XIV, or XVI,".

(b) Section 1905(a) of such Act is further amended by adding at the end thereof the following new sentence: "For purposes of clauses (vi) of the preceding sentence, a person shall be considered essential to another individual if such person is the spouse of and is living with such individual, the needs of such person are taken into account in determining the amount of aid or assistance furnished to such individual

(under a State plan approved under title I, X, XIV, or XVI), and such person is determined, under such a State plan, to be essential to the well being of such individual."

(239) Page 160, after line 6, insert:

INSPECTION OF RECORDS AND PREMISES OF PROVIDERS OF CARE AND SERVICES UNDER PUBLIC ASSISTANCE AND MEDICAL ASSISTANCE

SEC. 234. (a) Effective July 1, 1968, section 2(a)(6) of the Social Security Act is amended by—

(1) striking out "provide" and inserting in lieu thereof "provide (A)"; and

(2) adding at the end before the semicolon the following: "and (B) for having in effect agreements or other arrangements with institutions and (to the extent prescribed by the Secretary) persons furnishing medical or remedial care and services under the plan under which the Secretary and the General Accounting Office will be afforded such access to the records and premises of such institution and persons as may be necessary to assure that proper payments are being made under the plan and otherwise to carry out the purposes of this title, except that such agreements or arrangements may limit such access to audits on a sample or similar basis with respect to the institutions and persons whose records

and premises may be selected for inspection and to situations in which the Secretary or General Accounting Office has reason to believe that payments under the plan to such an institution or person are erroneous as a result of fraud".

(b) Effective July 1, 1968, section 402(a)(6) of such Act is amended by—

(1) striking out "provide" and inserting in lieu thereof "provide (A)"; and

(2) adding at the end before the semicolon the following: "and (B) for having in effect agreements or other arrangements with institutions and (to the extent prescribed by the Secretary) persons furnishing medical or remedial care and services under the plan under which the Secretary and the General Accounting Office will be afforded such access to the records and premises of such institutions and persons as may be necessary to assure that proper payments are being made under the plan and otherwise to carry out the purposes of part A of this title, except that such agreements or arrangements may limit such access to audits on a sample or similar basis with respect to the institutions and persons whose records and premises may be selected for inspection and to situations in which the Secretary or Gen-

eral Accounting Office has reason to believe that payments under the plan to such an institution or person are erroneous as a result of fraud".

(c) Effective July 1, 1968, section 1002(a)(6) of such Act is amended by—

(1) striking out "provide" and inserting in lieu thereof "provide (A)"; and

(2) striking out "; and" at the end and inserting in lieu thereof: "and (B) for having in effect agreements or other arrangements with institutions and (to the extent prescribed by the Secretary) persons furnishing medical or remedial care and services under the plan under which the Secretary and the General Accounting Office will be afforded such access to the records and premises of such institutions and persons as may be necessary to assure that proper payments are being made under the plan and otherwise to carry out the purposes of this title, except that such agreements or arrangements may limit such access to audits on a sample or similar basis with respect to the institutions and persons whose records and premises may be selected for inspection and to situations in which the Secretary or General Accounting Office has reason to believe that payments under the plan to such an institution or person are erroneous as a result of fraud;".

(d) Effective July 1, 1968, section 1402(a)(6) of such Act is amended by—

(1) striking out "provide" and inserting in lieu thereof "provide (A)"; and

(2) adding at the end before the semicolon the following: "and (B) for having in effect agreements or other arrangements with institutions and (to the extent prescribed by the Secretary) persons furnishing medical or remedial care and services under the plan under which the Secretary and the General Accounting Office will be afforded such access to the records and premises of such institution and persons as may be necessary to assure that proper payments are being made under the plan and otherwise to carry out the purposes of this title, except that such agreements or arrangements may limit such access to audits on a sample or similar basis with respect to the institutions and persons whose records and premises may be selected for inspection and to situations in which the Secretary or General Accounting Office has reason to believe that payments under the plan to such an institution or person are erroneous as a result of fraud".

(e) Effective July 1, 1968, section 1602(a)(6) of such Act is amended by—

(1) striking out "provide" and inserting in lieu thereof "provide (A)"; and

(2) adding at the end before the semicolon the following: "and (B) for having in effect agreements or other arrangements with institutions and (to the extent prescribed by the Secretary) persons furnishing medical or remedial care and services under the plan under which the Secretary and the General Accounting Office will be afforded such access to the records and premises of such institution and persons as may be necessary to assure that proper payments are being made under the plan and otherwise to carry out the purposes of this title, except that such agreements or arrangements may limit such access to audits on a sample or similar basis with respect to the institutions and persons whose records and premises may be selected for inspection and to situations in which the Secretary or General Accounting Office has reason to believe that payments under the plan to such an institution or person are erroneous as a result of fraud".

(f) Effective July 1, 1968, section 1902(a)(6) of such Act is amended by—

(1) striking out "provide" and inserting in lieu thereof "provide (A)"; and

(2) adding at the end before the semicolon the following: "and (B) for having in effect agreements or other arrangements with institutions and (to the extent

prescribed by the Secretary) persons furnishing medical or remedial care and services under the plan under which the Secretary and the General Accounting Office will be afforded such access to the records and premises of such institution and persons as may be necessary to assure that proper payments are being made under the plan and otherwise to carry out the purposes of this title, except that such agreements or arrangements may limit such access to audits on a sample or similar basis with respect to the institutions and persons whose records and premises may be selected for inspection and to situations in which the Secretary or General Accounting Office has reason to believe that payments under the plan to such an institution or person are erroneous as a result of fraud".

(240) Page 160, after line 6, insert:

STANDARDS FOR SKILLED NURSING HOMES FURNISHING SERVICES UNDER STATE PLANS APPROVED UNDER TITLE XIX

SEC. 234a. (a) Section 1902(a) of the Social Security Act (as amended by the preceding sections of this Act) is further amended (1) by striking out "and" at the end of paragraph (24), (2) by striking out the period at the end of paragraph (25) and inserting in lieu of such period a semi-

colon, and (3) by adding at the end thereof the following new paragraphs:

(26) effective July 1, 1969, provide (A) for a regular program of medical review (including medical evaluation of each patient's need for skilled nursing home care) or (in the case of individuals who are eligible therefor under the State plan) need for care in a mental hospital, a written plan of care, and, where applicable, a plan of rehabilitation prior to admission to a skilled nursing home; (B) periodic inspections to be made in all skilled nursing homes and mental institutions (if the State plan includes care in such institutions) within the State by one or more medical review teams (composed of physicians and other appropriate health and social service personnel) of (i) the care being provided in such nursing homes (and mental institutions, if care therein is provided under the State plan) to persons receiving assistance under the State plan, (ii) with respect to each of the patients receiving such care, the adequacy of the services available in particular nursing homes (or institutions) to meet the current health needs and promote the maximum physical well-being of patients receiving care in such homes (or institutions), (iii) the necessity and desirability of the continued placement of such patients in such nursing homes (or institutions), and

(iv) the feasibility of meeting their health care needs through alternative institutional or noninstitutional services; and (C) for the making by such team or teams of full and complete reports of the findings resulting from such inspections together with any recommendations to the State agency administering or supervising the administration of the State plan;

"(27) provide for agreements with every person or institution providing services under the State plan under which such person or institution agrees (A) to keep such records as are necessary fully to disclose the extent of the services provided to individuals receiving assistance under the State plan, and (B) to furnish the State agency with such information, regarding any payments claimed by such person or institution for providing services under the State plan, as the State agency may from time to time request;

"(28) provide that any skilled nursing home receiving payments under such plan must—

"(A) supply to the licensing agency of the State full and complete information as to the identity (i) of each person having (directly or indirectly) an ownership interest of 10 per centum or more in such nursing home, (ii) in case a nursing home is organized as a corporation, of each officer and di-

rector of the corporation, and (iii) in case a nursing home is organized as a partnership, of each partner; and promptly report any changes which would affect the current accuracy of the information so required to be supplied;

"(B) have and maintain an organized nursing service for its patients, which is under the direction of a professional registered nurse who is employed full-time by such nursing home, and which is composed of sufficient nursing and auxiliary personnel to provide adequate and properly supervised nursing services for such patients during all hours of each day and all days of each week;

"(C) make satisfactory arrangements for professional planning and supervision of menus and meal service for patients for whom special diets or dietary restrictions are medically prescribed;

"(D) have satisfactory policies and procedures relating to the maintenance of medical records on each patient of the nursing home, dispensing and administering of drugs and biologicals, and assuring that each patient is under the care of a physician and that adequate provisions is made for medical attention to any patient during emergencies;

"(E) have arrangements with one or more general hospitals under which such hospital or hos-

pitals will provide needed diagnostic and other services to patients of such nursing home, and under which such hospital or hospitals agree to timely acceptance, as patients thereof, of acutely ill patients of such nursing home who are in need of hospital care; except that the State agency may waive this requirement wholly or in part with respect to any nursing home meeting all the other requirements and which, by reason of remote location or other good and sufficient reason, is unable to effect such an arrangement with a hospital; and

"(F)(i) meet (after December 31, 1969) such provisions of the Life Safety Code of the National Fire Protection Association (21st Edition, 1967) as are applicable to nursing homes; except that the State agency may waive in accordance with regulations of the Secretary, for such periods as it deems appropriate, specific provisions of such code which, if rigidly applied, would result in unreasonable hardship upon a nursing home, but only if such agency makes a determination (and keeps a written record setting forth the basis of such determination) that such waiver will not adversely affect the health and safety of the patients of such skilled nursing home; and except that the requirements set forth in the preceding provisions of this subclause (i) shall not apply in

any State if the Secretary finds that in such State there is in effect a fire and safety code, imposed by State law, which adequately protects patients in nursing homes; and (ii) meet conditions relating to environment and sanitation applicable to extended care facilities under title XVIII; except that the State agency may waive in accordance with regulations of the Secretary, for such periods as it deems appropriate, any requirement imposed by the preceding provisions of this subclause (ii) if such agency finds that such requirement, if rigidly applied, would result in unreasonable hardship upon a nursing home, but only if such agency makes a determination (and keeps a written record setting forth the basis of such determination) that such waiver will not adversely affect the health and safety of the patients of such nursing home."

(b) The amendments made by subsection (a) of this section (unless otherwise specified in the body of such amendments) shall take effect on January 1, 1969.

(c) Notwithstanding any other provision of law, after June 30, 1968, no Federal funds shall be paid to any State as Federal matching under title I, X, XIV, XVI, or XIX of the Social Security Act for payments made to any nursing home for or on account of any nursing home services provided by such nursing home for any period during which

such nursing home is determined not to meet fully all requirements of the State for licensure as a nursing home, except that the Secretary may prescribe a reasonable period or periods of time during which a nursing home which has formerly met such requirements will be eligible for payments which include Federal participation if during such period or periods such home promptly takes all necessary steps to again meet such requirements.

(241) Page 160, after line 6, insert:

COST SHARING AND SIMILAR CHARGES WITH RESPECT TO INPATIENT HOSPITAL SERVICES FURNISHED UNDER TITLE XIX

SEC. 234b. (a)(1) Section 1902(a)(14)(A) of the Social Security Act is amended by striking out "no" and inserting in lieu thereof the following: "in the case of individuals receiving aid or assistance under State plans approved under titles I, X, XIV, XVI, and part A of title IV, X, no".

(2) Section 1902(a)(14)(B) of such Act is amended (A) by inserting "inpatient hospital services or" after "respect to", and (B) by striking out "him" and inserting in lieu thereof "to an individual".

(3) Section 1902(a)(15) of the Social Security Act is amended to read as follows:

"(15) in the case of eligible individuals 65 years of age or older who are covered by either or both of the insurance programs established by title XVIII, provide where, under the plan, all of any deductible, cost sharing, or similar charge imposed with respect to such individual under the insurance program established by such title is not met, the portion thereof which is met shall be determined on a basis reasonably related (as determined in accordance with standards approved by the Secretary and included in the plan) to such individual's income or his income and resources;".

(b) The amendments made by subsection (a) shall be effective in the case of calendar quarters beginning after December 31, 1967.

(242) Page 160, after line 6, insert:

STATE PLAN REQUIREMENTS REGARDING LICENSING OF ADMINISTRATORS OF SKILLED NURSING HOMES FURNISHING SERVICES UNDER STATE PLANS APPROVED UNDER TITLE XIX

SEC. 234c. (a) Section 1902 (a) of the Social Security Act (as amended by the preceding sections of this Act) is further amended (1) by striking out the period at the end of paragraph (28) and inserting in lieu thereof "; and" and (2) by adding at the end of such section 1902(a) the following new paragraph:

"(29) include a State program which meets the requirements set forth in section 1907, for the licensing of administrators of nursing homes."

(b) Title XIX of the Social Security Act (as amended by section 226 of this Act) is further amended by adding at the end thereof the following:

"STATE PROGRAMS FOR LICENSING OF ADMINISTRATORS OF NURSING HOMES

"SEC. 1907. (a) For purposes of section 1902(a)(29), a 'State program for the licensing of administrators of nursing homes' is a program which provides that no nursing home within the State may operate except under the supervision of an administrator licensed in the manner provided in this section.

"(b) Licensing of nursing home administrators shall be carried out by the agency of the State responsible for licensing under the healing arts licensing act of the State, or, in the absence of such act or such an agency, a board representative of the professions and institutions concerned with care of chronically ill and infirm aged patients and established to carry out the purposes of this section.

"(c) It shall be the function and duty of such agency or board to—

"(1) develop, impose, and enforce standards which must be met by individuals in order to receive a license

as a nursing home administrator, which standards shall be designed to insure that nursing home administrators will be individuals who are of good character and are otherwise suitable, and who, by training or experience in the field of institutional administration, are qualified to serve as nursing home administrators;

"(2) develop and apply appropriate techniques, including examinations and investigations, for determining whether an individual meets such standards;

"(3) issue licenses to individuals determined, after the application of such techniques, to meet such standards, and revoke or suspend licenses previously issued by the board in any case where the individual holding any such license is determined substantially to have failed to conform to the requirements of such standards;

"(4) establish and carry out procedures designed to insure that individuals licensed as nursing home administrators will, during any period that they serve as such, comply with the requirements of such standards;

"(5) receive, investigate, and take appropriate action with respect to, any charge or complaint filed with the board to the effect that any individual licensed as a nursing home administrator has failed to comply with the requirements of such standards; and

"(6) conduct a continuing study and investigation

of nursing homes and administrators of nursing homes within the State with a view to the improvement of the standards imposed for the licensing of such administrators and of procedures and methods for the enforcement of such standards with respect to administrators of nursing homes who have been licensed as such.

"(d) No State shall be considered to have failed to comply with the provisions of section 1902(a)(29) because the agency or board of such State (established pursuant to subsection (b)) shall have granted any waiver, with respect to any individual who during all of the calendar year immediately preceding the calendar year in which the requirements prescribed in section 1902(a)(29) are first met by the State, has served as a nursing home administrator, of any of the standards developed, imposed, and enforced by such board pursuant to subsection (b)(1) other than such standards as relate to good character or suitability if—

"(1) such waiver is for a period which ends after being in effect for two years or on June 30, 1972, whichever is earlier, and

"(2) there is provided in the State (during all of the period for which waiver is in effect), a program of training and instruction designed to enable all individuals, with respect to whom any such waiver is granted,

to attain the qualifications necessary in order to meet such standards.

"(e)(1) There are hereby authorized to be appropriated for fiscal year 1968 and the four succeeding fiscal years such sums as may be necessary to enable the Secretary to make grants to States for the purpose of assisting them in instituting and conducting programs of training and instruction of the type referred to in subsection (d)(2).

"(2) No grant with respect to any such program shall exceed 75 per centum of the reasonable and necessary cost, as determined by the Secretary, of instituting and conducting such program.

"(f)(1) For the purpose of advising the Secretary and the States in carrying out the provisions of this section, there is hereby created a National Advisory Council on Nursing Home Administration which shall consist of nine persons, not otherwise in the employ of the United States, appointed by the Secretary without regard to the provisions of title 5, United States Code, governing appointments in the competitive service. The Secretary shall from time to time appoint one of the members to serve as Chairman. The members shall include, but not be limited to, representatives of State health officers, State welfare directors, nursing home administrators, and university programs in public health or medical care administration.

"(2) In addition to the function stated in paragraph (1) of this subsection, it shall be the function and duty of the Council (A) to study and identify the core of knowledge that should constitute minimally the training in the field of institutional administration which should qualify an individual to serve as a nursing home administrator; (B) to study and identify the experience in the field of institutional administration that a nursing home administrator should be required to possess; (C) to study and develop model techniques for determining whether an individual possesses such qualifications; (D) to study and develop model criteria for granting waivers under the provisions of subsection (d); (E) to study and develop suggested programs of training referred to in subsection (d); (F) to study, develop, and recommend programs of training and instruction for those desiring to pursue a career in nursing home administration; (G) to complete the functions in (A) through (E) above by July 1, 1969, and submit a written report to the Secretary which report shall be submitted to the States to assist them in carrying out the provisions of this section.

"(3) Members of the Council, while attending meetings or conferences thereof or otherwise serving on business of the Council shall be entitled to receive compensation at rates fixed by the Secretary, but not exceeding $100 per day, including travel time, and while so serving away from their homes or

regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

"(4) The Secretary may at the request of the Council engage such technical assistance as may be required to carry out its functions; and the Secretary shall, in addition, make available to the Council such secretarial, clerical, and other assistance and such pertinent data obtained and prepared by the Department of Health, Education, and Welfare as the Council may require to carry out its functions.

"(5) The Council shall be appointed by the Secretary prior to July 1, 1968, and shall cease to exist as of December 31, 1971.

"(g) As used in this section, the term—

"(1) 'nursing home' means any institution or facility defined as such for licensing purposes under State law, or, if State law does not employ the term nursing home, the equivalent term or terms as determined by the Secretary; and

"(2) 'nursing home administrator' means any individual who is charged with the general administration of a nursing home whether or not such individual has

an ownership interest in such home and whether or not his functions and duties are shared with one or more other individuals."

(c) Except as otherwise specified in the text thereof, the amendments made by this section shall take effect on July 1, 1970.

(243) Page 160, after line 6, insert:

UTILIZATION OF CARE AND SERVICES FURNISHED UNDER TITLE XIX

SEC. 234d. Effective April 1, 1968, section 1902(a) of the Social Security Act (as amended by the preceding sections of this Act) is further amended by—

(a) striking out the period at the end and inserting in lieu thereof the following "; and"; and

(b) inserting after paragraph (28) (added to the Social Security Act by section 234c of this Act) the following paragraph:

"(29) provide such methods and procedures relating to the utilization of, and the payment for, care and services available under the plan as may be necessary to safeguard against unneccessary utilization of such care and services."

(244) Page 160, after line 6, insert:

DIFFERENCES IN STANDARDS WITH RESPECT TO INCOME ELIGIBILITY UNDER TITLE XIX

SEC. 234e. Effective July 1, 1969, section 1902(a)(17) of the Social Security Act is amended by—

(a) striking out "(17)" and inserting in lieu thereof "(17)(A)";

(b) redesignating clauses (A), (B), (C), and (D) as clauses (i), (ii), (iii), and (iv), respectively;

(c) striking out "; and provide" and inserting in lieu thereof ", and (B) provide";

(d) striking out "income by" and inserting in lieu thereof "income (i) by"; and

(e) adding at the end thereof before the semicolon the following: ", and (ii) by establishing, in accordance with standards prescribed by the Secretary, differences in income levels (but only in the case of applicants or recipients of assistance under the plan who are not receiving aid or assistance under the State's plan approved under title I, X, XIV, or XVI, or part A of title IV) which take into account the variations in shelter costs as between such costs in urban areas and such costs in rural areas".

(245) Page 161, line 2, strike out [$100,000,000] and insert: *$125,000,000*

(246) Page 161, line 3, strike out [$110,000,000] and insert: *$160,000,000*

(247) Page 162, line 9, strike out [the plan] and insert: *this title*

(248) Page 163, after line 25, insert:

"(vi) for the development and implementation of arrangements for the more effective involvement of the parent or parents in the appropriate care of the child and the improvement of the health and development of the child, and

(249) Page 164, line 12, after "subdivision," insert: *except that (effective July 1, 1969, or, if earlier, on the date as of which the modification of the State plan to comply with this requirement with respect to subprofessional staff is approved) such plan shall provide for the training and effective use of paid subprofessional staff with particular emphasis on the full-time or part-time employment of persons of low income, as community service aides, in the administration of the plan and for the use of nonpaid or partially paid volunteers in providing services and in assisting any advisory committees established by the State agency,*

(250) Page 170, line 17, strike out [or local agency]

(251) Page 170, line 19, strike out [or local]

(252) Page 171, line 3, after "by" insert: *paragraphs (1) and (2) of*

(253) Page 171, line 4, strike out [1969.] and insert: *1969, except that if on the date of enactment of this Act the agency of a State administering its plan for child-welfare services developed under part 3 of title V of the Social Security Act is different from the agency of the State designated pursuant to section 402(a)(3) of such Act, so much of paragraph (1) of section 422(a) of such Act as precedes subparagraph (B) (as added by paragraph (2) of such subsection (d)) shall not apply with respect to such State but only so long as such agencies of the State are different.*

(254) Page 176, strike out lines 4 to 7, inclusive, and insert:

COOPERATIVE RESEARCH OR DEMONSTRATION PROJECTS

SEC. 246. Section 1110 of the Social Security Act is amended by—

(a) striking out, in subsection (a)(1), "for paying part of" and inserting in lieu thereof "for (A) paying part of";

(b) inserting, in subsection (a)(1), "the Federal-State" after "administration and effectiveness of";

(c) inserting, in subsection (a)(1), immediately

after "programs related thereto, and" the following: "(B) projects such as those relating to the causes of economic insecurity, methods of meeting risks to family income, costs of health care, and improvements in the administration and effectiveness of the social security program and related programs, and"; and

(d) striking out, in subsection (a)(2), "nonprofit".

(255) Page 176, line 13, strike out [$4,000,000] and insert: *$10,000,000*

(256) Page 178, lines 16 and 17, strike out [and items referred to in sections 403 (a) (3) (B) and 304 (2)] and insert: *provided under section 402(a)(19)*

(257) Page 181, after line 11, insert:

STUDY TO DETERMINE WAYS OF ASSISTING RECIPIENTS OF AID OR ASSISTANCE IN SECURING PROTECTION OF CERTAIN LAWS

SEC. 250. The Secretary of Health, Education, and Welfare shall make a study of and recommendations concerning the means by which and the extent to which the staff of State public welfare agencies may better serve, advise, and assist applicants for or recipients of aid or assistance in securing the full protection of local, State, and Federal health, housing, and related laws and in helping them make most

effective use of public assistance and other programs in the community and the extent to which the State public assistance, medical assistance or related programs may be used as a means of enforcing local, State, and Federal health, housing, and related laws. The Secretary shall report the results of such study and make recommendations, including the necessary changes in the Social Security Act, to the Congress no later than July 1, 1969.

(258) Page 181, after line 11, insert:

ASSISTANCE IN THE FORM OF INSTITUTIONAL SERVICES IN INTERMEDIATE CARE FACILITIES

SEC. 251. (a) Title XI of the Social Security Act (as amended by sections 209 and 249 of this Act) is further amended by adding at the end thereof the following new section:

"ASSISTANCE IN THE FORM OF INSTITUTIONAL SERVICES IN INTERMEDIATE CARE FACILITIES

"SEC. 1121. (a) Any State which has in effect a plan for old-age assistance, approved under title I, a plan for aid to the blind, approved under title X, a plan for aid to the permanently and totally disabled, approved under title XIV, or a plan for aid to the aged, blind, or disabled, approved under title XVI, may, on or after January 1, 1968, modify such plan to include therein benefits in the form of institu-

tional services in intermediate care facilities for individuals who are entitled (or would, if not receiving institutional services in intermediate care facilities, be entitled) to assistance, under such plan, in the form of money payments.

"(b) Any modification pursuant to subsection (a) shall provide that benefits in the form of institutional services in intermediate care facilities will be provided only to individuals who—

"(1) are entitled (or would, if not receiving institutional services in intermediate care facilities, be entitled) to receive aid or assistance, under the State plan, in the form of money payments;

"(2) because of their physical or mental condition (or both), require living accommodations and care which, as a practical matter, can be made available to them only through institutional facilities; and

"(3) do not have such an illness, disease, injury, or other condition as to require the degree of care and treatment which a hospital or skilled nursing home (as that term is employed in title XIX) is designed to provide.

"(c) Payments to any State which modifies its approved State plan (referred to in subsection (a)) to provide, to the recipients of aid or assistance thereunder, benefits in the

form of institutional services in intermediate care facilities shall be made in the same manner and from the same appropriation as payments made with respect to expenditures under the State plan so modified, except that, with respect to expenditures made by the State in paying the cost of benefits in the form of institutional services in intermediate care facilities for any quarter, the Secretary shall, if the State so elects, pay to each State an amount equal to the Federal medical assistance percentage (as defined in section 1905(b)).

"(d) Except when inconsistent with the purposes of this section or contrary to any provision of this section, any modification, pursuant to this section, of an approved State plan shall be subject to the same conditions, limitations, rights, and obligations as obtain with respect to such approved State plan.

"(e) For purposes of this section, the term 'intermediate care facility' means an institution or distinct part thereof which (1) is licensed, under State law, to provide the patients or residents thereof, on a regular basis, the range or level of care and services which is suitable to the needs of individuals described in subsection (b) (2) and (3), but which does not provide the degree of care required to be provided by a skilled nursing home furnishing services under a State plan approved

under title XIX, and (2) meets such standards of safety and sanitation as are applicable under State law; except that in no case shall such term include an institution which does not regularly provide a level of care and service beyond room and board."

(259) Page 182, line 10, strike out [$275,000,000] and insert: *$305,000,000*

(260) Page 182, line 11, strike out [$300,000,000] and insert: *$360,000,000*

(261) Page 182, line 12, strike out [$325,000,000] and insert: *$385,000,000*

(262) Page 182, line 13, strike out [$350,000,000] and insert: *$410,000,000*

(263) Page 183, line 16, after "504." insert: *Notwithstanding the preceding provisions of this section, of the amount appropriated for any fiscal year pursuant to section 501, not less than 6 percent of the amount appropriated in the case of the fiscal year ending June 30, 1969, 15 percent of the amount appropriated in the case of the fiscal year ending June 30, 1970, and 20 percent of the amount appropriated in the case of each fiscal year thereafter, shall be available*

for family planning services from allotments under section 503 and for family planning services under projects under sections 508 and 512.

(264)Page 187, strike out lines 18, 19, and 20 and insert: *(under section 1861(v)(1)) of inpatient hospital services, and, effective July 1, 1970, extended care (skilled nursing home and intermediate care facility) services, and home health care services, provided under the plan;*

(264a)Page 189, line 4, strike out [and]

(265)Page 189, line 8, strike out [need.] and insert: *need,*

(266)Page 189, after line 8, insert:

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

"(14) provides that acceptance of family planning services provided under the plan shall be voluntary on the part of the individual to whom such services are

offered and shall not be a prerequisite to eligibility for or the receipt of any service under the plan.

(267) Page 194, line 8, after "control." insert: *Acceptance of family planning services provided under a project under this section (and section 512) shall be voluntary on the part of the individual to whom such services are offered and shall not be a prerequisite to the eligibility for or the receipt of any service under such project.*

(268) Page 197, line 13, strike out [priority] and insert: *special attention*

(269) Page 199, line 8, strike out [development."] and insert: *development.*

(270) Page 199, after line 8, insert:

"*OBSERVANCE OF RELIGIOUS BELIEFS*

"*SEC. 515. Nothing in this title shall be construed to require any State which has any plan or program approved under, or receiving financial support under, this title to compel any person to undergo any medical screening, examination, diagnosis, or treatment or to accept any other health care or services provided under such plan or program for any purpose (other than for the purpose of discovering*

and preventing the spread of infection or contagious disease or for the purpose of protecting environmental health), if such person objects (or, in case such person is a child, his parent or guardian objects) thereto on religious grounds."

(271) Page 200, after line 15, insert:

USE OF SUBPROFESSIONAL STAFF AND VOLUNTEERS

SEC. 304. (a) Section 505(a)(3) of the Social Security Act (as added by section 301 of this Act) is amended by—

(1) striking out "provides" and inserting in lieu thereof "provides (A)";

(2) adding at the end before the semicolon the following: "and (B) provides for the training and effective use of paid subprofessional staff, with particular emphasis on the full-time or part-time employment of persons of low income, as community service aides, in the administration of the plan and for the use of non-paid or partially paid volunteers in providing services and in assisting any advisory committees established by the State agency".

(b) The amendment made by this section shall become effective July 1, 1969, or, if earlier (with respect to a State) on the date as of which the modification of the State plan to comply with such amendment is approved.

(272) Page 200, after line 15, insert:

ADMINISTRATION OF THE PROGRAM FOR SERVICES FOR CRIPPLED CHILDREN

SEC. 305. The Secretary shall administer the program for services for crippled children as established by this title through the Children's Bureau of the Department of Health, Education, and Welfare.

(273) Page 200, after line 15, insert:

CHILDREN'S EMOTIONAL ILLNESS

SEC. 306. Section 231(d) of the Social Security Amendments of 1965 (Public Law 89-97) is amended by striking out the word "two" and inserting in lieu thereof "three".

(274) Page 200, line 17, strike out [304] and insert: *307*

(275) Page 202, strike out lines 15, 16, and 17, and insert:

INCENTIVE FOR ECONOMY WHILE MAINTAINING QUALITY OR IMPROVING THE PROVISION OF HEALTH SERVICES

(276) Page 202, line 20, after "which" where it appears the first time insert: *physicians who would otherwise be entitled to receive payment on the basis of reasonable charge, and*

(277) Page 202, line 22, strike out [cost] and insert: *cost,*

(278) Page 202, line 23, strike out [Act] and insert: *Act,*

(279) Page 203, line 4, strike out [organization or] and insert: *physician, organization, or*

(280) Page 203, line 5, strike out [reimbursement] and insert: *payment (in the case of physicians) or reimbursement (in the case of an organization or institution)*

(281) Page 203, line 19, strike out [cost;] and insert: *cost, or (in the case of physicians) on the basis of reasonable charge;*

(282) Page 207, after line 21, insert:

STUDY OF FAMILY AND CHILD ALLOWANCE PROPOSALS

SEC. 405. (a) The Secretary of Labor is authorized and directed to conduct a study and investigation of the various proposals for family allowances and child allowances. In such study and investigation, the Secretary of Labor shall give consideration to (1) the effect of enactment of any of these proposals upon the various Federal-State assistance programs, and (2) the savings which might accrue to the United States Government and to the various State governments from the enactment of such proposals.

(b) In carrying out this study and investigation, the Secretary of Labor shall consult with the Secretary of Health, Education, and Welfare, and with all other appro-

priate government departments and agencies, and with such other organizations and individuals as he deems appropriate.

(c) On or before January 15, 1969, the Secretary of Labor shall transmit to the President and to the Congress a report which shall contain a full and complete statement of the findings of fact and the conclusions of such study and investigation including appropriate recommendations for congressional action.

(283) Page 207, after line 21, insert:

TITLE V—MISCELLANEOUS PROVISIONS

(284) Page 207, after line 21, insert:

DEDUCTION OF EXPENSES FOR MEDICAL CARE OF INDIVIDUALS WHO HAVE ATTAINED AGE 65

SEC. 501. (a) Section 213(a) of the Internal Revenue Code of 1954 (relating to allowance of deduction for medical, dental, etc., expenses) is amended to read as follows:

"(a) ALLOWANCE OF DEDUCTION.—

"(1) IN GENERAL.—There shall be allowed as a deduction the following amounts, not compensated for by insurance or otherwise—

"(A) the amount by which the amount of the expenses paid during the taxable year (reduced by any amount deductible under subparagraph (B)) for medical care of the taxpayer, his spouse, and

dependents (as defined in section 152) exceeds 3 percent of the adjusted gross income, and

"(B) an amount (not in excess of $150) equal to one-half of the expenses paid during the taxable year for insurance which constitutes medical care for the taxpayer, his spouse, and dependents.

For purposes of this paragraph, amounts paid for the medical care of an individual with respect to whom paragraph (2) applies for the taxable year shall not be taken into account.

"(2) INDIVIDUALS WHO HAVE ATTAINED AGE 65.—There shall be allowed as a deduction the amount of the expenses, not compensated for by insurance or otherwise, paid during the taxable year for the medical care of—

"(A) the taxpayer and his spouse, if either of them has attained the age of 65 before the close of the taxable year, and

"(B) a dependent who (i) is the mother or father of the taxpayer or his spouse and (ii) has attained the age of 65 before the close of the taxable year."

(b) Section 213(b) of such Code (relating to limitation with respect to medicine and drugs) is amended by adding at the end thereof the following new sentence: "The pre-

ceding sentence shall not apply to amounts paid for the care of—

"(1) the taxpayer and his spouse, if either of them has attained the age of 65 before the close of the taxable year, or

"(2) any dependent described in subsection (a)(2)(B)."

(c) The amendments made by subsections (a) and (b) shall apply to taxable years beginning after December 31, 1966.

(285) Page 207, after line 21, insert:

TAX EXEMPT STATUS OF CERTAIN HOSPITAL SERVICE ORGANIZATIONS

SEC. 502. (a) Section 501 of the Internal Revenue Code of 1954 (relating to exemption from tax on corporations, etc.) is amended by redesignating subsection (e) as subsection (f) and by inserting after subsection (d) the following new subsection:

"(e) COOPERATIVE HOSPITAL SERVICE ORGANIZATIONS.—For purposes of this title, an organization shall be treated as an organization organized and operated exclusively for charitable purposes, if—

"(1) such organization is organized and operated exclusively to perform services—

"(A) of a type which, if performed on its own behalf by a hospital which is an organization described in subsection (c)(3) and exempt from taxation under subsection (a), would constitute an integral part of its exempt activities; and

"(B) solely for hospitals each of which is—

"(i) an organization described in subsection (c)(3) which is exempt from taxation under subsection (a),

"(ii) a constituent part of an organization described in subsection (c)(3) which is exempt from taxation under subsection (a) and which, if organized and operated as a separate entity, would constitute an organization described in subsection (c)(3), or

"(iii) owned and operated by the United States, a State, the District of Columbia, or a possession of the United States, or a political subdivision or an agency or instrumentality of any of the foregoing;

"(2) such organization is organized and operated on a cooperative basis and allocates or pays, within 8½ months after the close of its taxable year, all net earnings to patrons on the basis of services performed for them; and

"(3) if such organization has capital stock, all of such stock outstanding is owned by its patrons.

For purposes of this title, any organization which, by reason of the preceding sentence, is an organization described in subsection (c)(3) and exempt from taxation under subsection (a), shall be treated as a hospital and as an organization referred to in section 503(b)(5)."

(b) The amendments made by subsection (a) shall apply to taxable years ending after the date of the enactment of this Act.

(286) Page 207, after line 21, insert:

EXTENSION OF PERIOD FOR FILING APPLICATION FOR EXEMPTION BY MEMBERS OF RELIGIOUS GROUPS OPPOSED TO INSURANCE

SEC. 503. (a) Section 1402(h)(2) of the Internal Revenue Code of 1954 (relating to time for filing applications by members of certain religious faiths) is amended to read as follows:

"(2) TIME FOR FILING APPLICATION.—For purposes of this subsection, an application must be filed—

"(A) In the case of an individual who has self-employment income (determined without regard to this subsection and subsection (c)(6)) for any tax-

able year ending before December 31, 1967, on or before December 31, 1968, and

"(B) In any other case, on or before the time prescribed for filing the return (including any extension thereof) for the first taxable year ending on or after December 31, 1967, for which he has self-employment income (as so determined), except that an application filed after such date but on or before the last day of the third calendar month following the calendar month in which the taxpayer is first notified in writing by the Secretary or his delegate that a timely application for an exemption from the tax imposed by this chapter has not been filed by him shall be deemed to be filed timely."

(b) The amendment made by subsection (a) shall apply with respect to taxable years beginning after December 31, 1950. For such purpose, chapter 2 of the Internal Revenue Code of 1954 shall be treated as applying to all taxable years beginning after such date.

(c) If refund or credit of any overpayment resulting from the enactment of this section is prevented on the date of the enactment of this Act or at any time on or before December 31, 1968, by the operation of any law or rule of law, refund or credit of such overpayment may, nevertheless, be made or allowed if claim therefor is filed on or before Decem-

ber 31, 1968. No interest shall be allowed or paid on any overpayment resulting from the enactment of this section.

(287)Page 207, after line 21, insert:

COVERAGE STATUS OF FISHERMEN AND TRUCK LOADERS AND UNLOADERS

SEC. 504. (a)(1) Section 210(j) of the Social Security Act is amended by striking out the period at the end of paragraph (3) and inserting in lieu thereof "; or", and by adding at the end thereof the following new paragraphs:

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

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

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

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

"Treatment of Owners and Lessees of Vessels as Employers

"(p) An individual who is an employee under the provisions of subsection (j)(4) shall be deemed to be the employee of the owner of the vessel on or in connection with which his services are performed, except that if—

"(1) such vessel has been chartered or leased and the owner has no interest of any kind in the fish, shellfish, crustacea, sponges, seaweeds, or other forms of aquatic animal or vegetable life caught, taken, harvested, cultivated, or farmed by such vessel, or in the proceeds thereof, and

"(2) any charterer or lessee of such vessel has such an interest,

such an individual shall be deemed to be the employee of such charterer or lessee. If by reason of the preceding sentence an individual is deemed to be the employee of more than one charterer or lessee, and one or more (but less than all) of such charterers or lessees are not officers or members of the crew of such vessel, such individual shall be deemed to be the employee of each of the charterers or lessees who is not an officer or member of the crew of such vessel.

"Employers of Truck Loaders and Unloaders

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

(3) The amendments made by this subsection shall have

lieu thereof "; or" and by adding at the end thereof the following new paragraphs:

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

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

(2) Section 3121 of such Code (definitions relating to Federal Insurance Contributions Act) is amended by adding at the end thereof the following new subsections:

"(r) TREATMENT OF OWNERS AND LESSEES OF VESSELS AS EMPLOYERS.—For purposes of this chapter, an individual who is an employee under the provisions of sub-

section (d)(4) shall be deemed to be the employee of the owner of the vessel on or in connection with which his services are performed, except that if—

"(1) such vessel has been chartered or leased and the owner has no interest of any kind in the fish, shellfish, crustacea, sponges, seaweeds, or other forms of aquatic animal or vegetable life caught, taken, harvested, cultivated or farmed by such vessel, or in the proceeds thereof, and

"(2) any charterer or lessee of such vessel has such an interest,

such individual shall be deemed to be the employee of such charterer or lessee. If by reason of the preceding sentence an individual is deemed to be the employee of more than one charterer or lessee, and one or more (but less than all) of such charterers or lessees are not officers or members of the crew of such vessel, such individual shall be deemed to be the employee of each of the charterers or lessees who is not an officer or member of the crew of such vessel.

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

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

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

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

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

(288) Page 207, after line 21, insert:

REFUND OF CERTAIN OVERPAYMENTS BY EMPLOYEES OF HOSPITAL INSURANCE TAX

SEC. 505. (a) Section 6413(c) of the Internal Revenue Code of 1954 (relating to special refunds of overpayments of certain employment taxes) is amended by adding at the end thereof the following new paragraph:

"(3) APPLICABILITY WITH RESPECT TO COMPENSATION OF EMPLOYEES SUBJECT TO THE RAILROAD RETIREMENT TAX ACT.—In the case of any individual who, during any calendar year after 1967, receives wages from one or more employers and also receives compensation which is subject to the tax imposed by section 3201 or 3211, such compensation shall, solely for purposes of applying paragraph (1) with respect to the tax imposed by section 3101(b), be treated as wages received from an employer with respect to which the tax imposed by section 3101(b) was deducted."

(b)(1) The second sentence of section 1402(b) of such Code (relating to definition of self-employment income) is amended (A) by inserting "(A)" immediately after "'wages'", and (B) by inserting immediately before the period the following: ", and (B) includes, but solely with re-

spect to the tax imposed by section 1401(b), compensation which is subject to the tax imposed by section 3201 or 3211".

(2) The amendments made by paragraph (1) shall be effective only with respect to taxable years ending on or after December 31, 1968.

(c)(1) Section 6051(a) of the Internal Revenue Code of 1954 (relating to requirement of receipts for employees) is amended—

(A) by striking out "section 3101 or 3402" in the matter preceding paragraph (1) and inserting in lieu thereof "section 3101, 3201, or 3402";

(B) by striking out "and" at the end of paragraph (5), and by striking out the period at the end of paragraph (6) and inserting in lieu thereof ", and"; and

(C) by inserting after paragraph (6) the following new paragraphs:

"(7) the total amount of compensation with respect to which the tax imposed by section 3201 was deducted, and

"(8) the total amount deducted as tax under section 3201."

(2) Section 6051(c) of such Code (relating to additional requirements) is amended by striking out "section 3101" in the second sentence and inserting in lieu thereof "sections 3101 and 3201".

(3) The amendments made by paragraphs (1) and (2) shall apply in respect of remuneration paid after December 31, 1967.

(289) Page 207, after line 21, insert:

JOINT EMPLOYEES OF CERTAIN TAX-EXEMPT ORGANIZATIONS

SEC. 506. For purposes of the Internal Revenue Code of 1954, if—

(1) an individual is an employee of two or more organizations described in section 501(c)(4) of such Code and exempt from taxation under section 501(a) of such Code which provide hospital or medical insurance, and

(2) one of such organizations pays to such individual all the remuneration for his employment by such organizations,

the organization which pays such remuneration shall, with the consent of each such other organization, be treated as the employer of such individual with respect to his employment by such organizations. The consent of an organization under the preceding sentence shall be made at such time, in such manner, and subject to such conditions, as the Secretary of the Treasury or his delegate may prescribe by regulations.

(290) Page 207, after line 21, insert:

EXTENSION OF TIME TO PROVIDE ASSISTANCE FOR UNITED STATES CITIZENS RETURNED FROM FOREIGN COUNTRIES

SEC. 507. Section 1113(d) of the Social Security Act is amended by striking out "1968" and inserting in lieu thereof "1969".

(291) Page 207, after line 21, insert:

PROTECTION OF VETERANS' BENEFITS

SEC. 508. (a)(1) Section 415(g) of title 38, United States Code, is amended by adding at the end thereof a new paragraph as follows:

"(3) Notwithstanding the provisions of paragraph (1) of this subsection, in the case of any individual—

"(A) who, for the month in which the Social Security Amendments of 1967 is enacted, is entitled to a monthly insurance benefit under section 202 or 223 of the Social Security Act, and

"(B) who, for such month, or for any subsequent month, is entitled to dependency and indemnity compensation under this section,

there shall not be counted, in determining the annual income of such individual, any increase in benefits under such sections of the Social Security Act which result

from the enactment of the Social Security Amendments of 1967."

(2) Section 503 of title 38, United States Code, is amended by inserting "(a)" after "503", and adding at the end thereof the following:

"(b) Notwithstanding the provisions of subsection (a) of this section, in the case of any individual—

"(1) who, for the month in which the Social Security Amendments of 1967 is enacted, is entitled to a monthly insurance benefit under section 202 or 223 of the Social Security Act, and

"(2) who, for such month, or for any subsequent month, is entitled to pension under the provisions of this chapter, or under the first sentence of section 9(b) of the Veterans' Pension Act of 1959, there shall not be counted, in determining the annual income of such individual, any increase in benefits under such sections of the Social Security Act which result from the enactment of the Social Security Amendments of 1967."

(292) Page 207, after line 21, insert:

AMENDMENTS TO SECOND LIBERTY BOND ACT

SEC. 509. (a) The second sentence of section 22(b)(1) of the Second Liberty Bond Act (31 U.S.C. 757c) is amended to read as follows: "Such bonds and certificates

may be sold at such price or prices, bear such interest rate or afford such investment yield or both, and be redeemed before maturity upon such terms and conditions as the Secretary of the Treasury may prescribe."

(b) The second sentence of section 22A(b)(1) of such Act (31 U.S.C. 757c–2) is amended to read as follows: "Such bonds shall be sold at such price or prices, afford such investment yield, and be redeemable before maturity upon such terms and conditions as the Secretary of the Treasury may prescribe."

(c) Section 25 of such Act (31 U.S.C. 757c–1) is repealed.

(d) The Secretary of the Treasury is hereby directed to take such action as may be necessary to assure that bonds affected by the amendments made by subsection (a), (b), or (c) of this section which are issued after December 31, 1967, shall bear interest or provide investment yield comparable to the interest or investment yield payable, on obligations of similar maturity and which are not affected by the amendments made by subsections (a), (b), and (c) of this section.

(293) Page 207, after line 21, insert:

FOSTER CARE FOR CHILDREN

SEC. 510. (a) Title V of the Social Security Act (as amended by the preceding provisions of this Act) is further

amended by adding at the end thereof the following new part:

"PART 5—GRANTS TO STATES FOR AID TO CHILDREN UNDER FOSTER CARE

"APPROPRIATIONS

"SEC. 541. For the purpose of facilitating the proper foster care of children whose welfare can best be advanced through such care by enabling each State to furnish financial assistance and needed welfare services, as far as practicable under the conditions in such State, to children placed under foster care, there is hereby authorized to be appropriated for each fiscal year a sum sufficient to carry out the purposes of this part. The sums made available under this section shall be used for making payment to States which have submitted, and had approved by the Secretary, State plans for aid and services to children under foster care.

"STATE PLANS FOR AID AND SERVICES TO CHILDREN UNDER FOSTER CARE

"SEC. 542. (a) A State plan for aid and services to children under foster care must—

"(1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them;

"(2) provide for financial participation by the State;

"(3) provide that the State public-welfare agency which administers the child-welfare services plan developed as provided in part 3 of this title shall be designated as the State agency to administer, or supervise the administration of, the State plan under this part;

"(4) provide for granting an opportunity for a fair hearing before the State agency to any person whose claim for aid to children under foster care is denied or is not acted upon with reasonable promptness;

"(5) provide such methods of administration (including methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Secretary to be necessary for the proper and efficient operation of the State plan;

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

"(7) provide that (A) the amount of aid, if any,

to be provided under the State plan with respect to any child under foster care shall be determined on the basis of his need therefor, taking into consideration any income and resources of such child which are available to defray the expenses of his care; and (B) the State agency shall not deny or limit the amount or extent of the aid otherwise available under the State plan to any child, on the ground of his lack of need for such aid, until such agency is fully satisfied, as the result of affirmative evidence, that there is a lack of need on the part of such child for such aid;

"(8) provide safeguards which restrict the use or disclosure of information concerning applicants and recipients of aid to children under foster care to purposes directly connected with the administration of the State plan (except that this requirement shall not be applicable in the case of aid under such plan provided to children placed in a child-care institution);

"(9) provide that all persons wishing to make application for aid to children under foster care shall have opportunity to do so, and that such aid shall be furnished with reasonable promptness to all eligible persons;

"(10) provide that aid to children under foster care will not be provided to any child with respect to any period for which such child is receiving aid under

the State plan of such State approved under section 402 of this Act;

"(11) provide for the development and application of a program for such welfare and related services for each child who receives aid to children under foster care as may be necessary to promote the welfare of such child, and provide for the coordination of such program, and any other services provided for children under the State plan, with the child-welfare services plan developed as provided in part 3 of this title, with a view toward providing welfare and related services which will best promote the welfare of such child;

"(12) provide for the development, with respect to each child who receives aid to children under foster care, of an individual welfare plan, which shall include a continuing study of the child's needs, of the most suitable available home in which he can be placed, and a periodic review of his case, and provide that, in carrying out such welfare plan, use may be made of services of private nonprofit child-care agencies and organizations; and

"(13) contain or be supported by assurances satisfactory to the Secretary that amounts payable to such State under section 543 to carry out the State plan will be so used as to supplement the level of non-Federal

funds that would, in the absence of such amounts, be available in the State for the purpose of providing aid and welfare services to children who are under foster care in such State.

"PAYMENT TO STATES

"SEC. 543. *(a) From the sums appropriated therefor, the Secretary shall pay to each State which has a plan approved under this part, for each quarter, beginning with the quarter commencing October 1, 1967—*

"(1) an amount equal to the Federal percentage (as defined in section 545(f)) of the total amount expended under the State plan during such quarter as aid to children under foster care with respect to children in foster family homes and child-care institutions (including expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof), not counting so much of any expenditure with respect to any month as exceeds the product of $50 multiplied by the total number of children who were recipients of such aid for such month (which total number, for purposes of this subsection, means (A) the number of children in foster family homes and child-care institutions with respect to whom such aid in the form of money payments is paid for such month, plus (B) the number of other children in such homes and institutions with respect to

whom expenditures were made in such month as aid to children under foster care in the form of medical or any other type of remedial care);

"(2) an amount equal to 75 per centum of (A) the total amount expended during such quarter in providing services (as prescribed by the Secretary under regulations) necessary to promote the welfare of children receiving aid to children under foster care under the State plan, plus (B) the total amount expended during such quarter as found necessary by the Secretary for the training of personnel employed or preparing for employment by the State agency or by the local agency administering the plan in the political subdivision; plus

"(3) an amount equal to one-half of the total sums expended during such quarter as found necessary by the Secretary for the proper and efficient administration of the State plan, including services and training referred to in paragraph (2) and provided in accordance with the requirements of this part and regulations promulgated by the Secretary.

The services referred to in paragraph (2)(A) shall include only services provided by the staff of the State agency, or of the local agency administering the State plan in the political subdivision, except that, subject to limitation prescribed by the Secretary, there may be included services provided

by nonprofit private agencies under contract with the State agency, if, in the judgment of the State agency, the State agency cannot provide such services as economically or as effectively by its staff or through a local agency as such services can be provided under contract with nonprofit private agencies.

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

"(2) The Secretary shall then pay, in such installments as he may determine, to the State the amount so estimated, reduced, or increased to the extent of any overpayment or underpayment which the Secretary determines was made under this section to such State for any prior

quarter and with respect to which adjustment has not already been made under this subsection.

"(3) The pro rata share to which the United States is equitably entitled, as determined by the Secretary, of the net amount recovered, during any quarter by the State or political subdivision thereof with respect to aid to children under foster care, shall be considered an overpayment under this subsection.

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

"OPERATION OF STATE PLANS

"SEC. 544. If the Secretary, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of the State plan approved under this part, finds—

"(1) that the plan has been so changed that it no longer complies with the provisions of section 542; or

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

the Secretary shall notify such State agency that further payments will not be made to the State (or, in his discretion, that payments will be limited to categories under or parts of the State plan not affected by such failure) until

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

"DEFINITIONS

"SEC. 545. For the purposes of this part—

"(a) The term 'child' means a needy child who (1) has not attained the age of eighteen, (2) has been deprived of parental support or care, and (3) is not (and upon making proper application therefor would not be) entitled to receive aid to families with dependent children under the State plan, approved under section 402 of this Act, of the State in which he lives.

"(b) The term 'aid', when applied to a child under foster care, means (1) money payments with respect to such child, plus (2) medical care in behalf of or any type of remedial care recognized under State law in behalf of such child.

"(c) The term 'foster family home' means a private family home, which is licensed by the State in which it is situated or has been approved by the agency of such State responsible for licensing homes of this type as meeting the standards established for such licensing.

"(d) The term 'child-care institution' means a public or nonprofit private institution which provides foster care for children and which is licensed by the State in which it is situated or has been approved, by the agency of such State responsible for licensing institutions of this type, as meeting the standards established for such licensing.

"(e) A child shall be considered to be 'under foster care' only if (1) he is actually living in a foster family home or a child-care institution, and (2)(A) he has been placed in such home or institution as a result of a determination, by a court of competent jurisdiction or of a public welfare or other public agency having a legal responsibility for his welfare, to the effect that his welfare can best be promoted by his placement therein, or (B) his having been placed in such a home or institution is approved by a State or local welfare agency officially concerned with his welfare except that no child shall be considered to be under foster care if he is living with an individual who is one of the relatives specified in section 406(a) of such child.

"(f) The term 'Federal percentage' means the Federal percentage as defined in section 1101(a)(8) except that, in the case of Puerto Rico, the Virgin Islands, and Guam, the Federal percentage shall be 50 per centum."

(b)(1) Section 1116(a)(1) of such Act is amended by inserting "or part 5 of title V," after "XIX,".

(2) Section 1116(a)(3) of such Act is amended by inserting "544," after "404,".

(3) Section 1116(b) of such Act is amended by inserting ", or part 5 of title V," after "XIX".

(4) Section 1116(d) of such Act is amended by inserting ", or part 5 of title V," after "XIX".

(e)(1) Clause (1) of the first sentence of section 1901 of such Act is amended by inserting "and needy dependent children under foster care entitled to benefits under part 5 of title V" after "families with dependent children".

(2)(A) Section 1902(a)(10) of such Act is amended by inserting ", and part 5 of title V" after "XVI".

(B) Section 1902(a)(17) is amended by inserting ", or part 5 of title V" after "XVI".

(3) Section 1902(c) of such Act is amended by inserting ", or part 5 of title V" after "XVI".

(4) Section 1903(a)(1) of such Act is amended by inserting ", or part 5 of title V," after "XVI,".

(d) Section 121(b) of the Social Security Amendments of 1965 is amended by inserting ", or part 5 of title V," after "XVI".

(294) Page 207, after line 21, insert:

EXCLUSION FROM DEFINITION OF WAGES OF CERTAIN RETIREMENT, ETC., PAYMENTS UNDER EMPLOYER ESTABLISHED PLANS

SEC. 511. (a) Section 3121(a) of the Internal Revenue Code of 1954 (definition of wages) is amended by striking out "or" at the end of paragraph (11), by striking out the period at the end of paragraph (12) and inserting in lieu thereof "; or", and by adding at the end thereof the following new paragraph:

"(13) any payment or series of payments by an employer to an employee or any of his dependents which is made or begins—

"(A) upon the retirement, death, or disability of the employee, and

"(B) under a plan established by the employer which makes provision for his employees generally or a class or classes of his employees (or for such employees or class or classes of employees and their dependents)."

(b) Section 3306(b) of such Code (definition of wages) is amended by striking out "or" at the end of paragraph (8), by striking out the period at the end of paragraph (9) and

inserting in lieu thereof "; or", and by adding at the end thereof the following new paragraph:

"(10) any payment or series of payments by an employer to an employee or any of his dependents which is made or begins—

"(A) upon the retirement, death, or disability of the employee, and

"(B) under a plan established by the employer which makes provision for his employees generally or a class or classes of his employees (or for such employees or class or classes of employees and their dependents)."

(c) Section 209 of the Social Security Act (definition of wages) is amended by striking out "or" at the end of subsection (k), by striking out the period at the end of subsection (l) and inserting in lieu thereof "; or", and by inserting after subsection (l) the following new subsection:

"(m) Any payment or series of payments by an employer to an employee or any of his dependents which is made or begins—

"(1) upon the retirement, death, or disability of the employee, and

"(2) under a plan established by the employer

which makes provision for his employees generally or a class or classes of his employees (or for such employees or class or classes of employees and their dependents).".

(d) The amendments made by this section shall apply with respect to remuneration paid after the date of the enactment of this Act.

(295)Page 207, after line 21, insert:

TITLE VI—QUALITY AND COST CONTROL STANDARDS FOR DRUGS

QUALITY AND COST CONTROL FOR DRUGS PAYABLE FROM FEDERAL FUNDS

SEC. 601. Title XI of the Social Security Act is amended by inserting immediately below the heading of such title the following: "PART A—MISCELLANEOUS" and by adding at the end of such title the following new part:

"PART B—QUALITY AND COST CONTROL FOR DRUGS PAYABLE FROM FEDERAL FUNDS

"SEC. 1130. (a)(1) There is hereby established, within the Department of Health, Education, and Welfare, a Formulary Committee, a majority of whose members shall be physicians and which shall consist of three officials of such Department designated by the Secretary, and of six individuals (not otherwise in the regular full-time employ of

the Federal Government) who are of recognized professional standing in the fields of medicine and pharmacy, to be appointed by the Secretary without regard to the provisions of title 5, United States Code, governing appointments in the competitive service. The Chairman of the Committee shall be elected, from the appointed members thereof, by majority vote of the members of the Committee. The term of office of the Chairman shall be one year, but the same person may hold such office for any number of terms.

"(2) Each appointed member of the Formulary Committee shall hold office for a term of five years, except that any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term, and except that the terms of office of the members first taking office shall expire, as designated by the Secretary at the time of appointment, one at the end of the first year, one at the end of the second year, one at the end of the third year, one at the end of the fourth year, and one at the end of the fifth year, after the date of appointment. A member shall not be eligible to serve continuously for more than two terms.

"(b) Appointed members of the Formulary Committee, while attending meetings or conferences thereof or otherwise serving on business of the Committee, shall be entitled

to receive compensation at rates fixed by the Secretary, but not exceeding $100 per day, including traveltime, and while so serving away from their homes or regular places of business they may be allowed travel expenses, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

"(c)(1) The Formulary Committee is authorized to engage such technical assistance as may be required to carry out its functions, and the Secretary shall, in addition, make available to the Formulary Committee such secretarial, clerical, and other assistance as the Formulary Committee may require to carry out its functions.

"(2) The Secretary shall furnish to the Formulary Committee such office space, materials, and equipment as may be necessary for the Formulary Committee to carry out its functions.

"FORMULARY OF THE UNITED STATES

"SEC. 1131. (a)(1) The Formulary Committee shall compile, publish, and make available a Formulary of the United States (hereinafter in this title referred to as the 'Formulary').

"(2) The Formulary Committee shall periodically revise the Formulary and the listing of drugs so as to maintain currency in the contents thereof.

"(b)(1) The Formulary shall contain an alphabeti-

cally arranged listing, by established name, of those drugs which the Formulary Committee finds are necessary for recipients of aid, assistance, benefits, or services under the several programs operated or supported by the Department of Health, Education, and Welfare and for which Federal funds are to be expended. The Formulary Committee may exclude from the Formulary any drugs which the Formulary Committee determines are not necessary for proper patient care, taking into account other drugs that are available from the Formulary.

"(2) The Formulary Committee may also include in the Formulary, either as a separate part (or parts) thereof or as a supplement (or supplements) thereto, any or all of the following information:

"(A) A supplemental list or lists, arranged by diagnostic, prophylactic, therapeutic, or other classifications, of the drugs included in the listing referred to in paragraph (1).

"(B) The proprietary names under which a drug listed in the Formulary by established name is sold, and the names of each supplier (as manufacturer, wholesaler, or distributor) of such a listed drug who, on the basis of inspection, sample examination, and a scientific review of promotional claims is in the opinion of the Committee

producing or distributing such drug in conformity with the requirements of the Federal Food, Drug, and Cosmetic Act and (where applicable) the Public Health Service Act.

"(C) Prescribing information (including conditions of use required in the interest of rational drug therapy) which will promote the safe and effective use, under professional supervision, of the drugs referred to in paragraph (1).

"(D)(i) A listing of the prices charged by the suppliers named in the Formulary; and (ii) the guide or guides as to reasonable cost ranges issued pursuant to section 1133.

"(E) A prominent statement that payment from Federal funds is restricted to a reasonable acquisition cost range, plus fee, established by the Secretary pursuant to this part, for a drug listed in the Formulary, unless the prescriber, in his order, has specifically designated a drug by its established name together with the name of the manufacturer of the final dosage form thereof.

"(F) Any other information which in the judgment of the Formulary Committee would be useful in carrying out the purposes of this part.

"(c) In considering whether (under the authority contained in subsection (b)) a particular drug shall be included

in the Formulary, the Formulary Committee is authorized to obtain (upon request therefor) any record pertaining to the characteristics of such drug which is available to any other department, agency, or instrumentality of the Federal Government, and, as a condition of such inclusion, to require suppliers of drugs to make available to the Committee information (including information to be obtained through testing) relating to such drug. If any such record or information (or any information contained in such record) is of a confidential nature, the Formulary Committee shall exercise utmost care in preserving the confidentiality of such record or information and shall limit its usage thereof to the proper exercise of such authority.

"(d)(1) The Formulary Committee, in addition to such data and testing as it may require of a proponent of the listing of a drug in the Formulary, shall have authority to cause to be made such tests, and shall establish such procedures, as may be necessary to determine the propriety of the inclusion or exclusion, in the Formulary, of any drug. The Formulary Committee may enter into agreements, on a reimbursable basis or otherwise, with public or private agencies or organizations which the Formulary Committee finds qualified to conduct such tests under which such agencies or organizations will make all or any of such tests for and on behalf of the Formulary Committee.

"(2) The Formulary Committee, prior to making a final determination to remove from listing in the Formulary any drug which would otherwise be included under subsection (b) of this section, shall afford a reasonable opportunity for a hearing on the matter to any person engaged in manufacturing, preparing, propagating, compounding, or processing such product who shows reasonable grounds for such a hearing. Any person adversely affected by the final decision of the Formulary Committee may obtain judicial review in accordance with the procedures specified in section 505 (h) of the Federal Food, Drug, and Cosmetic Act.

"(3) Any person engaged in the manufacture, preparation, propagation, compounding, or processing of any drug not included in the Formulary which such person believes to possess the requisites to entitle such drug to be included in the Formulary pursuant to subsection (b), may petition for inclusion of such drug and, if such petition is denied by the Formulary Committee, shall, upon request therefor, showing reasonable grounds for a hearing, be afforded a hearing on the matter. The final decision of the Formulary Committee shall, if adverse to such person, be subject to judicial review in accordance with the procedures specified in section 505(h) of the Federal Food, Drug, and Cosmetic Act.

"QUALIFIED DRUG

"SEC. 1132. As used in this title, the term 'qualified drug' means a drug—

"(a) which (1) is listed in the Formulary, or (2) is furnished to a patient by a hospital which (A) is accredited by the Joint Commission on Accreditation of Hospitals or the American Osteopathic Association and (B) utilizes a formulary system established by a pharmacy and therapeutics committee (or equivalent committee) in accordance with standards established by such commission or association, or (3) is a prescription legend drug prescribed in the handwriting of a lawful prescriber by its established name together with the name of the manufacturer of the final dosage form thereof, and

"(b) the label on the package or container from or in which such drug is dispensed in final dosage form bears, in accordance with regulations of the Secretary, the registration number (assigned under section 510(e) of the Federal Food, Drug, and Cosmetic Act) of the person or establishment which manufactured, prepared, propagated, compounded, or processed such drug in such form and, if different, also the registration number (so assigned) of the final packager of such drug.

"REASONABLE ACQUISITION COST RANGE

"SEC. 1133. (a)(1) The Secretary shall establish and publish (and periodically revise so as to keep current) a guide or guides showing the reasonable acquisition cost range (to establishments dispensing drugs) of each qualified drug listed in the Formulary and the names of the suppliers of the products upon which the cost range for a qualified drug is based. If the sources from which such a drug is available charge different prices therefor to different classes or types of dispensers, the Secretary may, in establishing the reasonable acquisition cost range for any drug, establish such a range for each class or type of dispenser of such drug.

"(2)(A) The reasonable acquisition cost range of any particular drug shall not exceed the amount or amounts at which such drug is generally available for sale (to establishments dispensing drugs) in a given strength or dosage form by its established name or, if lower, by proprietary designation; and in any case in which a drug is so available and so sold by more than one supplier, the Secretary shall exclude, in determining such cost range, amounts (at which such drug is so available and so sold) which vary significantly from the amounts at which such drug is so available and sold by other suppliers thereof. If a particular drug in the Formulary is available from more than one supplier, and such drug as available by proprietary designation possesses

distinct therapeutic advantages (as determined by the Formulary Committee), then the reasonable acquisition cost range of the drug bearing such proprietary designation shall be the price at which it is generally available to such establishments.

"(3) In considering (for purposes of establishing a reasonable acquisition cost range for any drug) the various sources from which and the varying prices at which such drug is generally available, there shall not be taken into account the price of any drug which does not meet the conditions set forth in section 1132(b).

"REASONABLE CHARGE FOR DRUGS

"SEC. 1134. (a) For purposes of this part, the term "reasonable charge" means the following:

"(1) When used with respect to a prescription legend drug, such term means the lesser of—

"(A)(i) those charges for a qualified drug which do not exceed the actual or accounting basis cost to the dispenser of the drug dispensed and which, in the case of a drug described in section 1132(a) (1) or (2), are within the reasonable acquisition cost range established pursuant to section 1133, plus (ii) a reasonable fee as determined pursuant to this section, or

"(B) the usual or customary charge at which the dispenser sells or offers such drug to the public.

"(2) When used with respect to a prescribed nonlegend drug, such term means those charges which do not exceed the usual or customary price at which the dispenser offers or sells the product to the general public, plus a reasonable billing allowance.

"(b) The Secretary shall, after appropriate consultation with private organizations representing those who render pharmaceutical services and governmental agencies affected, establish criteria for determining the amounts of (1) the fee (which shall include but shall not be limited to costs of overhead, professional services, and a fair profit) and (2) reasonable billing allowances for prescribed nonlegend drugs dispensed.

"(c) The Secretary shall, on a reimbursable basis or otherwise, enter into an agreement with any State which designates a public agency for the purpose of establishing reasonable fees for the dispensing of drugs in such State under which agreement such agency will (for purposes of this title) determine, in accordance with such criteria, and after appropriate consultation with organizations and agencies of the kinds referred to in subsection (b), reasonable fees or billing allowances for or in connection with the dispensing of drugs in such State.

"(d) Whenever the Secretary determines that, in a particular State or other geographic area, the price at which

a particular drug is generally available varies substantially from the price at which such drug is usually sold in other areas, he may make appropriate adjustments in the reasonable acquisition cost range for such drug with respect to such area.

"(e) Nothing in this section shall be construed to prevent any supplier or dispenser of any drug from charging less than the reasonable acquisition cost or reasonable charge.

"DEFINITIONS

"SEC. 1135. For the purposes of this part—

"(1) The term 'drug' means a 'drug' as defined in section 201 of the Federal Food, Drug, and Cosmetic Act (including those specified in section 351 of the Public Health Service Act).

"(2) The term 'established name' with respect to a drug means its 'established name' as defined in section 502(e) of such Act.

"(3) The term 'prescription legend drug' means a drug described in section 503(b)(1) (A), (B), or (C) of such Act.

"(4) The term 'prescribed nonlegend drug' means a drug which is not a prescription legend drug but is dispensed upon prescription of a practitioner licensed by law to administer such drug.

"LIMITATIONS ON FEDERAL LIABILITY FOR CHARGES OF PROVIDERS OF SERVICES

"SEC. 1136. Any supplier of drugs whose services (including the cost of the drug supplied) are reimbursable under any title of this Act on the basis of 'reasonable cost' shall not be entitled to a fee or billing allowance as determined pursuant to this part; nor shall such fee or billing allowance be payable under any such title with respect to any drug that can (as determined in accordance with regulations) be self-administered, is furnished as an incident to a physician's professional service, and is of a kind commonly furnished in physicians' offices and commonly either rendered without charge or included in the physicians' bills."

LIMITATIONS ON FEDERAL FINANCIAL LIABILITY UNDER MEDICAL INSURANCE AND ASSISTANCE PROGRAMS

SEC. 602. (a) Effective with respect to expenditures made after June 30, 1970, section 1903 of the Social Security Act, as amended by this Act, is further amended by adding at the end thereof the following new subsection:

"(g) Notwithstanding the preceding provisions of this section, in determining (for purposes of subsection (a)) the amounts expended as medical assistance by a State under its State plan approved under this title, there shall not be counted (1) so much of the cost of any drug as exceeds the reasonable charge for such drug as determined under section

1134, or (2) any part of the cost of such drug if such drug is not a qualified drug as determined under section 1132."

(b) With respect to services furnished after June 30, 1970, section 1861(v) of the Social Security Act is amended by adding at the end thereof the following new paragraph:

"(5) Notwithstanding the preceding provisions of this subsection, if any services provided under this title include the furnishing of any drug or biological to an individual, there shall not be counted in determining the cost of such services—

"(A) so much of the cost of such drug or biological as exceeds the reasonable charge therefor as determined under section 1134, or

"(B) any part of the cost of such drug or biological if it is not a qualified drug as determined under section 1132."

ASSIGNMENT OF REGISTRATION NUMBERS TO DRUG PRODUCTS—USE OF SUCH NUMBER ON DRUG LABEL

Assignment of Registration Numbers

SEC. 603. (a) Section 510(e) of the Federal Food, Drug and Cosmetic Act is amended to read as follows:

"(e) The Secretary shall assign a registration number to every person or establishment, registered in accordance with this section, that manufactures, prepares, propagates,

compounds, or processes a drug or drugs in final dosage form, or that (if different) is the final packager (as defined by regulation) of such drug or drugs in such form, and he may assign a registration number to any other person or establishment so registered."

Label Disclosure of Registration Number—When Required or Prohibited

(b) Such Act is further amended by inserting after section 510 and before section 511 the following new section:

PLACEMENT OF REGISTRATION NUMBER ON DRUG LABEL—WHEN REQUIRED OR PROHIBITED

"SEC. 510A. (a) Except as otherwise provided in subsection (b)—

"(1) every person who owns or operates an establishment, registered under section 510, in which is manufactured, prepared, propagated, compounded, or processed, in final dosage form, a drug or drugs intended for use by man, shall, in accordance with regulations, cause the registration number assigned to such person or establishment pursuant to subsection (e) of such section and the complete name of such person or establishment to be placed on the label of each package or container containing any such drug so manufactured, prepared, propagated, compounded, or processed, in such establishment, and

"(2) unless the establishment referred to in paragraph (1) is also the final packager (as defined by regulation) of such drug or drugs in such form, the person who owns or operates the establishment which is such final packager shall cause to be placed on the label of each final package or container of such drug so packaged both the complete name and registration number (assigned pursuant to section 510(e)) of such person or final packaging establishment and the name and registration number referred to in paragraph (1).

"(b) Any other person owning or operating an establishment having a registration number assigned pursuant to section 510 may, except as otherwise provided in subsection (c) or by regulation, place such registration number on packages of drugs of which it is a manufacturer, packer, or distributor.

"Prohibition Against Placing of Registration Number on Packages of Drugs Made During Period of Law Violation

"(c)(1) If the Secretary has, by order, determined that a drug that is intended for use by man and that is being manufactured, prepared, propagated, compounded, or processed by a person to whom, or in an establishment to which, a registration number has been assigned pursuant to section 510(e), is not in conformity with applicable law, the registration number assigned to such person or to such

establishment (as may be specified in such order) may not, after the Secretary has served notice of such order (or, if the order specifies a later effective date, then such date) and while such order is in effect, be placed, by anyone having notice of such order, on the label of any package of such drug manufactured, prepared, propagated, compounded, or processed by such person or in such establishment. The Secretary's order shall set forth the respects in which he has determined that such drug is not in conformity with applicable law.

"(2) For the purposes of this subsection, a drug shall, with respect to any person or establishment referred to in an order pursuant to such paragraph, be deemed not to be in conformity with applicable law if such drug (A) is deemed to be adulterated or misbranded within the meaning of this Act, or (B) is a new drug with respect to which there is not in effect an approval of an application filed pursuant to section 505(b) of this Act or which is not in conformity with such approved application, or (C) is a drug with respect to which occurs an act or omission (attributable to such person or establishment or to any person in his employ or under his control) that is prohibited by section 301 (e), (f), (i), (o), (q), or (s) of this Act, or (D) is a product referred to in section 351 of the Public Health Service Act and (i) fails to meet a standard relating thereto prescribed

pursuant to that section, or (ii) with respect to which there is not in effect a required license issued by the Secretary, or (iii) with respect to which there is a violation of subsection (b) or (c) of that section.

"(3) Notice of the Secretary's order issued pursuant to paragraph (1) shall be served by telecommunication, or in the manner specified in section 505(g), upon the person registered under section 510 and referred to in such order, and thereupon such person and all other persons in such person's employ or under his control shall be deemed to have notice of such order for the purposes of this subsection.

"(4) The Secretary shall terminate an order issued in accordance with paragraph (1) with respect to a drug when he is satisfied that the conditions or practices giving rise to such drug's not being in conformity with applicable law no longer obtain.

"(5) Any person adversely affected by an order of the Secretary pursuant to paragraph (1) may, at any time while such order is in effect, file with the Secretary a petition to modify, revoke, or terminate such order. The Secretary, prior to making a final decision on such petition, shall afford to the petitioner, upon a showing of reasonable grounds therefor, a reasonable opportunity for a hearing on the matter. When in the judgment of the Secretary the public interest will not be jeopardized thereby he may stay the effectiveness of his order

pending his final decision on such petition. The petitioner, if adversely affected by the final decision of the Secretary, may obtain judicial review thereof in accordance with the procedures specified in section 505(h).

"(6) The Secretary may cause such inspections to be made of the establishments of persons registered as producers of drugs under section 510, and such samples of drugs to be obtained from such persons and establishments and analyzed, and in conjunction with the Formulary Committee (established by title XI of the Social Security Act) employ such other tests and procedures, as may be necessary to determine, on a current basis, whether any drug being manufactured, prepared, propagated, compounded, or processed by any such person or establishment for use by man is not in conformity with applicable law within the meaning of this subsection. In conducting such inspections (or any investigation or other proceeding related thereto) the Secretary may exercise any authority conferred upon him under this Act with respect to inspections and other procedures for the enforcement of section 510."

(c) Section 301 of such Act is amended by adding at the end thereof the following new paragraphs:

"(r) The placing, or permitting to be placed, on the label of any package containing any drug a registration number in violation of section 510A(c).

"(s)(1) The failure to place on the label of a drug package a registration number or other information required to be placed thereon by section 510A(a).

"(2) The labeling of any drug in such manner as to indicate or imply, contrary to fact, that the label of any package of such drugs conforms to paragraph (1) or (2) (or both) of section 510A(a) (when read without regard to the exception preceding such paragraphs)."

(d) Section 301 of such Act is further amended by inserting the following immediately before the period at the end of paragraph (i): "or by section 510A".

(e) Section 503(a) of such Act is amended by inserting the following after "labeling or packaging requirement of this Act": ", except any applicable requirement of section 510A(a),".

Attest:

Secretary.

90TH CONGRESS
1ST SESSION

H. R. 12080

AMENDMENTS

90TH CONGRESS
1ST SESSION

H. R. 12080

IN THE SENATE OF THE UNITED STATES

NOVEMBER 22 (legislative day, NOVEMBER 21), 1967
Ordered to be printed with the amendments of the Senate numbered

AN ACT

To amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act, with the following table of contents, may be cited as the "Social Security Amendments of 1967".

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

PART 1—BENEFITS UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

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

SEC. 101. (a) Section 215 (a) of the Social Security Act is amended by striking out the table and inserting in lieu thereof the following:

(2)

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

"I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1965 Act)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
----------	$13.48	$44.00	----------	$67	$50.00	$75.00
$13.49	14.00	45.00	$68	69	50.70	76.10
14.01	14.48	46.00	70	70	51.80	77.70
14.49	15.00	47.00	71	72	52.90	79.40
15.01	15.60	48.00	73	74	54.00	81.00
15.61	16.20	49.00	75	76	55.20	82.80
16.21	16.84	50.00	77	78	56.30	84.50
16.85	17.60	51.00	79	80	57.40	86.10
17.61	18.40	52.00	81	81	58.50	87.80
18.41	19.24	53.00	82	83	59.70	89.60
19.25	20.00	54.00	84	85	60.80	91.20
20.01	20.64	55.00	86	87	61.90	92.90
20.65	21.28	56.00	88	89	63.00	94.50
21.29	21.88	57.00	90	90	64.20	96.30
21.89	22.28	58.00	91	92	65.30	98.00
22.29	22.68	59.00	93	94	66.40	99.60
22.69	23.08	60.00	95	96	67.50	101.30
23.09	23.44	61.00	97	97	68.70	103.10
23.45	23.76	62.10	98	99	69.90	104.90
23.77	24.20	63.20	100	101	71.10	106.70
24.21	24.60	64.20	102	102	72.30	108.50
24.61	25.00	65.30	103	104	73.50	110.30
25.01	25.48	66.40	105	106	74.70	112.10
25.49	25.92	67.50	107	107	76.00	114.00
25.93	26.40	68.50	108	109	77.10	115.70
26.41	26.94	69.60	110	113	78.30	117.50
26.95	27.46	70.70	114	118	79.60	119.40
27.47	28.00	71.70	119	122	80.70	121.10
28.01	28.68	72.80	123	127	81.90	122.90
28.69	29.25	73.90	128	132	83.20	124.80
29.26	29.68	74.90	133	136	84.30	126.50
29.69	30.36	76.00	137	141	85.50	128.30
30.37	30.92	77.10	142	146	86.80	130.20
30.93	31.36	78.20	147	150	88.00	132.00
31.37	32.00	79.20	151	155	89.10	133.70
32.01	32.60	80.30	156	160	90.40	135.60
32.61	33.20	81.40	161	164	91.60	137.40
33.21	33.88	82.40	165	169	92.70	139.10

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

"I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1965 Act)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
$33.89	$34.50	$83.50	$170	$174	$94.00	$141.00
34.51	35.00	84.60	175	178	95.20	142.80
35.01	35.80	85.60	179	183	96.30	146.40
35.81	36.40	86.70	184	188	97.60	150.40
36.41	37.08	87.80	189	193	98.80	154.40
37.09	37.60	88.90	194	197	100.10	157.60
37.61	38.20	89.90	198	202	101.20	161.60
38.21	39.12	91.00	203	207	102.40	165.60
39.13	39.68	92.10	208	211	103.70	168.80
39.69	40.33	93.10	212	216	104.80	172.80
40.34	41.12	94.20	217	221	106.00	176.80
41.13	41.76	95.30	222	225	107.30	180.00
41.77	42.44	96.30	226	230	108.40	184.00
42.45	43.20	97.40	231	235	109.60	188.00
43.21	43.76	98.50	236	239	110.90	191.20
43.77	44.44	99.60	240	244	112.10	195.20
44.45	44.88	100.60	245	249	113.20	199.20
44.89	45.60	101.70	250	253	114.50	202.40
		102.80	254	258	115.70	206.40
		103.80	259	263	116.80	210.40
		104.90	264	267	118.10	213.60
		106.00	268	272	119.30	217.60
		107.00	273	277	120.40	221.60
		108.10	278	281	121.70	224.80
		109.20	282	286	122.90	228.80
		110.30	287	291	124.10	232.80
		111.30	292	295	125.30	236.00
		112.40	296	300	126.50	240.00
		113.50	301	305	127.70	244.00
		114.50	306	309	128.90	247.20
		115.60	310	314	130.10	251.20
		116.70	315	319	131.30	255.20
		117.70	320	323	132.50	258.40
		118.80	324	328	133.70	262.40
		119.90	329	333	134.90	266.40
		121.00	334	337	136.20	269.60
		122.00	338	342	137.30	273.60
		123.10	343	347	138.50	277.60
		124.20	348	351	139.80	280.80
		125.20	352	356	140.90	284.80
		126.30	357	361	142.10	288.80
		127.40	362	365	143.40	292.00
		128.40	366	370	144.50	296.00
		129.50	371	375	145.70	300.00
		130.60	376	379	147.00	303.20
		131.70	380	384	148.20	307.20
		132.70	385	389	149.30	311.20
		133.80	390	393	150.60	314.40
		134.90	394	398	151.80	318.40
		135.90	399	403	152.90	322.40
		137.00	404	407	154.20	325.60
		138.00	408	412	155.30	329.60
		139.00	413	417	156.40	333.60
		140.00	418	421	157.50	336.80
		141.00	422	426	158.70	340.80
		142.00	427	431	159.80	342.80
		143.00	432	436	160.90	344.80
		144.00	437	440	162.00	346.40
		145.00	441	445	163.20	348.40
		146.00	446	450	164.30	350.40
		147.00	451	454	165.40	352.00
		148.00	455	459	166.50	354.00
		149.00	460	464	167.70	356.00
		150.00	465	468	168.80	357.60
		151.00	469	473	169.90	359.60
		152.00	474	478	171.00	361.60
		153.00	479	482	172.20	363.20
		154.00	483	487	173.30	365.20
		155.00	488	492	174.40	367.20
		156.00	493	496	175.50	368.80
		157.00	497	501	176.70	370.80
		158.00	502	506	177.80	372.80
		159.00	507	510	178.90	374.40
		160.00	511	515	180.00	376.40
		161.00	516	520	181.20	378.40
		162.00	521	524	182.30	380.00

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

"I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1965 Act)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203 (a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
		$163.00	$525	$529	$183.40	$382.00
		164.00	530	534	184.50	384.00
		165.00	535	538	185.70	385.60
		166.00	539	543	186.80	387.60
		167.00	544	548	187.90	389.60
		168.00	549	552	189.00	391.20
			553	556	190.00	392.80
			557	559	191.00	394.00
			560	563	192.00	395.60
			564	566	193.00	396.80
			567	569	194.00	398.00
			570	573	195.00	399.60
			574	576	196.00	400.80
			577	580	197.00	402.40
			581	583	198.00	403.60
			584	587	199.00	405.20
			588	590	200.00	406.40
			591	594	201.00	408.00
			595	597	202.00	409.20
			598	601	203.00	410.80
			602	604	204.00	412.00
			605	608	205.00	413.60
			609	611	206.00	414.80
			612	615	207.00	416.40
			616	618	208.00	417.60
			619	622	209.00	419.20
			623	625	210.00	420.40
			626	628	211.00	421.60
			629	633	212.00	423.60"

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

"I (Primary insurance benefit under 1939 Act, as modified)		*II (Primary insurance amount under 1965 Act)*	*III (Average monthly wage)*		*IV (Primary insurance amount)*	*V (Maximum family benefits)*
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		*Or his primary insurance amount (as determined under subsec. (c)) is—*	*Or his average monthly wage (as determined under subsec. (b)) is—*		*The amount referred to in the preceding paragraphs of this subsection shall be—*	*And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—*
At least—	*But not more than—*		*At least—*	*But not more than—*		
----------	$23.08	$60.00 or less	----------	$96	$70.00	$105.00
$23.09	23.44	61.00	$97	97	70.20	105.30
23.45	23.76	62.10	98	99	71.50	107.30
23.77	24.20	63.20	100	101	72.70	109.10
24.21	24.60	64.20	102	102	73.90	110.90
24.61	25.00	65.30	103	104	75.10	112.70
25.01	25.48	66.40	105	106	76.40	114.60
25.49	25.92	67.50	107	107	77.70	116.60
25.93	26.40	68.50	108	109	78.80	118.20
26.41	26.94	69.60	110	113	80.10	120.20
26.95	27.46	70.70	114	118	81.40	122.10
27.47	28.00	71.70	119	122	82.50	123.80
28.01	28.68	72.80	123	127	83.80	125.70
28.69	29.25	73.90	128	132	85.00	127.50
29.26	29.68	74.90	133	136	86.20	129.30
29.69	30.36	76.00	137	141	87.40	131.10
30.37	30.92	77.10	142	146	88.70	133.10
30.93	31.36	78.20	147	150	90.00	135.00

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

"I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1965 Act)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
$31.97	$32.00	$79.20	$151	$155	$91.10	$136.70
32.01	32.60	80.30	156	160	92.40	138.60
32.61	33.20	81.40	161	164	93.70	140.60
33.21	33.88	82.40	165	169	94.80	142.20
33.89	34.50	83.50	170	174	96.10	144.20
34.51	35.00	84.60	175	178	97.30	146.00
35.01	35.80	85.60	179	183	98.50	147.80
35.81	36.40	86.70	184	188	99.80	150.40
36.41	37.08	87.80	189	193	101.00	154.40
37.09	37.60	88.90	194	197	102.30	157.60
37.61	38.20	89.90	198	202	103.40	161.60
38.21	39.12	91.00	203	207	104.70	165.60
39.13	39.68	92.10	208	211	106.00	168.80
39.69	40.33	93.10	212	216	107.10	172.80
40.34	41.12	94.20	217	221	108.40	176.80
41.13	41.76	95.30	222	225	109.60	180.00
41.77	42.44	96.30	226	230	110.80	184.00
42.45	43.20	97.40	231	235	112.10	188.00
43.21	43.76	98.50	236	239	113.30	191.20
43.77	44.44	99.60	240	244	114.60	195.20
44.45	44.88	100.60	245	249	115.70	199.20
44.89	45.60	101.70	250	253	117.00	202.40
		102.80	254	258	118.30	206.40
		103.80	259	263	119.40	210.40
		104.90	264	267	120.70	213.60
		106.00	268	272	121.90	217.60
		107.00	273	277	123.10	221.60
		108.10	278	281	124.40	224.80
		109.20	282	286	125.60	228.80
		110.30	287	291	126.90	232.80
		111.30	292	295	128.00	236.00
		112.40	296	300	129.30	240.00
		113.50	301	305	130.60	244.00
		114.50	306	309	131.70	247.20
		115.60	310	314	133.00	251.20
		116.70	315	319	134.30	255.20
		117.70	320	323	135.40	258.40
		118.80	324	328	136.70	262.40
		119.90	329	333	137.90	266.40
		121.00	334	337	139.20	269.60
		122.00	338	342	140.50	273.60
		123.10	343	347	141.60	277.60
		124.20	348	351	142.90	280.80
		125.20	352	356	144.00	284.80
		126.30	357	361	145.30	288.80
		127.40	362	365	146.60	292.00
		128.40	366	370	147.70	296.00
		129.50	371	375	149.00	300.00
		130.60	376	379	150.20	303.20
		131.70	380	384	151.50	307.20
		132.70	385	389	152.70	311.20
		133.80	390	393	153.90	314.40
		134.90	394	398	155.20	318.40
		135.90	399	403	156.30	322.40
		137.00	404	407	157.60	325.60
		138.00	408	412	158.70	329.60
		139.00	413	417	159.90	333.60
		140.00	418	421	161.00	336.80
		141.00	422	426	162.20	340.80
		142.00	427	431	163.30	344.80
		143.00	432	436	164.50	348.80
		144.00	437	440	165.60	352.00
		145.00	441	445	166.80	356.00
		146.00	446	450	167.90	360.00
		147.00	451	454	169.10	361.60
		148.00	455	459	170.20	363.60
		149.00	460	464	171.40	365.60
		150.00	465	468	172.50	367.20
		151.00	469	473	173.70	369.20
		152.00	474	478	174.80	371.20
		153.00	479	482	176.00	372.80
		154.00	483	487	177.10	374.80
		155.00	488	492	178.30	376.80
		156.00	493	496	179.40	378.40
		157.00	497	501	180.60	380.40
		158.00	502	506	181.70	382.40
		159.00	507	510	182.90	384.00
		160.00	511	515	184.00	386.00
		161.00	516	520	185.20	388.00
		162.00	521	524	186.30	389.60
		163.00	525	529	187.50	391.60
		164.00	530	534	188.60	393.60

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

"I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1965 Act)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
		$166.00	$535	$538	$189.80	$395.20
		166.00	539	543	190.90	397.20
		167.00	544	548	192.10	399.20
		168.00	549	551	193.20	400.40
			552	555	194.00	402.00
			556	559	195.00	403.60
			560	562	196.00	404.80
			563	566	197.00	406.40
			567	569	198.00	407.60
			570	573	199.00	409.20
			574	576	200.00	410.40
			577	580	201.00	412.00
			581	583	202.00	413.20
			584	587	203.00	414.80
			588	591	204.00	416.40
			592	594	205.00	417.60
			595	598	206.00	419.20
			599	601	207.00	420.40
			602	605	208.00	422.00
			606	608	209.00	423.20
			609	612	210.00	424.80
			613	616	211.00	426.40
			617	619	212.00	427.60
			620	623	213.00	429.20
			624	626	214.00	430.40
			627	630	215.00	432.00
			631	633	216.00	433.20
			634	637	217.00	434.80
			638	641	218.00	436.40
			642	644	219.00	437.60
			645	648	220.00	439.20
			649	651	221.00	440.40
			652	655	222.00	442.00
			656	658	223.00	443.20
			659	662	224.00	444.80
			663	665	225.00	446.00
			666	669	226.00	447.60
			670	673	227.00	449.20
			674	676	228.00	450.40
			677	680	229.00	452.00
			681	683	230.00	453.20
			684	687	231.00	454.80
			688	690	232.00	456.00
			691	694	233.00	457.60
			695	698	234.00	459.20
			699	701	235.00	460.40
			702	705	236.00	462.00
			706	709	237.00	463.60
			710	713	238.00	465.20
			714	716	239.00	466.40
			717	720	240.00	468.00
			721	724	241.00	469.60
			725	728	242.00	471.20
			729	732	243.00	472.80
			733	735	244.00	474.00
			736	739	245.00	475.60
			740	743	246.00	477.20
			744	747	247.00	478.80
			748	750	248.00	480.00
			751	754	249.00	481.60
			755	758	250.00	483.20
			759	762	251.00	484.80
			763	766	252.00	486.40
			767	769	253.00	487.60
			770	773	254.00	489.20
			774	777	255.00	490.80
			778	781	256.00	492.40
			782	785	257.00	494.00
			786	788	258.00	495.20
			789	792	259.00	496.80
			793	796	260.00	498.40
			797	800	261.00	500.00
			801	804	262.00	501.60
			805	807	263.00	502.80
			808	811	264.00	504.40
			812	815	265.00	506.00
			816	819	266.00	507.60
			820	823	267.00	509.20
			824	826	268.00	510.40
			827	830	269.00	512.00
			831	834	270.00	513.60

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

"I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1965 Act)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
			$835	$838	$271.00	$515.20
			839	842	272.00	516.80
			843	846	273.00	518.00
			847	849	274.00	519.60
			850	853	275.00	521.20
			854	857	276.00	522.80
			858	861	277.00	524.40
			862	864	278.00	525.60
			865	868	279.00	527.20
			869	872	280.00	528.80
			873	876	281.00	530.40
			877	880	282.00	532.00
			881	883	283.00	533.20
			884	887	284.00	534.80
			888	891	285.00	536.40
			892	895	286.00	538.00
			896	899	287.00	539.60
			900	900	288.00	540.00"

(b) Section 203 (a) of such Act is amended by striking out paragraph (2) and inserting in lieu thereof the following:

"(2) when two or more persons were entitled (without the application of section 202 (j) (1) and section 223 (b)) to monthly benefits under section 202 or 223 for (3)~~the second month following the month in which the Social Security Amendments of 1967 are enacted~~ *the month of March 1968* on the basis of the wages and self-employment income of such insured individual, such total of benefits for such (4)~~second~~ month or any subsequent month shall not be reduced to less than the larger of—

"(A) the amount determined under this subsection without regard to this paragraph, or

"(B) an amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 222 (b), section 202 (q), and subsections (b), (c), and (d) of this section), as in effect prior to (5)~~such second month, for each such person for such second month,~~ *March 1968, for each such person for March 1968,* by (6)~~112.5~~ *115* percent and raising each such increased amount, if it is not a multiple of $0.10, to the next higher multiple of $0.10;

but in any such case (i) paragraph (1) of this subsection shall not be applied to such total of benefits after the application of subparagraph (B), and (ii) if section 202 (k) (2) (A) was applicable in the case of any such benefits for (7)~~such second month,~~ *the month of March 1968,* and ceases to apply after such month, the provisions of subparagraph (B) shall be applied, for and after the month in which section 202 (k) (2) (A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for (8)~~such second month,~~ *March 1968,* or".

(c) (1) Section 215 (b) (4) of such Act is amended to read as follows:

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

"(A) who becomes (9) ~~entitled, in or after the second month following the month in which the Social Security Amendments of 1967 are enacted,~~ *entitled, after February 1968,* to benefits under section 202 (a) or section 223; or

"(B) who dies (10) ~~in or after such second month~~ *after February 1968* without being entitled to benefits under section 202 (a) or section 223; or

"(C) whose primary insurance amount is required to be recomputed under subsection (f) (2)."

(2) Section 215 (b) (5) of such Act is repealed.

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

"Primary Insurance Amount Under 1965 Act

"(c) (1) For the purposes of column II of the table appearing in subsection (a) of this section, an individual's primary insurance amount shall be computed on the basis of the law in effect prior to the enactment of the Social Security Amendments of 1967.

"(2) The provisions of this subsection shall be applicable only in the case of an individual who became entitled to benefits under section 202 (a) or section 223 before the (11) ~~second month following the month in which the~~

~~Social Security Amendments of 1967 are enacted or who died before such second month~~ *month of March 1968 or who died before such month.*"

(e) The amendments made by this section shall apply with respect to monthly benefits under title II of the Social Security Act for (12) ~~and after the second month following the month in which this Act is enacted~~ *months after February 1968* and with respect to lump-sum death payments under such title in the case of deaths occurring (13) ~~in or after such second month~~ *after February 1968.*

(f) If an individual was entitled to a disability insurance benefit under section 223 of the Social Security Act for the month (14) ~~following the month in which this Act enacted~~ *of February 1968* and became entitled to old-age insurance benefits under section 202 (a) of such Act for the (15) ~~second month following the month in which this Act is enacted, or he died in such second month,~~ *month of March 1968, or who died in such month,* then, for purposes of section 215 (a) (4) of the Social Security Act (if applicable) the amount in column IV of the table appearing in such section 215 (a) for such individual shall be the amount in such column on the line on which in column II appears his primary insurance amount (as determined under section 215 (c) of such Act) instead of the amount in column IV equal

to the primary insurance amount on which his disability insurance benefit is based.

INCREASE IN BENEFITS FOR CERTAIN INDIVIDUALS AGE 72 AND OVER

SEC. 102. (a) (1) Section 227 (a) of the Social Security Act is amended by striking out "$35" and inserting in lieu thereof (16) ~~"$40"~~ *"$50"*, and by striking out "$17.50" and inserting in lieu thereof (17) ~~"$20"~~ *"$25"*.

(2) Section 227 (b) of such Act is amended by striking out in the second sentence "$35" and inserting in lieu thereof (18) ~~"$40"~~ *"$50"*.

(b) (1) Section 228 (b) (1) of such Act is amended by striking out "$35" and inserting in lieu thereof (19) ~~"$40"~~ *"$50"*.

(2) Section 228 (b) (2) of such Act is amended by striking out "$35" and inserting in lieu thereof (20) ~~"$40"~~ *"$50"*, and by striking out "$17.50" and inserting in lieu thereof (21) ~~"$20"~~ *"$25"*.

(3) Section 228 (c) (2) of such Act is amended by striking out "$17.50" and inserting in lieu thereof (22) ~~"$20"~~ *"$25"*.

(4) Section 228 (c) (3) (A) of such Act is amended by striking out "$35" and inserting in lieu thereof (23) ~~"$40"~~ *"$50"*.

(5) Section 228 (c) (3) (B) of such Act is amended by

striking out "$17.50" and inserting in lieu thereof (24) ~~"$20"~~ *"$25"*.

(c) The amendments made by subsections (a) and (b) shall apply with respect to monthly benefits under title II of the Social Security Act for (25) ~~and after the second month following the month in which this Act is enacted~~ *months after February 1968.*

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

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

"(2) Except as provided in subsection (q), such wife's insurance benefit for each month shall be equal to whichever of the following is the smaller: (A) one-half of the primary insurance amount of her husband (or, in the case of a divorced wife, her former husband) for such month, or (B) $105."

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

"(3) Except as provided in subsection (q), such husband's insurance benefit for each month shall be equal to whichever of the following is the smaller: (A) one-half of the primary insurance amount of his wife for such month, or (B) $105."

(c) Section 202 (e) (4) of such Act is amended by striking out "50 per centum of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based" and inserting in lieu thereof "whichever of the following is the smaller: (A) one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based, or (B) $105".

(d) Section 202 (f) (5) of such Act is amended by striking out "50 per centum of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based" and inserting in lieu thereof "whichever of the following is the smaller: (A) one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based, or (B) $105".

(e) The amendments made by subsections (a), (b), (c), and (d) shall apply with respect to monthly benefits under title II of the Social Security Act for (26)~~and after the second month following the month in which this Act is enacted~~ *months after February 1968.*

(27)~~BENEFITS TO DISABLED WIDOWS AND WIDOWERS~~

~~SEC. 104. (a) (1) Subparagraph (B) of section 202 (e) (1) of the Social Security Act is amended to read as follows:~~

"(B) (i) has attained age 60, or (ii) has attained age 50 but has not attained age 60 and is under a disability (as defined in section 223(d)) which began before the end of the period specified in paragraph (5),".

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

"(F) if she satisfies subparagraph (B) by reason of clause (i) thereof, the first month in which she becomes so entitled to such insurance benefits, or

"(G) if she satisfies subparagraph (B) by reason of clause (ii) thereof—

"(i) the first month after her waiting period (as defined in paragraph (6)) in which she becomes so entitled to such insurance benefits, or

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

and ending with the month preceding the first month in which any of the following occurs: she remarries, dies, becomes entitled to an old-age insurance benefit equal to or exceeding 82½ percent of the primary insurance amount of such deceased individual, or, if she became entitled to such benefits before she attained age 60, the third month following the month in which her disability ceases (unless she attains age 62 on or before the last day of such third month).''

(3) Section 202(c) of such Act is further amended by adding after paragraph (4) the following new paragraphs:

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

''(A) the month in which occurred the death of the fully insured individual referred to in paragraph (1) on whose wages and self-employment income her benefits are or would be based, or

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

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

and ending with the month before the month in which she attains age 60, or, if earlier, with the close of the eighty-fourth month following the month with which such period began.

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

"(A) throughout which she has been under a disability, and

"(B) which begins not earlier than with whichever of the following is the later: (i) the first day of the eighteenth month before the month in which her application is filed, or (ii) the first day of the sixth month before the month in which the period specified in paragraph (5) begins."

(b)(1) Subparagraph (B) of section 202(f)(1) of such Act is amended to read as follows:

"(B)(i) has attained age 62, or (ii) has attained age 50 but has not attained age 62 and is under a disability (as defined in section 223(d)) which began before the end of the period specified in paragraph (6),".

(2) So much of section 202(f)(1) of such Act as follows subparagraph (E) is amended to read as follows:

"shall be entitled to a widower's insurance benefit for each month, beginning with—

"(F) if he satisfies subparagraph (B) by reason of clause (i) thereof, the first month in which he becomes so entitled to such insurance benefits, or

"(G) if he satisfies subparagraph (B) by reason of clause (ii) thereof—

"(i) the first month after his waiting period (as defined in paragraph (7)) in which he becomes so entitled to such insurance benefits, or

"(ii) the first month during all of which he is under a disability and in which he becomes so entitled to such insurance benefits, but only if he was previously entitled to insurance benefits under this subsection on the basis of being under a disability and such first month occurs (I) in the period specified in paragraph (6) and (II) after the month in which a previous entitlement to such benefits on such basis terminated,

and ending with the month preceding the first month in which any of the following occurs: he remarries, dies, or becomes entitled to an old-age insurance benefit equal to or exceeding 82½ percent of the primary insurance amount of his deceased wife, or the third month following the month

in which his disability ceases (unless he attains age 62 on or before the last day of such third month)."

(3) Section 202(f)(3) of such Act is amended by inserting "subsection (q) and" after "provided in".

(4) Section 202(f) of such Act is further amended by adding after paragraph (5) the following new paragraphs:

"(6) The period referred to in paragraph (1)(B)(ii), in the case of any widower, is the period beginning with whichever of the following is the latest:

"(A) the month in which occurred the death of the fully insured individual referred to in paragraph (1) on whose wages and self-employment income his benefits are or would be based, or

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

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

"(7) The waiting period referred to in paragraph (1)(G), in the case of any widower, is the earliest period of six consecutive calendar months—

"(A) throughout which he has been under a disability, and

"(B) which begins not earlier than with whichever of the following is the later: (i) the first day of the eighteenth month before the month in which his application is filed, or (ii) the first day of the sixth month before the month in which the period specified in paragraph (6) begins."

(c) (1) The heading of section 202 (q) of such Act is amended to read as follows:

"Reduction of Benefit Amounts for Certain Beneficiaries"

(2) So much of section 202 (q) (1) of such Act as precedes subparagraph (A) is amended by striking out "or widow's" and inserting in lieu thereof "widow's, or widower's".

(3) Subparagraph (A) of section 202 (q) (1) of such Act is amended by striking out "or widow's" and inserting in lieu thereof ", widow's, or widower's".

(4) Section 202 (q) (1) of such Act is amended by adding at the end thereof the following:

"A widow's or widower's insurance benefit reduced pursuant to the preceding sentence shall be further reduced by—

"(C) $^{43}/_{198}$ of 1 percent of the amount of such benefit, multiplied by

"(D) (i) the number of months in the additional

reduction period for such benefit (determined under paragraph (6)), if such benefit is for a month before the month in which such individual attains retirement age, or

"(ii) the number of months in the additional adjusted reduction period for such benefit (determined under paragraph (7)), if such benefit is for the month in which such individual attains retirement age or for any month thereafter."

(5) Section 202(q)(3)(A) of such Act is amended—

(A) by striking out "or widow's" each place it appears and inserting in lieu thereof "widow's, or widower's";

(B) by striking out "a widow's" and inserting in lieu thereof "a widow's or widower's"; and

(C) by striking out "60" and inserting in lieu thereof "50".

(6) Section 202(q)(3)(C) of such Act is amended by striking out "or widow's" each time it appears and inserting in lieu thereof "widow's, or widower's".

(7) Section 202(q)(3)(D) of such Act is amended by striking out "or widow's" and inserting in lieu thereof "widow's, or widower's".

(8) Section 202(q)(3)(E) of such Act is amended—

(A) by striking out "(or would, but for subsection (c)(1), be)" and inserting in lieu thereof "(or would, but for subsection (c)(1) in the case of a widow or surviving divorced wife or subsection (f)(1) in the case of a widower, be)";

(B) by striking out "widow's" each place it appears and inserting in lieu thereof "widow's or widower's"; and

(C) by striking out "she" and inserting in lieu thereof "she or he".

(9) Section 202(q)(3)(F) of such Act is amended—

(A) by striking out "(or would, but for subsection (c)(1), be)" and inserting in lieu thereof "(or would, but for subsection (c)(1) in the case of a widow or surviving divorced wife or subsection (f)(1) in the case of a widower, be)";

(B) by striking out "widow's" each place it appears and inserting in lieu thereof "widow's or widower's"; and

(C) by striking out "she" and inserting in lieu thereof "she or he".

(10) Section 202(q)(3)(G) of such Act is amended—

(A) by striking out "(or would, but for subsection (c)(1), be)" and inserting in lieu thereof "(or would, but for subsection (c)(1) in the case of a widow or sur-

viving divorced wife or subsection (f) (1) in the case of a widower, be)";

(B) by striking out "widow's" and inserting in lieu thereof "widow's or widower's"; and

(C) by striking out "he" and inserting in lieu thereof "she or he".

(11) Section 202 (q) (6) of such Act is amended to read as follows:

"(6) For the purposes of this subsection—

"(A) the 'reduction period' for an individual's old-age, wife's, husband's, widow's, or widower's insurance benefit is the period—

"(i) beginning—

"(I) in the case of an old-age or husband's insurance benefit, with the first day of the first month for which such individual is entitled to such benefit, or

"(II) in the case of a wife's insurance benefit, with the first day of the first month for which a certificate described in paragraph (5) (A) (i) is effective, or

"(III) in the case of a widow's or widower's insurance benefit, with the first day of the first month for which such individual is entitled to such benefit or the first day of the month in

which such individual attains age 60, whichever is the later, and

"(ii) ending with the last day of the month before the month in which such individual attains retirement age; and

"(B) the 'additional reduction period' for an individual's widow's or widower's insurance benefit is the period—

"(i) beginning with the first day of the first month for which such individual is entitled to such benefit, but only if such individual has not attained age 60 in such first month, and

"(ii) ending with the last day of the month before the month in which such individual attains age 60."

(12) Section 202(q)(7) of such Act is amended—

(A) by inserting "or 'additional adjusted reduction period'," after "the 'adjusted reduction period',";

(B) by striking out "or widow's" and inserting in lieu thereof "widow's, or widower's";

(C) by inserting "or additional reduction period (as the case may be)," after "the reduction period"; and

(D) by striking out "widow's" in subparagraph (E) and inserting in lieu thereof "widow's or widow-

er's", by striking out "she" each place it appears in such subparagraph and inserting in lieu thereof "she or he", and by striking out "her" in such subparagraph and inserting in lieu thereof "her or his".

(13) Section 202(q)(9) of such Act is amended by striking out "widow's" and inserting in lieu thereof "widow's or widower's".

(d)(1)(A) The third sentence of section 203(c) of such Act is amended by striking out "or any subsequent month" and inserting in lieu thereof "or any subsequent month; nor shall any deduction be made under this subsection from any widow's insurance benefit for any month in which the widow or surviving divorced wife is entitled and has not attained age 62 (but only if she became so entitled prior to attaining age 60), or from any widower's insurance benefit for any month in which the widower is entitled and has not attained age 62".

(B) The third sentence of section 203(f)(1) of such Act is amended by striking out "or (D)" and inserting in lieu thereof the following: "(D) for which such individual is entitled to widow's insurance benefits and has not attained age 62 (but only if she became so entitled prior to attaining age 60) or widower's insurance benefits and has not attained age 62, or (E)".

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

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

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

(3)(A) Section 222(a) of such Act is amended by inserting "widow's insurance benefits, or widower's insurance benefits," after "benefits,".

(B) Section 222(b)(1) of such Act is amended by striking out "child's insurance benefits or if" and inserting in lieu thereof "child's insurance benefits, a widow or surviving divorced wife who has not attained age 60, a widower who has not attained age 62, or".

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

"(C) entitled to widow's insurance benefits under section 202(e) prior to attaining age 60, or

"(D) entitled to widower's insurance benefits under section 202(f) prior to attaining age 62,".

(B) Section 222(d)(1) of such Act is further amended by striking out "who have attained age 18 and are under

~~a disability,"~~ ~~in~~ ~~the~~ ~~first~~ ~~sentence~~ ~~and~~ ~~inserting~~ ~~in~~ ~~lieu~~ ~~thereof~~ ~~the~~ ~~following:~~ ~~"who~~ ~~have~~ ~~attained~~ ~~age~~ ~~18~~ ~~and~~ ~~are~~ ~~under~~ ~~a~~ ~~disability,~~ ~~the~~ ~~benefits~~ ~~under~~ ~~section~~ ~~202(c)~~ ~~for~~ ~~widows~~ ~~and~~ ~~surviving~~ ~~divorced~~ ~~wives~~ ~~who~~ ~~have~~ ~~not~~ ~~attained~~ ~~age~~ ~~60~~ ~~and~~ ~~are~~ ~~under~~ ~~a~~ ~~disability,~~ ~~the~~ ~~benefits~~ ~~under~~ ~~section~~ ~~202(f)~~ ~~for~~ ~~widowers~~ ~~who~~ ~~have~~ ~~not~~ ~~attained~~ ~~age~~ ~~62,".~~

~~(5)(A)~~ ~~The~~ ~~first~~ ~~sentence~~ ~~of~~ ~~section~~ ~~225~~ ~~of~~ ~~such~~ ~~Act~~ ~~is~~ ~~amended~~ ~~by~~ ~~inserting~~ ~~after~~ ~~"under~~ ~~section~~ ~~202(d),"~~ ~~the~~ ~~following:~~ ~~"or~~ ~~that~~ ~~a~~ ~~widow~~ ~~or~~ ~~surviving~~ ~~divorced~~ ~~wife~~ ~~who~~ ~~has~~ ~~not~~ ~~attained~~ ~~age~~ ~~60~~ ~~and~~ ~~is~~ ~~entitled~~ ~~to~~ ~~benefits~~ ~~under~~ ~~section~~ ~~202(e),~~ ~~or~~ ~~that~~ ~~a~~ ~~widower~~ ~~who~~ ~~has~~ ~~not~~ ~~attained~~ ~~age~~ ~~62~~ ~~and~~ ~~is~~ ~~entitled~~ ~~to~~ ~~benefits~~ ~~under~~ ~~section~~ ~~202(f),".~~

~~(B)~~ ~~The~~ ~~first~~ ~~sentence~~ ~~of~~ ~~section~~ ~~225~~ ~~of~~ ~~such~~ ~~Act~~ ~~is~~ ~~further~~ ~~amended~~ ~~by~~ ~~striking~~ ~~out~~ ~~"223~~ ~~or~~ ~~202(d)"~~ ~~and~~ ~~inserting~~ ~~in~~ ~~lieu~~ ~~thereof~~ ~~"202(d),~~ ~~202(e),~~ ~~202(f),~~ ~~or~~ ~~223".~~

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

BENEFITS FOR DISABLED WIDOWS AND WIDOWERS

SEC. 104. (a)(1) Subparagraph (B) of section 202 (e)(1) of the Social Security Act is amended to read as follows:

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

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

"(F) if she satisfies subparagraph (B) solely by reason of clause (i) thereof, the first month in which she becomes so entitled to such insurance benefits, or

"(G) if she satisfied subparagraph (B) by reason of clause (ii) thereof—

"(i) the first month after her waiting period (as defined in paragraph (6)) in which she becomes so entitled to such insurance benefits, or

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

and ending with the month preceding the first month in which

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

(3) Section 202(e) of such Act is further amended by adding after paragraph (4) the following new paragraphs:

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

"*(A) the month in which occurred the death of the fully insured individual referred to in paragraph (1) on whose wages and self-employment income her benefits are or would be based, or*

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

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

and ending with the month before the month in which she attains age 62, or, if earlier, with the close of the eighty-

fourth month following the month with which such period began.

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

"(A) throughout which she has been under a disability, and

"(B) which begins not earlier than with whichever of the following is the later: (i) the first day of the eighteenth month before the month in which her application is filed, or (ii) the first day of the sixth month before the month in which the period specified in paragraph (5) begins.

"(7) A widow or surviving divorced wife entitled to benefits under this section shall be deemed to be so entitled on the basis of being under a disability for any month in which she—

"(A) has not attained age 62, and

"(B) is under a disability (as defined in section 223(d)) which began before the expiration of the period in paragraph (5),

but only if—

"(C) in the 6 calendar months preceding such month she was also under a disability (as so defined), or

"(D) such period, for purposes of subparagraph (B) of this paragraph, begins as of the month specified in subparagraph (C) of paragraph (5)."

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

"(E) A widow's insurance benefit which has been reduced as provided in paragraph (1), for a month for which she is entitled to benefits on the basis of being under a disability and which occurs before the month in which she attains age 62, shall be reduced for such month and subsequent months by the amount (if any) such widow's insurance benefit would be reduced under such paragraph had such individual attained age 62 in the first month for which she was entitled to such benefits on the basis of being under such disability."

(b)(1) Subparagraph (B) of section 202(f)(1) of such Act is amended to read as follows:

"(B)(i) has attained age 62, or (ii) is under a disability (as defined in section 223(d)) which began before the end of the period specified in paragraph (6),".

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

"(F) if he satisfies subparagraph (B) solely by

reason of clause (i) thereof, the first month in which he becomes so entitled to such insurance benefits, or

"(G) if he satisfies subparagraph (B) by reason of clause (ii) thereof—

"(i) the first month after his waiting period (as defined in paragraph (7)) in which he becomes so entitled to such insurance benefits, or

"(ii) the first month during all of which he is under a disability and in which he becomes so entitled to such insurance benefits, but only if he was previously entitled to insurance benefits under this subsection on the basis of being under a disability and such first month occurs (I) in the period specified in paragraph (6) and (II) after the month in which his previous entitlement to such benefits on such basis terminated,

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

(3) Section 202(f) of such Act is further amended by adding after paragraph (5) the following new paragraphs:

"(6) The period referred to in paragraph (1)(B)(ii), in the case of any widower, is the period beginning with whichever of the following is the latest:

"(A) the month in which occurred the death of the fully insured individual referred to in paragraph (1) on whose wages and self-employment income his benefits are or would be based, or

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

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

"(7) The waiting period referred to in paragraph (1), in the case of any widower, is the earliest period of six consecutive calendar months—

"(A) throughout which he has been under a disability, and

"(B) which begins not earlier than with whichever of the following is the later; (i) the first day of the eighteenth month before the month in which his application is filed, or (ii) the first day of the sixth month before the month in which the period specified in paragraph (6) begins.

"(8) A widower entitled to benefits under this section shall be deemed to be so entitled on the basis of being under a disability for any month in which he—

"(A) has not attained age 62, and

"(B) is under a disability (as defined in section 223(d)) which began before the expiration of the period in paragraph (6),

but only if—

"(C) in the six calendar months preceding such month he was also under a disability (as so defined).

or

"(D) such period for purposes of subparagraph (B) of this paragraph begins as of the month specified in subparagraph (B) of paragraph (6)."

(c)(1)(A) The third sentence of section 203(c) of such Act is amended by striking out "or any subsequent month" and inserting in lieu thereof "or any subsequent month; nor shall any deduction be made under this subsection from any widow's insurance benefit for any month in which the widow or surviving divorced wife is entitled, or from any widower's insurance benefit for any month in which the widower is entitled, to such benefit on the basis of being under a disability".

(B) The third sentence of section 203(f)(1) of such Act is amended by striking out "or (D)" and inserting in

lieu thereof the following: "(D) for which such individual is entitled to widow's insurance benefits or widower's insurance benefits on the basis of being under a disability, or (E)".

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

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

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

(3)(A) Section 222(a) of such Act is amended by inserting "individuals who are entitled to widow's insurance benefits or widower's insurance benefits on the basis of being under a disability," after "determination of disability,".

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

(4)(A) Section 222(c)(1) of such Act is amended by striking out "or 202(d)" and inserting in lieu thereof ", 202 (d), 202(e), or 202(f)".

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

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

"(C) entitled to widow's insurance benefits under section 202(e) on the basis of being under a disability prior to attaining age 62, or

"(D) entitled to widower's insurance benefits under

section 202(f) on the basis of being under a disability prior to attaining age 62,".

(B) Section 222(d)(1) of such Act is further amended by striking out "who have attained age 18 and are under a disability," in the first sentence and inserting in lieu thereof the following: "who have attained age 18 and are under a disability, the benefits under section 202(e) for widows and surviving divorced wives who have not attained age 62 and are under a disability, the benefits under section 202(f) for widowers who have not attained age 62 and are under a disability,".

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

(B) The first sentence of section 225 of such Act is further amended by striking out "223 or 202(d)" and inserting in lieu thereof "202(d), 202(e), 202(f), or 223".

(d) The amendments made by this section shall apply with respect to monthly insurance benefits under title II of the Social Security Act for months after February 1968,

but only on the basis of applications for such benefits filed in or after the month in which this Act is enacted.

(28) *REDUCED BENEFITS AT AGE 60*

SEC. 105. (a)(1) Paragraph (2) of subsection (a) of section 202 of the Social Security Act is amended by striking out "62" and inserting in lieu thereof "60".

(2) Paragraph (1) of subsection (b) of such section 202 is amended by striking out "62" wherever it appears therein and inserting in lieu thereof "60".

(3) Paragraphs (1) and (2) of subsection (c) of such section 202 are each amended by striking out "62" wherever it appears therein and inserting in lieu thereof "60".

(4)(A) Paragraph (1)(B) (as amended by section 104(b) of this Act) and paragraph (2) of subsection (f) of such section 202 are each amended by striking out "62" wherever it appears therein and inserting in lieu thereof "60".

(B) Paragraph (1)(C) of subsection (f) of such section is amended by striking out "or was entitled" and inserting in lieu thereof "or was entitled, after attainment of age 62,".

(C) Paragraph (3) of subsection (f) of such section is amended by inserting "subsection (q) and" after "Except as provided in".

(D) Paragraph (5) of subsection (f) of such section

is amended by striking out "62" and inserting in lieu thereof "60".

(5)(A) Paragraph (1)(A) of subsection (h) of such section 202 is amended by striking out "62" and inserting in lieu thereof "60".

(B) Paragraph (2)(A) of such subsection (h) of such section is amended by inserting "subsection (q) and" after "Except as provided in".

(C) Paragraph (2)(B) of such subsection (h) of such section is amended by inserting "subsection (q) and" after "except as provided in".

(D) Paragraph (2)(C) of such subsection (h) is amended by—

(i) striking out "shall be equal" and inserting in lieu thereof "shall, except as provided in subsection (q) be equal"; and

(ii) inserting "and section 202(q)" after "section 203(a)".

(b)(1) The heading of section 202(q) is amended to read as follows:

"REDUCTION OF BENEFIT AMOUNTS FOR CERTAIN BENEFICIARIES"

(2) Paragraph (1) of such subsection (q) is amended by striking out "or widows" each time it appears and inserting in lieu thereof ", widow's, widower's, or parent's".

(3)(A) Paragraph (3)(A) of such subsection (q) is amended (i) by striking out (each place it appears therein) "or widow's" and inserting in lieu thereof ", widow's, widower's or parent's" and (ii) by deleting "62 (in case of a wife's or husband's insurance benefit) or age 60 (in the case of a widow's insurance benefit)" and inserting in lieu thereof "60".

(B) Paragraph (3)(B) of such subsection (q) is amended by striking out "or husband's" (each place it appears therein) and inserting in lieu thereof ", husband's, widow's, widower's, or parent's".

(C) Paragraph (3)(C) of such subsection (q) is amended by striking out "or widow's" (each place it appears therein) and inserting in lieu thereof "widow's, widower's, or parent's".

(D) Paragraph (3)(D) of such subsection (q) is amended by striking out "or widow's" and inserting in lieu thereof "widow's, widower's, or parent's".

(E) Paragraph (3)(E) of such subsection (q) is amended (i) by striking out "(or would, but for subsection (e)(1), be) entitled to a widow's insurance benefit to which such individual was first entitled for a month before she" and inserting in lieu thereof "(or would, but for subsection (e)(1), (f)(1), or (h)(1), be) entitled to a widow's, widower's, or parent's insurance benefit to which such indi-

vidual was first entitled for a month before such individual", (ii) by striking out "the amount by which such widow's insurance benefit" and inserting in lieu thereof "the amount by which such widow's, widower's, or parent's insurance benefit", and (iii) by striking out "over such widow's insurance benefit" and inserting in lieu thereof "over such widow's, widower's, or parent's insurance benefit".

(F) Paragraph (3)(F) of such subsection (q) is amended (i) by striking out "(or would, but for subsection (e)(1), be) entitled to a widow's insurance benefit to which such individual was first entitled for a month before she" and inserting in lieu thereof "(or would, but for subsection (e)(1), (f)(1), or (h)(1) be) entitled to a widow's, widower's, or parent's insurance benefit to which such individual was first entitled for a month before such individual", (ii) by striking out "the amount by which such widow's insurance benefit" and inserting in lieu thereof "the amount by which such widow's, widower's, or parent's insurance benefit", and (iii) by striking out "over such widow's insurance benefit" and inserting in lieu thereof "over such widow's, widower's, or parent's insurance benefit".

(G) Paragraph (3)(G) of such subsection (q) is amended (i) by striking out "(or would, but for subsection (e)(1), be) entitled to a widow's insurance benefit" and

inserting in lieu thereof "(or would, but for subsection (e)(1), (f)(1), or (h)(1), be) entitled to a widow's, widower's, or parent's insurance benefit", and (ii) by striking out "the amount such widow's insurance benefit" and inserting in lieu thereof "the amount such widow's, widower's, or parent's insurance benefit".

(4) Paragraph (5)(B) of such subsection (q) is amended by striking out "62" and inserting in lieu thereof "60".

(5) Paragraph (6) of such subsection (q) is amended by striking out "or widow's" (each place it appears therein) and inserting in lieu thereof "widow's, widower's, or parent's"; and

(6) Paragraph (7) of such subsection (q) is amended—

(A) by striking out "or widow's" and inserting in lieu thereof "widow's, widower's, or parent's"; and

(B) by striking out, in subparagraph (E), "widow's" and inserting in lieu thereof "widow's, widower's, or parent's".

(7) Paragraph (9) of such subsection (q) is amended by striking out "widow's insurance benefit" and inserting in lieu thereof "widow's, widower's, or parent's insurance benefit".

(c) Section 202(r)(1) of such Act is amended by striking out "or husband's" (each place it appears therein) and

inserting in lieu thereof ", husband's, widow's, widower's, or parent's".

(d) Subsection (a) of section 214 of such Act is amended by striking out subparagraph (A), by redesignating subparagraphs (B) and (C) as subparagraphs (C) and (D), respectively, and by inserting the following new subparagraphs (A) and (B):

"(A) in the case of a woman who has died, the year in which she died or (if earlier) the year in which she attained age 62,

"(B) in the case of a woman who has not died, the year in which she attained (or would attain) age 62,".

(e)(1) Subsection (b)(3) of section 215 of such Act is amended by striking out subparagraph (A), by redesignating subparagraph (B) and (C) as subparagraph (C) and (D) respectively, and by inserting the following new subparagraphs (A) and (B):

"(A) in the case of a woman who has died, the year in which she died or, if it occurred earlier but after 1960, the year in which she attained age 62,

"(B) in the case of a woman who has not died, the year occurring after 1960 in which she attained (or would attain) age 62,".

(2) Paragraph (5) of section 215(f) of such Act (as

added by section 155(a)(6) of this Act) is further amended by (A) inserting after "attained age 65," the following: "or in the case of a woman who became entitled to such benefits and died before the month in which she attained age 62,"; (B) striking out "his" each place it appears therein and inserting in lieu thereof "his or her"; and (C) striking out "he" each place after the first place it appears therein and inserting in lieu thereof "he or she".

(f)(1) Subsection (b)(3)(A) of section 216 of such Act is amended by striking out "62" and inserting in lieu thereof "60".

(2) Subsection (c)(6)(A) of such section 216 is amended by striking out "62" and inserting in lieu thereof "60".

(3) Subsection (f)(3)(A) of such section 216 is amended by striking out "62" and inserting in lieu thereof "60".

(4) Subsection (g)(6)(A) of such section 216 is amended by striking out "62" and inserting in lieu thereof "60".

(g)(1) Paragraph (5)(A) of subsection (q) of section 202 of such Act is amended by striking out "No wife's insurance benefit" and inserting in lieu thereof "No wife's insurance benefit to which a wife is entitled".

(2) Paragraph (5)(C) of such subsection is amended by striking out "woman" and inserting in lieu thereof "wife".

(3) Paragraph (6)(A)(ii) of such subsection is amended (A) by striking out "wife's insurance benefit" and inserting in lieu thereof "wife's insurance benefit to which a wife is entitled", and (B) by striking out "and" at the end and inserting in lieu thereof the following: "or in the case of a wife's insurance benefit to which a divorced wife is entitled, with the first day of the first month for which such individual is entitled to such benefit, and".

(4) Paragraph (7)(B) of such subsection is amended by striking out "wife's insurance benefits" and inserting in lieu thereof "wife's insurance benefits to which a wife is entitled".

(h) Section 224(a) of such Act is amended by striking out "62" and inserting in lieu thereof "60".

(i) Paragraph (5)(E) of section 202(q) of such Act (as added thereto by section 104(a)(5) of this Act) is further amended by—

(1) striking out "A widow's" and inserting in lieu thereof "A widow's or widower's";

(2) striking out "she" (each place it appears therein) and inserting in lieu thereof "she or he"; and

(3) striking out "such widow's" and inserting in lieu thereof "such widow's or widower's".

(j) The amendments made by this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after November 1968, but only on the basis of applications for such benefits filed after August 31, 1968.

INSURED STATUS FOR YOUNGER DISABLED WORKERS

SEC. (29)~~105~~ *106.* (a) Subparagraph (B) (ii) of section 216(i) (3) of the Social Security Act is amended by striking out "and he is under a disability by reason of blindness (as defined in paragraph (1))".

(b) Subparagraph (B) (ii) of section 223(c) (1) of such Act is amended by striking out "before he attains" and inserting in lieu thereof "before the quarter in which he attains", and by striking out "and he is under a disability by reason of blindness (as defined in section 216(i) (1))".

(c) The amendment made by subsection (a) shall apply only with respect to applications for disability determinations filed under section 216(i) of the Social Security Act in or after the month in which this Act is enacted. The amendments made by subsection (b) shall apply with **respect to monthly benefits under title II of such Act for** (30)~~and after the second month following the month in which this Act is enacted,~~ *months after February 1968* but only

on the basis of applications for such benefits filed in or after the month in which this Act is enacted.

BENEFITS IN CASE OF MEMBERS OF THE UNIFORMED SERVICES

SEC. ~~(31)106~~ *107*. Title II of the Social Security Act is amended by adding at the end thereof the following new section:

"BENEFITS IN CASE OF MEMBERS OF THE UNIFORMED SERVICES

"SEC. 229. (a) For purposes of determining entitlement to and the amount of any monthly benefit for any month after December 1967, or entitlement to and the amount of any lump-sum death payment in case of a death after such month, payable under this title on the basis of the wages and self-employment income of any individual, and for purposes of section 216(i)(3), such individual shall be deemed to have been paid, in each calendar quarter occurring after 1967 in which he was paid wages for service as a member of a uniformed service (as defined in section 210(m)) which was included in the term 'employment' as defined in section 210(a) as a result of the provisions of section 210(l), wages (in addition to the wages actually paid to him for such service) of—

"(1) $100 if the wages actually paid to him in such quarter for such services were $100 or less,

"(2) $200 if the wages actually paid to him in such quarter for such services were more than $100 but not more than $200, or

"(3) $300 in any other case.

"(b) There are authorized to be appropriated to the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, and the Federal Hospital Insurance Trust Fund annually, as benefits under this title and part A of title XVIII are paid after December 1967, such sums as the Secretary determines to be necessary to meet (1) the additional costs, resulting from subsection (a), of such benefits (including lump-sum death payments), (2) the additional administrative expenses resulting therefrom, and (3) any loss in interest to such trust funds resulting from the payment of such amounts. Such additional costs shall be determined after any increases in such benefits arising from the application of section 217 have been made."

LIBERALIZATION OF EARNINGS TEST

SEC. ~~(32)107~~ *108.* (a) (1) *(A)* Paragraphs (1), (3), and (4) (B) of section 203 (f) of the Social Security Act are each amended by striking out "$125" and inserting in lieu thereof ~~(33)"$140"~~ *"$200"*.

(2) Paragraph (1) (A) of section 203 (h) of such Act is amended by striking out "$125" and inserting in lieu thereof ~~(34)"$140"~~ *"$200"*.

(b) The amendments made by (35)~~subsection (a)~~ *paragraph (1)* shall apply with respect to taxable years ending after December 1967.

~~(36) INCREASE OF EARNINGS COUNTED FOR BENEFIT AND TAX PURPOSES~~

~~SEC. 108. (a) (1) (A) Section 209 (a) (4) of the Social Security Act is amended by inserting "and prior to 1968" after "1965".~~

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

~~"(5) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $7,600 with respect to employment has been paid to an individual during any calendar year after 1967, is paid to such individual during such calendar year;".~~

~~(2) (A) Section 211 (b) (1) (D) of such Act is amended by inserting "and prior to 1968" after "1965", and by striking out "; or" and inserting in lieu thereof "; and".~~

~~(B) Section 211 (b) (1) of such Act is further amended by adding at the end thereof the following new subparagraph:~~

~~"(E) For any taxable year ending after 1967,~~

~~(i) $7,600, minus (ii) the amount of the wages paid to such individual during the taxable year; or".~~

(3) (A) Section 213 (a) (2) (ii) of such Act is amended by striking out "after 1965" and inserting in lieu thereof "after 1965 and before 1968, or $7,600 in the case of a calendar year after 1967".

(B) Section 213 (a) (2) (iii) of such Act is amended by striking out "after 1965" and inserting in lieu thereof "after 1965 and before 1968, or $7,600 in the case of a taxable year ending after 1967".

(4) Section 215 (c) (1) of such Act is amended by striking out "and the excess over $6,600 in the case of any calendar year after 1965" and inserting in lieu thereof "the excess over $6,600 in the case of any calendar year after 1965 and before 1968, and the excess over $7,600 in the case of any calendar year after 1967".

(b) (1) (A) Section 1402 (b) (1) (D) of the Internal Revenue Code of 1954 (relating to definition of self-employment income) is amended by inserting "and before 1968" after "1965", and by striking out "; or" and inserting in lieu thereof "; and".

(B) Section 1402 (b) (1) of such Code is further amended by adding at the end thereof the following new subparagraph:

"(E) for any taxable year ending after 1967, (i) $7,600, minus (ii) the amount of the wages paid to such individual during the taxable year; or".

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

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

(4) Section 3125 of such Code (relating to returns in the case of governmental employees in Guam, American Samoa, and the District of Columbia) is amended by striking out "$6,600" each place it appears and inserting in lieu thereof "$7,600".

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

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

(B) by inserting after "exceed $6,600," the following: "or (D) during any calendar year after the calendar year 1967, the wages received by him during such year exceed $7,600,"; and

(C) by inserting before the period at the end thereof the following: "and before 1968, or which exceeds the tax with respect to the first $7,600 of such wages received in such calendar year after 1967".

(6) Section 6413(c)(2)(A) of such Code (relating

~~to refunds of employment taxes in the case of Federal employees) is amended by striking out "or $6,600 for any calendar year after 1965" and inserting in lieu thereof "$6,600 for the calendar year 1966 or 1967, or $7,600 for any calendar year after 1967".~~

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

(36) *INCREASE OF EARNINGS COUNTED FOR BENEFIT AND TAX PURPOSES*

SEC. 109. (a)(1)(A) Section 209(a)(4) of the Social Security Act is amended by inserting "and prior to 1968" after "1965".

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

"(5) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $8,000 with respect to employment has been paid to an individual during the

calendar year 1968, is paid to such individual during such calendar year;

"(6) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $8,800 with respect to employment has been paid to an individual during any calendar year after 1968 and prior to 1972, is paid such individual during any such calendar year;

"(7) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $10,800 with respect to employment has been paid to an individual during any calendar year after 1971, is paid to such individual during such calendar year;".

(2)(A) Section 211(b)(1)(D) of such Act is amended by inserting "and prior to 1968" after "1965", by striking out "; or" and inserting in lieu thereof "; and".

(B) Section 211(b)(1) of such Act is further amended by adding at the end thereof the following new subparagraphs:

"(E) for any taxable year ending after 1967 and prior to 1969, (i) $8,000 minus (ii) the amount of wages paid to such individual during the taxable year;

"(F) for any taxable year ending after 1968 and

prior to 1972, (i) $8,800 minus (ii) the amount of the wages paid to such individual during the taxable year; and

"(G) for any taxable year ending after 1971, (i) $10,800, minus (ii) the amount of the wages paid to such individual during the taxable year; or".

(3)(A) Section 213(a)(2)(ii) of such Act is amended by striking out "after 1965" and inserting in lieu thereof "after 1965 and before 1968, or $8,000 in the case of calendar year 1968, or $8,800 in the case of a calendar year after 1968 and before 1972, or $10,800 in the case of a calendar year after 1971".

(B) Section 213(a)(2)(iii) of such Act is amended by striking out "after 1965" and inserting in lieu thereof "after 1965 and prior to 1968, or $8,000 in the case of a taxable year ending after 1967 and prior to 1969, or $8,800 in the case of a taxable year ending after 1968 and prior to 1972, or $10,800 in the case of a taxable year ending after 1971".

(4) Section 215(e)(1) of such Act is amended by striking out "and the excess over $6,600 in the case of any calendar year after 1965" and inserting in lieu thereof "the excess over $6,600 in the case of any calendar year after 1965 and before 1968, the excess over $8,000 in the case of calendar year 1968, the excess over $8,800 in the case of any

calendar year after 1968 and before 1972, and the excess over $10,800 in the case of any calendar year after 1971".

(b)(1)(A) Section 1402(b)(1)(D) of the Internal Revenue Code of 1954 (relating to definition of self-employment income) is amended by inserting "and before 1968" after "1965", and by striking out "; or" and inserting in lieu thereof "; and".

(B) Section 1402(b)(1) of such Code is further amended by adding at the end thereof the following new subparagraphs:

"(E) for any taxable year ending after 1967 and before 1969, (i) $8,000 minus (ii) the amount of the wages paid to such individual during the taxable year; and

"(F) for any taxable year ending after 1968 and before 1972, (i) $8,800 minus (ii) the amount of the wages paid to such individual during the taxable year; and

"(G) for any taxable year ending after 1971, (i) $10,800 minus (ii) the amount of the wages paid to such individual during the taxable year; or".

(2)(A) Section 3121(a)(1) of such Code (relating to definition of wages) is amended by striking out "$6,600", each place it appears and inserting in lieu thereof "$8,000".

(B) Effective with remuneration paid after 1968, section 3121(a)(1) of such Code is amended by striking out "$8,000" each place it appears therein and inserting in lieu thereof "$8,800".

(C) Effective with remuneration paid after 1971, section 3121(a)(1) of such Code is amended by striking out "$8,800" each place it appears and inserting in lieu thereof "$10,800".

(3)(A) The second sentence of section 3122 of such Code (relating to Federal service) is amended by striking out "$6,600" and inserting in lieu thereof "$8,000".

(B) Effective with remuneration paid after 1968, the second sentence of section 3122 of such Code is amended by striking out "$8,000" and inserting in lieu thereof "$8,800".

(C) Effective with remuneration paid after 1971, the second sentence of section 3122 of such Code is amended by striking out "$8,800" and inserting in lieu thereof "$10,800".

(4)(A) Section 3125 of such Code (relating to returns in the case of governmental employees in Guam, American Samoa, and the District of Columbia) is amended by striking out "$6,600" where it appears in subsections (a), (b), and (c) and inserting in lieu thereof "$8,000".

(B) Effective with remuneration paid after 1968, section 3125 of such Code is amended by striking out "$8,000"

each place it appears in subsection (a), (b), and (c) and inserting in lieu thereof "$8,800".

(C) Effective with remuneration paid after 1971, section 3125 of such Code is amended by striking out "$8,800" where it appears in subsections (a), (b), and (c) and inserting in lieu thereof "$10,800".

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

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

(B) by inserting after "exceed $6,600," the following: "or (D) during the calendar year 1968, the wages received by him during such year exceed $8,000, or (E) during any calendar year after calendar year 1968 and prior to the calendar year 1972, the wages received by him during such year exceed $8,800, or (F) during any calendar year after the calendar year 1971, the wages received by him during such year exceed $10,800," and

(C) by inserting before the period at the end thereof the following: "and before 1968, or which exceeds the tax with respect to the first $8,000 of such wages received in the calendar year 1968, or which exceeds the tax with respect to the first $8,800 of such wages received in such

calendar year after 1968 and before 1972, or which exceeds the tax with respect to the first $10,800 after 1971".

(6) Section 6413(c)(2)(A) of such Code (relating to refunds of employment taxes in the case of Federal employees) is amended by striking out "or $6,600 for any calendar year after 1965" and inserting in lieu thereof "$6,600 for the calendar year 1966 or 1967, or $8,000 for the calendar year 1968, or $8,800 for the calendar year 1969, 1970, or 1971, or $10,800 for any calendar year after 1971."

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

(37) ~~CHANGES IN TAX SCHEDULES~~

~~SEC. 109. (a) (1) Section 1401(a) of the Internal Revenue Code of 1954 (relating to rate of tax on self-employment income for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs~~

~~(1), (2), (3), and (4) and inserting in lieu thereof the following:~~

~~"(1) in the case of any taxable year beginning after December 31, 1966, and before January 1, 1969, the tax shall be equal to 5.9 percent of the amount of the self-employment income for such taxable year;~~

~~"(2) in the case of any taxable year beginning after December 31, 1968, and before January 1, 1971, the tax shall be equal to 6.3 percent of the amount of the self-employment income for such taxable year;~~

~~"(3) in the case of any taxable year beginning after December 31, 1970, and before January 1, 1973, the tax shall be equal to 6.9 percent of the amount of the self-employment income for such taxable year; and~~

~~"(4) in the case of any taxable year beginning after December 31, 1972, the tax shall be equal to 7.0 percent of the amount of the self-employment income for such taxable year."~~

~~(2) Section 3101(a) of such Code (relating to rate of tax on employees for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1), (2), (3), and (4) and inserting in lieu thereof the following:~~

~~"(1) with respect to wages received during the cal-~~

endar years 1967 and 1968, the rate shall be 3.9 percent;

"(2) with respect to wages received during the calendar years 1969 and 1970, the rate shall be 4.2 percent;

"(3) with respect to wages received during the calendar years 1971 and 1972, the rate shall be 4.6 percent; and

"(4) with respect to wages received after December 31, 1972, the rate shall be 5.0 percent."

(3) Section 3111(a) of such Code (relating to rate of tax on employers for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1), (2), (3), and (4) and inserting in lieu thereof the following:

"(1) with respect to wages paid during the calendar years 1967 and 1968, the rate shall be 3.9 percent;

"(2) with respect to wages paid during the calendar years 1969 and 1970, the rate shall be 4.2 percent;

"(3) with respect to wages paid during the calendar years 1971 and 1972, the rate shall be 4.6 percent; and

"(4) with respect to wages paid after December 31, 1972, the rate shall be 5.0 percent."

(b)(1) Section 1401(b) of such Code (relating to rate of tax on self-employment income for purposes of hospital insurance) is amended by striking out paragraphs (1) through (6) and inserting in lieu thereof the following:

"(1) in the case of any taxable year beginning after December 31, 1966, and before January 1, 1969, the tax shall be equal to 0.50 percent of the amount of the self-employment income for such taxable year;

"(2) in the case of any taxable year beginning after December 31, 1968, and before January 1, 1973, the tax shall be equal to 0.60 percent of the amount of the self-employment income for such taxable year;

"(3) in the case of any taxable year beginning after December 31, 1972, and before January 1, 1976, the tax shall be equal to 0.65 percent of the amount of the self-employment income for such taxable year;

"(4) in the case of any taxable year beginning after December 31, 1975, and before January 1, 1980, the tax shall be equal to 0.70 percent of the amount of the self-employment income for such taxable year;

"(5) in the case of any taxable year beginning after December 31, 1979, and before January 1, 1987,

the tax shall be equal to 0.80 percent of the amount of the self-employment income for such taxable year; and

"(6) in the case of any taxable year beginning after December 31, 1986, the tax shall be equal to 0.90 percent of the amount of the self-employment income for such taxable year."

(2) Section 3101(b) of such Code (relating to rate of tax on employees for purposes of hospital insurance) is amended by striking out paragraphs (1) through (6) and inserting in lieu thereof the following:

"(1) with respect to wages received during the calendar years 1967 and 1968, the rate shall be 0.50 percent;

"(2) with respect to wages received during the calendar years 1969, 1970, 1971, and 1972, the rate shall be 0.60 percent;

"(3) with respect to wages received during the calendar years 1973, 1974, and 1975, the rate shall be 0.65 percent;

"(4) with respect to wages received during the calendar years 1976, 1977, 1978, and 1979, the rate shall be 0.70 percent;

"(5) with respect to wages received during the calendar years 1980, 1981, 1982, 1983, 1984, 1985, and 1986, the rate shall be 0.80 percent; and

"(6) with respect to wages received after December 31, 1986, the rate shall be 0.90 percent."

(3) Section 3111(b) of such Code (relating to rate of tax on employers for purposes of hospital insurance) is amended by striking out paragraphs (1) through (6) and inserting in lieu thereof the following:

"(1) with respect to wages paid during the calendar years 1967 and 1968, the rate shall be 0.50 percent;

"(2) with respect to wages paid during the calendar years 1969, 1970, 1971, and 1972, the rate shall be 0.60 percent;

"(3) with respect to wages paid during the calendar years 1973, 1974, and 1975, the rate shall be 0.65 percent;

"(4) with respect to wages paid during the calendar years 1976, 1977, 1978, and 1979, the rate shall be 0.70 percent;

"(5) with respect to wages paid during the calendar years 1980, 1981, 1982, 1983, 1984, 1985, and 1986, the rate shall be 0.80 percent; and

"(6) with respect to wages paid after December 31, 1986, the rate shall be 0.90 percent."

(c) The amendments made by subsections (a) (1)

~~and (b)(1) shall apply only with respect to taxable years beginning after December 31, 1967. The remaining amendments made by this section shall apply only with respect to remuneration paid after December 31, 1967.~~

CHANGES IN TAX SCHEDULES

SEC. 110. (a)(1) Section 1401(a) of the Internal Revenue Code of 1954 (relating to rate of tax on self-employment income for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1), (2), (3), and (4) and inserting in lieu thereof the following:

"(1) in the case of any taxable year beginning after December 31, 1967, and before January 1, 1969, the tax shall be equal to 5.8 percent of the amount of the self-employment income for such taxable year;

"(2) in the case of any taxable year beginning after December 31, 1968, and before January 1, 1971, the tax shall be equal to 6.3 percent of the amount of the self-employment income for such taxable year;

"(3) in the case of any taxable year beginning after December 31, 1970, and before January 1, 1973, the tax shall be equal to 6.9 percent of the amount of the self-employment income for such taxable year; and

"(4) in the case of any taxable year beginning after December 31, 1972, the tax shall be equal to 7.0

percent of the amount of the self-employment income for such taxable year."

(2) Section 3101(a) of such Code (relating to rate of tax on employees for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1), (2), (3), and (4) and inserting in lieu thereof the following:

"(1) with respect to wages received during the calendar year 1968, the rate shall be 3.8 percent;

"(2) with respect to wages received during the calendar years 1969 and 1970, the rate shall be 4.2 percent;

"(3) with respect to wages received during the calendar years 1971 and 1972, the rate shall be 4.6 percent;

"(4) with respect to wages received during the calendar years 1973, 1974, and 1975, the rate shall be 5.0 percent; and

"(5) with respect to wages received after December 31, 1975, the rate shall be 5.05 percent."

(3) Section 3111(a) of such Code (relating to rate of tax on employers for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1), (2), (3), and (4) and inserting in lieu thereof the following:

"(1) with respect to wages paid during the calendar year 1968, the rate shall be 3.8 percent;

"(2) with respect to wages paid during the calendar years 1969 and 1970, the rate shall be 4.2 percent;

"(3) with respect to wages paid during the calendar years 1971 and 1972, the rate shall be 4.6 percent; and

"(4) with respect to wages paid during the calendar years 1973, 1974, and 1975, the rate shall be 5.0 percent; and

"(5) with respect to wages paid after December 31, 1975, the rate shall be 5.05 percent."

(b)(1) Section 1401(b) of such Code (relating to rate of tax on self-employment income for purposes of hospital insurance) is amended by striking out paragraphs (1) through (6) and inserting in lieu thereof the following:

"(1) in the case of any taxable year beginning after December 31, 1967, and before January 1, 1973, the tax shall be equal to 0.60 percent of the amount of the self-employment income for such taxable year;

"(2) in the case of any taxable year beginning after December 31, 1972, and before January 1, 1980, the tax shall be equal to 0.65 percent of the amount of the self-employment income for such taxable year; and

"(3) in the case of any taxable year beginning after December 31, 1979, the tax shall be equal to 0.75 per-

cent of the amount of the self-employment income for such taxable year."

(2) Section 3101(b) of such Code (relating to rate of tax on employees for purposes of hospital insurance) is amended by striking out paragraphs (1) through (6) and inserting in lieu thereof the following:

"(1) with respect to wages received during the calendar years 1968, 1969, 1970, 1971, and 1972, the rate shall be 0.60 percent;

"(2) with respect to wages received during the calendar years 1973, 1974, 1975, 1976, 1977, 1978, and 1979, the rate shall be 0.65 percent; and

"(3) with respect to wages received after December 31, 1979, the rate shall be 0.75 percent."

(3) Section 3111(b) of such Code (relating to rate of tax on employers for purposes of hospital insurance) is amended by striking out paragraphs (1) through (6) and inserting in lieu thereof the following:

"(1) with respect to wages paid during the calendar years 1968, 1969, 1970, 1971, and 1972, the rate shall be 0.60 percent;

"(2) with respect to wages paid during the calendar years 1973, 1974, 1975, 1976, 1977, 1978, and 1979, the rate shall be 0.65 percent; and

"(3) with respect to wages paid after December 31, 1979, the rate shall be 0.75 percent."

(c) The amendments made by subsections (a)(1) and (b)(1) shall apply only with respect to taxable years beginning after December 31, 1967. The remaining amendments made by this section shall apply only with respect to remuneration paid after December 31, 1967.

ALLOCATION TO DISABILITY INSURANCE TRUST FUND

SEC. ~~(38)110~~ *111.* (a) Section 201 (b) (1) of the Social Security Act is amended—

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

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

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

(4) by inserting after "so reported," the following: "and (C) 0.95 of 1 per centum of the wages (as so defined) paid after December 31, 1967, and so reported,"

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

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

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

(3) by inserting after "December 31, 1965," the following: "and before January 1, 1968, and (C) 0.7125 of 1 per centum of the amount of self-employ-

ment income (as so defined) so reported for any taxable year beginning after December 31, 1967,".

(39) *EXTENSION OF TIME FOR FILING APPLICATION FOR DISABILITY FREEZE WHERE FAILURE TO MAKE TIMELY APPLICATION IS DUE TO INCOMPETENCY*

SEC. 112. (a) Section 216(i)(2) of the Social Security Act is amended (1) by striking out "No" in subparagraph (E) and inserting in lieu thereof "Except as is otherwise provided in subparagraph (F), no", (2) by redesignating subparagraph (F) as subparagraph (G), and (3) by adding after subparagraph (E) the following new subparagraph:

"(F) An application for a disability determination which is filed more than 12 months after the month prescribed by subparagraph (D) as the month in which the period of disability ends (determined without regard to subparagraphs (B) and (E)) shall be accepted as an application for purposes of this paragraph if—

"(i) in the case of an application filed by or on behalf of an individual with respect to a disability which ends after the month in which the Social Security Amendments of 1967 is enacted, such application is filed not more than 36 months after the month in which such disability ended, such individual is alive at the time the

application is filed, and the Secretary finds in accordance with regulations prescribed by him that the failure of such individual to file an application for a disability determination within the time specified in subparagraph (E) was attributable to a physical or mental condition of such individual which rendered him incapable of executing such an application, and

"(ii) in the case of an application filed by or on behalf of an individual with respect to a period of disability which ends in or before the month in which the Social Security Amendments of 1967 is enacted,

"(I) such application is filed not more than 12 months after the month in which the Social Security Amendments of 1967 is enacted,

"(II) a previous application for a disability determination has been filed by or on behalf of such individual (1) in or before the month in which the Social Security Amendments of 1967 is enacted, and (2) not more than 36 months after the month in which his disability ended, and

"(III) the Secretary finds in accordance with regulations prescribed by him, that the failure of such individual to file an application within the time specified in subparagraph (E) was attributable

to a physical or mental condition of such individual which rendered him incapable of executing such an application.

In making a determination under this subsection, with respect to the disability or period of disability of any individual whose application for a determination thereof is accepted solely by reason of the provisions of this subparagraph (F), the provisions of this subsection (other than the provisions of this subparagraph) shall be applied as such provisions are in effect at the time such determination is made. Notwithstanding any other provision of this title, no monthly insurance benefits under this title shall be payable or increased by reason of the preceding provisions of this subparagraph for any month before the month in which the Social Security Amendments of 1967 is enacted."

(40) *MARRIAGE NOT TO TERMINATE CHILD'S BENEFITS OF CERTAIN CHILDREN WHO ARE FULL-TIME STUDENTS*

SEC. 113. (a) Section 202(d) of the Social Security Act (as amended by section 151 of this Act) is further amended by adding at the end thereof the following new paragraph:

"(10)(A) Notwithstanding the provisions of paragraph (1)(D), the entitlement of a child to benefits under

this subsection shall not be terminated by reason of the marriage of such child for any period during which such child is a full-time student, and (in case such child is a female) her husband is also a full-time student.

"(B) A child whose entitlement to child's insurance benefits on the basis of the wages and self-employment income of an insured individual is terminated by reason of the marriage of such child may again become entitled to such benefits for any period—

"(i) during which he is a full-time student, and (in the case such child is a female) her husband is also a full-time student, and

"(ii) with respect to which such child would (except for such marriage) have otherwise been entitled to such benefits;

except that no such child shall become reentitled to such benefits unless he has filed application for reentitlement thereto."

(b) The amendments made by subsection (a) shall apply only with respect to monthly benefits under section 202(d) of the Social Security Act for months after February 1968, and, in the case of an individual who was not entitled to a monthly benefit under such section for the month in which this Act is enacted, only on the basis of an application filed in or after the month in which this Act is enacted.

(41) *BENEFITS FOR CERTAIN ADOPTED CHILDREN*

SEC. 114. (a) Section 202(d)(9) of the Social Security Act is amended—

(1) by striking out the period at the end of subparagraph (D), and inserting in lieu of such period "; or", and

(2) by adding after and below subparagraph (D) the following new subparagraph:

"(E) was legally adopted by such individual—

"(i) in an adoption which took place under the supervision of a public or private child-placement agency,

"(ii) in an adoption decreed by a court of competent jurisdiction within the United States,

"(iii) on a date immediately preceding which such individual had continuously resided for not less than one year within the United States;

"(iv) at a time prior to the attainment of age 18 by such child."

(b) The amendments made by subsection (a) shall apply with respect to monthly benefits payable under title II of the Social Security Act for months after February 1968, but only on the basis of applications filed after the date of enactment of this Act.

(42) *CHILD OVER AGE 18 CONSIDERED TO BE IN CARE OF MOTHER IF CHILD IS FULL-TIME STUDENT IN ELEMENTARY OR SECONDARY SCHOOL*

SEC. 114a. (a) Section 202(s)(1) of the Social Security Act is amended by inserting immediately before the period the following: ", or unless such child is a full-time student (for purposes of subsection (d)) in an elementary or secondary school".

(b) The amendment made by subsection (a) shall be applicable with respect to monthly insurance benefits under title II of the Social Security Act beginning with the second month following the month in which this Act is enacted; but in the case of an individual who was not entitled to a monthly insurance benefit under section 202 of such Act for the first month following the month in which this Act is enacted, only on the basis of an application filed in or after the month in which this Act is enacted.

(43) *STUDY OF OLD-AGE INSURANCE BENEFITS*

SEC. 114b. That the Social Security Administration cause a study to be made and reported to Congress relative to an increase in old-age insurance benefit amounts on account of delayed retirement.

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

COVERAGE OF MINISTERS

SEC. 115. (a) The last sentence of section 211(c) of the Social Security Act is amended to read as follows:

"The provisions of paragraph (4) or (5) shall not apply to service (44) *(other than service performed by a member of a religious order who has taken a vow of poverty as a member of such order)* performed by an individual unless an exemption under section 1402(e) of the Internal Revenue Code of 1954 is effective with respect to him."

(b) (1) The last sentence of section 1402(c) of the Internal Revenue Code of 1954 (relating to definition of trade or business) is amended to read as follows:

"The provisions of paragraph (4) or (5) shall not apply to service (45) *(other than service performed by a member of a religious order who has taken a vow of poverty as a member of such order)* performed by an individual unless an exemption under subsection (e) is effective with respect to him."

(2) Section 1402(e) of such Code (relating to ministers, members of religious orders, and Christian Science practitioners) is amended to read as follows:

"(e) MINISTERS, MEMBERS OF RELIGIOUS ORDERS, AND CHRISTIAN SCIENCE PRACTITIONERS.—

"(1) EXEMPTION.—Any individual who is (A) a duly ordained, commissioned, or licensed minister of a church or a member of a religious order (46)*(other than a member of a religious order who has taken a vow of poverty as a member of such order)* or (B) a Christian Science practitioner, upon filing an application (in such form and manner, and with such official, as may be prescribed by regulations made under this chapter) together (47)~~with a statement that he is conscientiously opposed to the acceptance~~ *with a statement that either he is conscientiously opposed to, or because of religious principles he is opposed to, the acceptance* (with respect to services performed by him as such minister, member, or practitioner) of any public insurance which makes payments in the event of death, disability, old age, or retirement or makes payments toward the cost of, or provides services for, medical care (including the benefits of any insurance system established by the Social Security Act), shall receive an exemption from the tax imposed by this chapter with respect to services performed by him as such minister, member, or practitioner. Notwithstanding the preceding sentence, an exemption may not be granted to an individual

under this subsection if he had filed an effective waiver certificate under this section as it was in effect before its amendment in 1967.

"(2) TIME FOR FILING APPLICATION.—Any individual who desires to file an application pursuant to paragraph (1) must file such application on or before whichever of the following dates is later: (A) the due date of the return (including any extension thereof) for the second taxable year for which he has net earnings from self-employment (computed without regard to subsections (c) (4) and (c) (5)) of $400 or more, any part of which was derived from the performance of service described in subsection (c) (4) or (c) (5); or (B) the due date of the return (including any extension thereof) for his second taxable year ending after 1967.

"(3) EFFECTIVE DATE OF EXEMPTION.—An exemption received by an individual pursuant to this subsection shall be effective for the first taxable year for which he has net earnings from self-employment (computed without regard to subsections (c) (4) and (c) (5)) of $400 or more, any part of which was derived from the performance of service described in subsection (c) (4) or (c) (5), and for all succeeding taxable years.

An exemption received pursuant to this subsection shall be irrevocable."

(c) The amendments made by subsections (a) and (b) shall apply only with respect to taxable years ending after 1967.

COVERAGE OF STATE AND LOCAL EMPLOYEES

SEC. 116. (a) Section 218 (d) (6) (D) of the Social Security Act is amended by inserting "(i)" after "(D)", and by adding at the end thereof the following:

"(ii) Notwithstanding clause (i). the State may, pursuant to subsection (c) (4) (B) and subject to the conditions of continuation or termination of coverage provided for in subsection (c) (7), modify its agreement under this section to include services performed by all individuals described in clause (i) other than those individuals to whose services the agreement already applies. Such individuals shall be deemed (on and after the effective date of the modification) to be in positions covered by the separate retirement system consisting of the positions of members of the division or part who desire coverage under the insurance system established under this title."

(b) (1) (A) Section 218 (c) (3) of such Act is amended by striking out subparagraph (A), and by redesignating subparagraphs (B) and (C) as subparagraphs (A) and (B), respectively.

(B) Paragraphs (4) and (7) of section 218(c) of such Act, and paragraph (5) (B) of section 218(d) of such Act, are each amended by striking out "paragraph (3) (C)" wherever it appears and inserting in lieu thereof "paragraph (3) (B)".

(C) Paragraph (4) (C) of section 218(d) of such Act is amended by striking out "subsection (c) (3) (C)" and inserting in lieu thereof "subsection (c) (3) (B)".

(2) Section 218(c) (6) of such Act is amended—

(A) by striking "and" at the end of subparagraph (C);

(B) by striking out the period at the end of subparagraph (D) and inserting in lieu thereof ", and"; and

(C) by adding at the end thereof the following new subparagraph:

"(E) service performed by an individual as an employee serving on a temporary basis in case of fire, storm, snow, earthquake, flood, or other similar emergency."

(3) The amendments made by this subsection shall be effective with respect to services performed on or after January 1, 1968.

(c) Section 218(c) of such Act is amended by adding at the end thereof the following new paragraph:

"(8) Notwithstanding any other provision of this section, the agreement with any State entered into under this section may at the option of the State be modified on or after January 1, 1968, to exclude service performed by election officials or election workers if the remuneration paid in a calendar quarter for such service is less than $50. Any modification of an agreement pursuant to this paragraph shall be effective with respect to services performed after an effective date, specified in such modification, which shall not be earlier than the last day of the calendar quarter in which the modification is mailed or delivered by other means to the Secretary."

(48) *(d) The first sentence of section 218(d)(6)(F) of the Social Security Act is amended by striking out "1967" and inserting in lieu thereof "1970".*

INCLUSION OF ILLINOIS AMONG STATES PERMITTED TO DIVIDE THEIR RETIREMENT SYSTEMS

SEC. 117. Section 218(d)(6)(C) of the Social Security Act is amended by inserting "Illinois," after "Georgia,".

TAXATION OF CERTAIN EARNINGS OF RETIRED PARTNER

SEC. 118. (a) Section 1402(a) of the Internal Revenue Code of 1954 (relating to definition of net earnings from self-employment) is amended—

(1) by striking out "and" at the end of paragraph (8);

(2) by striking out the period at the end of paragraph (9) and inserting in lieu thereof "; and"; and

(3) by inserting after paragraph (9) the following new paragraph:

"(10) there shall be excluded amounts received by a partner pursuant to a written plan of the partnership, which meets such requirements as are prescribed by the Secretary (49)~~of the Treasury~~ or his delegate, and which provides for payments on account of retirement, on a periodic basis, to partners generally or to a class or classes of partners, such payments to continue at least until such partner's death, if—

"(A) such partner rendered no services with respect to any trade or business carried on by such partnership (or its successors) during the taxable year of such partnership (or its successors), ending within or with his taxable year, in which such amounts were received, and

"(B) no obligation exists (as of the close of the partnership's taxable year referred to in subparagraph (A)) from the other partners to such partner except with respect to retirement payments under such plan, and

"(C) such partner's share, if any, of the capital of the partnership has been paid to him in full before

the close of the partnership's taxable year referred to in subparagraph (A)."

(b) Section 211(a) of the Social Security Act is amended—

(1) by striking out "and" at the end of paragraph (7);

(2) by striking out the period at the end of paragraph (8) and inserting in lieu thereof "; and"; and

(3) by inserting after paragraph (8) the following new paragraph:

"(9) There shall be excluded amounts received by a partner pursuant to a written plan of the partnership, which meets such requirements as are prescribed by the Secretary of the Treasury or his delegate, and which provides for payments on account of retirement, on a periodic basis, to partners generally or to a class or classes of partners, such payments to continue at least until such partner's death, if—

"(A) such partner rendered no services with respect to any trade or business carried on by such partnership (or its successors) during the taxable year of such partnership (or its successors), ending within or with his taxable year, in which such amounts were received, and

"(B) no obligation exists (as of the close of

the partnership's taxable year referred to in subparagraph (A)) from the other partners to such partner except with respect to retirement payments under such plan, and

"(C) such partner's share, if any, of the capital of the partnership has been paid to him in full before the close of the partnership's taxable year referred to in subparagraph (A)."

(c) The amendments made by this section shall apply only with respect to taxable years ending on or after December 31, 1967.

(50) *INCLUSION OF PUERTO RICO AMONG STATES PERMITTED TO INCLUDE FIREMEN AND POLICEMEN*

SEC. 119. (a) Section 218(p) of the Social Security Act is amended by inserting "Puerto Rico," after "Oregon,".

(b) In any case in which—

(1) an individual has performed services prior to the enactment of this Act in the employ of a political subdivision of the State of Nebraska in a fireman's position, and

(2) amounts, equivalent to the sum of the taxes which would have been imposed by sections 3101 and 3111 of the Internal Revenue Code of 1954 had such services constituted employment for purposes of section 21 of such Code at the time they were performed, were

timely paid in good faith to the Secretary of the Treasury, and

(3) no refunds of such amounts paid in lieu of taxes have been obtained,

the amount of the remuneration for such services with respect to which such amounts have been paid shall be deemed to constitute remuneration for employment as defined in section 209 of the Social Security Act.

(51) *COVERAGE OF FIREMEN'S POSITIONS PURSUANT TO A STATE AGREEMENT*

SEC. 120. (a) Section 218(p) of the Social Security Act is amended by—

(1) inserting "(1)" after "(p)"; and

(2) adding the following paragraph:

"(2) A State, not otherwise listed by name in paragraph (1), shall be deemed to be a State listed in such paragraph for the purpose of extending coverage under this title to service in firemen's positions covered by a retirement system, if the governor of the State, or an official of the State designated by him for the purpose, certifies to the Secretary of Health, Education, and Welfare that the overall benefit protection of the employees in such positions would be improved by reason of the extension of such coverage to such employees. Notwithstanding the provisions of the second sentence of such paragraph

(1), such firemen's positions shall be deemed a separate retirement system and no other positions shall be included in such system.

(b) Nothing in the amendments made by subsection (a) shall authorize the extension of the insurance system established by title II of the Social Security Act under the provisions of section 218(d)(6)(C) of such Act to service in any fireman's position.

(c) The amendment made by this section shall apply in the case of any State with respect to modifications of such State agreement under section 218 of the Social Security Act made after the date of enactment of this Act.

(52) *VALIDATION OF COVERAGE ERRONEOUSLY REPORTED*

SEC. 121. Section 218(f) of such Act is amended by adding at the end thereof the following new paragraph:

"(3) Notwithstanding the provisions of paragraph (2) of this subsection, in the case of services performed by individuals as members of any coverage group to which an agreement under this section is made applicable, and with respect to which there were timely paid in good faith to the Secretary of the Treasury amounts equivalent to the sum of the taxes which would have been imposed by sections 3101 and 3111 of the Internal Revenue Code of 1954 had such services constituted employment for purposes of chapter 21 of such Code at the time they were performed, and with respect to which refunds

were not obtained, such individuals may, if so requested by the State, be deemed to be members of such coverage group on the date designated pursuant to paragraph (2)."

(53) *COVERAGE OF FEES OF STATE AND LOCAL GOVERNMENT EMPLOYEES AS SELF-EMPLOYMENT INCOME*

SEC. 122. (a)(1) Section 211(c)(1) of the Social Security Act is amended to read as follows:

"*(1) The performance of the functions of a public office, other than the functions of a public office of a State or a political subdivision thereof with respect to fees received in any period in which the functions are performed in a position compensated solely on a fee basis and in which such functions are not covered under an agreement entered into by such State and the Secretary pursuant to section 218;*".

(2) Section 211(c)(2) of such Act is amended (A) by striking out "and" at the end of subparagraph (C); (B) by striking out the semicolon at the end of subparagraph (D) and inserting in lieu thereof ", and"; and (C) by adding after such subparagraph the following new subparagraph:

"*(E) service performed by an individual as an employee of a State or a political subdivision thereof in a position compensated solely on a fee basis with respect to fees received in any period in*

which such service is not covered under an agreement entered into by such State and the Secretary pursuant to section 218;".

(b)(1) Section 1402(c)(1) of the Internal Revenue Code of 1954 is amended to read as follows:

"(1) the performance of the functions of a public office, other than the functions of a public office of a State or a political subdivision thereof with respect to fees received in any period in which the functions are performed in a position compensated solely on a fee basis and in which such functions are not covered under an agreement entered into by such State and the Secretary of Health, Education, and Welfare pursuant to section 218 of the Social Security Act;".

(2) Section 1402(c)(2) of such Code is amended (A) by striking out "and" at the end of subparagraph (C); (B) by striking out the semicolon at the end of subparagraph (D) and inserting in lieu thereof ", and"; and (C) by adding after such subparagraph the following new subparagraph:

"(E) service performed by an individual as an employee of a State or a political subdivision thereof in a position compensated solely on a fee basis with respect to fees received in any period in which such service is not covered under an agree-

ment entered into by such State and the Secretary of Health, Education, and Welfare pursuant to section 218 of the Social Security Act;".

(c)(1) The amendments made by subsections (a) and (b) of this section shall apply with respect to fees received after 1967.

(2) Notwithstanding the provisions of subsections (a) and (b) of this section, any individual who in 1968 is in a position to which the amendments made by such subsections apply may make an irrevocable election not to have such amendments apply to the fees he receives in 1968 and every year thereafter, if on or before the due date of his income tax return for 1968 (including any extensions thereof) he files with the Secretary of the Treasury or his delegate, in such manner as the Secretary of the Treasury or his delegate shall by regulations prescribe, a certificate of election of exemption from such amendments.

(d) Section 218 of such Act is further amended by adding the following new subsection:

"Positions Compensated Solely on a Fee Basis

"(u)(1) Notwithstanding any other provision in this section, an agreement entered into under this section may be made applicable to service performed after 1967 in any class or classes of positions compensated solely on a fee basis to which such agreement did not apply prior to 1968 only if

the State specifically requests that its agreement be made applicable to such service in such class or classes of positions.

"(2) Notwithstanding any other provision in this section, an agreement entered into under this section may be modified, at the option of the State, at any time after 1967, so as to exclude services performed in any class or classes of positions compensation for which is solely on a fee basis.

"(3) Any modification made under this subsection shall be effective with respect to services performed after the last day of the calendar year in which the modification is agreed to by the Secretary and the State.

"(4) If any class or classes of positions have been excluded from coverage under the State agreement by a modification agreed to under this subsection, the Secretary and the State may not thereafter modify such agreement so as to again make the agreement applicable with respect to such class or classes of positions."

(54) *FAMILY EMPLOYMENT IN A PRIVATE HOME*

SEC. 123. (a) Section 210(a)(3)(B) of the Social Security Act is amended by inserting after the semicolon the following: "except that the provisions of this subparagraph shall not be applicable to such domestic service if—

"(i) the employer is a surviving spouse or a divorced individual and has not remarried, or has a spouse living

in the home who has a mental or physical condition which results in such spouse's being incapable of caring for a son, daughter, stepson, or stepdaughter (referred to in clause (ii)) for at least 4 continuous weeks in the calendar quarter in which the service is rendered, and

"(ii) a son, daughter, stepson, or stepdaughter of such employer is living in the home, and

"(iii) the son, daughter, stepson, or stepdaughter (referred to in clause (ii)) (I) has not attained age 18 or (II) has a mental or physical condition which requires the personal care and supervision of an adult for at least 4 continuous weeks in the calendar quarter in which the service is rendered;"

(b) Section 3121(b)(3)(B) of the Internal Revenue Code of 1954 is amended by inserting after the semicolon the following: "except that the provisions of this subparagraph shall not be applicable to such domestic service if—

"(i) the employer is a surviving spouse or a divorced individual and has not remarried, or has a spouse living in the home who has a mental or physical condition which results in such spouse's being incapable of caring for a son, daughter, stepson, or stepdaughter (referred to in clause (ii)) for at least 4 continuous weeks in the calendar quarter in which the service is rendered, and

"(ii) a son, daughter, stepson, or stepdaughter of such employer is living in the home, and

"(iii) the son, daughter, stepson, or stepdaughter (referred to in clause (ii)) (1) has not attained age 18 or (II) has a mental or physical condition which requires the personal care and supervision of an adult for at least 4 continuous weeks in the calendar quarter in which the service is rendered;"

(c) The amendments made by this section shall apply with respect to services performed after December 31, 1967.

(55) *TERMINATION OF COVERAGE OF EMPLOYEES OF THE MASSACHUSETTS TURNPIKE AUTHORITY*

SEC. 124. (a) Nothwitstanding the provisions of section 218(g)(1) of the Social Security Act the Secretary may, under such conditions as he deems appropriate, permit the State of Massachusetts to terminate the coverage of the employees of the Massachusetts Turnpike Authority to be effective at the end of any calendar quarter within the two years next following the filing with him of such notice.

(b) If the coverage of employees of the Massachusetts Turnpike Authority has been terminated pursuant to subsection (a), coverage cannot later be extended to the employees of such Authority.

PART 3—HEALTH INSURANCE BENEFITS

METHOD OF PAYMENT TO PHYSICIANS UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

SEC. 125. (a) Section 1842 (b) (3) (B) of the Social Security Act is amended—

(1) by striking out "(i)"; and

(2) by striking out "and (ii)" and all that follows and inserting in lieu thereof the following: "and such payment will be made—

"(i) on the basis of (56) ~~a receipted~~ *an itemized* bill; or

"(ii) on the basis of an assignment under the terms of which the reasonable charge is the full charge for the service; (57) ~~or~~

(58) ~~"(iii) on the basis of an itemized bill (I) to the physician or other person providing the service, if such bill is submitted by him in such form and manner as the Secretary may prescribe and within such time as may be specified in regulations and the full charge is found not to exceed the reasonable charge for the service, or (II) to the individual receiving the service, if payment is not made in accordance with clause (I) (either because the charge made is found to exceed the reasonable~~

~~charge for the service, or because the physician or other person providing the service fails to submit the bill under clause (I) within the time specified or directs that payment be made to the individual receiving the service) and the bill is submitted in such form and manner as the Secretary may prescribe;~~

but (59) *(in the case of bills submitted, or requests for payment made, after March 1968)* only if the bill is submitted, or a written request for payment is made in such other form as may be permitted under regulations, no later than the close of the calendar year following the year in which such service is furnished (deeming any service furnished in the last 3 months of any calendar year to have been furnished in the succeeding calendar year) ;".

(60) ~~(b) The amendments made by subsection (a) shall apply with respect to payments made under part B of title XVIII of the Social Security Act on the basis of bills received after December 31, 1967.~~

(b) The amendments made by subsection (a) shall apply with respect to claims on which a final determination has not been made on or before the date of enactment of this Act.

ELIMINATION OF REQUIREMENT OF PHYSICIAN CERTIFICATION IN CASE OF CERTAIN HOSPITAL SERVICES

SEC. 126. (a) Section 1814 (a) of the Social Security Act (as amended by section 129 (c) (5) of this Act) is amended—

(1) by striking out subparagraph (A) of paragraph (2);

(2) by redesignating subparagraphs (B), (C), (D), and (E) of paragraph (2) as subparagraphs (A), (B), (C), and (D), respectively;

(3) by redesignating paragraphs (3), (4), (5), and (6) as paragraphs (4), (5), (6), and (7), respectively;

(4) by inserting immediately after paragraph (2) the following new paragraph:

"(3) with respect to inpatient hospital services (other than inpatient psychiatric hospital services and inpatient tuberculosis hospital services) which are furnished over a period of time, a physician certifies that such services are required to be given on an inpatient basis for such individual's medical treatment, or that inpatient diagnostic study is medically required and such services are necessary for such purpose, except that (A) such certification shall be furnished only in such cases, with such frequency, and accompanied by such sup-

porting material, appropriate to the cases involved, as may be provided by regulations, and (B) the first such certification required in accordance with clause (A) shall be furnished no later than the 20th day of such period;"; and

(5) by striking out "(D), or (E)" in the last sentence and inserting in lieu thereof "or (D)".

(b) Section 1835(a)(2)(B) of such Act is amended by inserting after "medical and other health services," the following: "except services described in subparagraphs (B) and (C) of section 1861(s)(2),".

(c) The amendments made by this section shall apply with respect to services furnished after the date of the enactment of this Act.

INCLUSION OF PODIATRISTS' SERVICES UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

SEC. 127. (a) Section 1861(r) of the Social Security Act is amended—

(1) by striking out "or (2)" and inserting in lieu thereof "(2)"; and

(2) by inserting before the period at the end thereof the following: ", or (3) except for the purposes of section 1814(a), section 1835, and (61)~~subsection (k)~~ *subsections (j), (k), (m), and (o)* of this section, a doctor of podiatry or surgical chiropody, but (unless

clause (1) of this subsection also applies to him) only with respect to functions which he is legally authorized to perform as such by the State in which he performs them".

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

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

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

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

"(13) where such expenses are for—

"(A) the treatment of flat foot conditions and the prescription of supportive devices therefor,

"(B) the treatment of subluxations of the foot, or

"(C) routine foot care (including the cutting or removal of corns, warts, or calluses, the trimming of nails, and other routine hygienic care)."

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

EXCLUSION OF CERTAIN SERVICES

SEC. 128. Section 1862 (a) (7) of the Social Security Act is amended by inserting after "changing eyeglasses," the

following: "procedures performed (during the course of any eye examination) to determine the refractive state of the (62)~~eyes,".~~ *eyes (other than procedures performed in connection with furnishing prosthetic lenses),".*

TRANSFER OF ALL OUTPATIENT HOSPITAL SERVICES TO SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

SEC. 129. (a) Section 1861 (s) (2) of the Social Security Act is amended—

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

(2) by striking out "physicians' bills" and all that follows and inserting in lieu thereof the following: "physicians' bills;

"(B) hospital services (including drugs and biologicals which cannot, as determined in accordance with regulations, be self-administered) incident to physicians' services rendered to outpatients; and

"(C) diagnostic services which are—

"(i) furnished to an individual as an outpatient by a hospital or by others under arrangements with them made by a hospital, and

"(ii) ordinarily furnished by such hospital (or by others under such arrangements) to its outpatients for the purpose of diagnostic study;".

(b) Section 1861 (s) of such Act is further amended

by adding at the end thereof (after and below paragraph (11)) the following new sentence:

"There shall be excluded from the diagnostic services specified in paragraph (2) (C) any item or service (except services referred to in paragraph (1)) which—

"(12) would not be included under subsection (b) if it were furnished to an inpatient of a hospital; or

"(13) is furnished under arrangements referred to in such paragraph (2) (C) unless furnished in the hospital or in other facilities operated by or under the supervision of the hospital or its organized medical staff."

(c) (1) Section 226 (b) (1) of such Act is amended by striking out "post-hospital home health services, and outpatient hospital diagnostic services" and inserting in lieu thereof "and post-hospital home health services".

(2) Section 1812 (a) of such Act is amended—

(A) by adding "and" at the end of paragraph (2);

(B) by striking out "; and" at the end of paragraph (3) and inserting in lieu thereof a period; and

(C) by striking out paragraph (4).

(3) Section 1813 (a) of such Act is amended by striking out paragraph (2), and by redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively.

(4) (A) Section 1813 (b) (1) of such Act is amended by striking out "or diagnostic study".

(B) The first sentence of section 1813 (b) (2) of such Act is amended by striking out "or diagnostic study".

(5) (A) Section 1814 (a) (2) of such Act is amended—

(i) by adding "or" at the end of subparagraph (D);

(ii) by striking out "or" at the end of subparagraph (E); and

(iii) by striking out subparagraph (F).

(B) The last sentence of section 1814 (a) of such Act is amended by striking out "(E), or (F)" and inserting in lieu thereof "or (E)".

(6) **(63)***(A)* Section 1814 (d) of such Act is amended by striking out "or outpatient hospital diagnostic services". **(64)***(B) Section 1832(a)(2)(B) of such Act is amended by striking out "hospital" and inserting in lieu thereof "hospital and the services for which payment may be made pursuant to section 1835(b)(2)".*

(7) Section 1833 (b) of such Act is amended—

(A) by striking out "(or regarded under clause (2) as incurred in such preceding year with respect to services furnished in such last three months)"; and

(B) by striking out ", and (2)" and all that follows and inserting in lieu thereof a period.

(8) Section 1833 (d) of such Act is amended by striking out "other than subsection (a) (2) (A) thereof".

(9) (A) Section 1835(a) of such Act is amended by striking out "Payment" and inserting in lieu thereof "Except as provided in subsection (b), payment".

(B) Section 1835 of such Act is further amended by redesignating subsection (b) as subsection (c), and by inserting after subsection (a) the following new subsection:

"(b) (65)*(1)* Payment may also be made to any hospital for services (66)~~described in subparagraph (C) of section 1861(s)(2) furnished to an individual~~ *described in section 1861(s) furnished as an outpatient service by a hospital or by others under arrangements made by it to an individual* entitled to benefits under this part even though such hospital does not have an agreement in effect under this title if (A) such services were emergency (67) ~~services and~~ *services,* (B) the Secretary would be required to make such payment if the hospital had such an agreement in effect and otherwise met the conditions of payment (68) ~~hereunder.~~ *hereunder, and (C) such hospital has made an election pursuant to section 1814(d)(1)(C) with respect to the calendar year in which such emergency services are provided.* Such payments shall be made only in the amounts provided under section 1833(a)(2) and then only if such hospital agrees to comply, with respect to the emergency services provided, with the provisions of section (69) ~~1866(a).~~" *1866(a).*

(70)*"(2) Payment may also be made on the basis of an itemized bill to an individual for services described in paragraph (1) of this subsection if (A) payment cannot be made under such paragraph (1) solely because the hospital does not elect, in accordance with section 1814(d)(1)(C), to claim such payments and (B) such individual files application (submitted within such time and in such form and manner, and containing and supported by such information as the Secretary shall by regulations prescribe) for reimbursement. The amounts payable under this paragraph shall, subject to the provisions of section 1833, be equal to 80 percent of the hospital's reasonable charges for such services."*

(C) Section 1861 (e) of such Act is amended—

(i) by striking out "except for purposes of section 1814 (d)," and inserting in lieu thereof "except for purposes of sections 1814 (d) and 1835 (b),"; and

(ii) by striking out "(including determination of whether an individual received inpatient hospital services for purposes of such section)" and inserting in lieu thereof "and 1835 (b) (including determination of whether an individual received inpatient hospital services or diagnostic services for purposes of such sections)".

(10) Section 1861 (p) of such Act is repealed.

(11) Section 1861 (y) (3) of such Act is amended by

striking out "1813 (a) (4)" and inserting in lieu thereof "1813 (a) (3)".

(12) (A) Section 1866 (a) (2) (A) of such Act is amended—

(i) by striking out ", (a) (2), or (a) (4)" and inserting in lieu thereof "or (a) (3)"; and

(ii) by striking out "or, in the case of outpatient hospital diagnostic services, for which payment is made under part A".

(B) Section 1866 (a) (2) (C) of such Act is amended by striking out "1813 (a) (3)" and inserting in lieu thereof "1813 (a) (2)".

(13) Section 21 (a) of the Railroad Retirement Act of 1937 is amended by striking out "post-hospital home health services, and outpatient hospital diagnostic services" and inserting in lieu thereof "and post-hospital home health services".

(d) The amendments made by this section shall apply with respect to services furnished after (71)~~December 31, 1967~~ *March 31, 1968, except that subsection (c)(5) of such section shall become effective with respect to services furnished after the date of enactment of this Act.*

BILLING BY HOSPITAL FOR SERVICES FURNISHED TO OUTPATIENTS

SEC. 130. (a) Section 1835 (a) of the Social Security Act (as amended by section 129 (c) (9) (A) of this Act) is further amended by striking out "Except as provided in subsection (b)," and inserting in lieu thereof "Except as provided in subsections (b) and (72) ~~(c)".~~ *(c),*".

(b) Section 1835 of such Act (as amended by section 129 (c) (9) (B) of this Act) is amended by redesignating subsection (c) (as redesignated) as subsection (d), and by inserting after subsection (b) the following new subsection:

"(c) Notwithstanding the provisions of this section and sections 1832, 1833, and 1866 (a) (1) (A), a hospital may, subject to such limitations as may be prescribed by regulations, collect from an individual the customary charges for services specified in (73) ~~subparagraphs (B) and (C) of~~ section 1861 (s) (74) ~~(2)~~ and furnished to him by such hospital, but only if such charges for such services do not exceed $50, and such customary charges shall be regarded as expenses incurred by such individual with respect to which benefits are payable in accordance with section 1833 (a) (1). Payments under this title to hospitals which have elected

to make ~~collections from~~ individuals in accordance with the preceding sentence ~~shall~~ be adjusted periodically to place the hospital in the same position it would have been had it instead been reimbursed in accordance with section 1833 (a) (2)."

(c) The amendments made by this section shall apply with respect to services furnished after (75) ~~December 31, 1967~~ *March 31, 1968.*

PAYMENT OF REASONABLE CHARGES FOR RADIOLOGICAL OR PATHOLOGICAL SERVICES FURNISHED BY CERTAIN PHYSICIANS TO HOSPITAL INPATIENTS

SEC. 131. (a) Section 1833 (a) (1) of the Social Security Act is amended—

(1) by striking out "except that" and inserting in lieu thereof "except that (A)", and

(2) by striking out "of subsection (b)" and inserting in lieu thereof "of subsection (b), and (B) with respect to expenses incurred for radiological or pathological services for which payment may be made under this part, furnished to an inpatient of a hospital by a physician in the field of radiology or pathology, the amounts paid shall be equal to 100 percent of the reasonable charges for such services".

(b) Section 1833 (b) of such Act (as amended by section 129 (c) (7) of this Act) is amended by inserting before

the period at the end thereof the following: ", *and (2)* such total amount shall not include expenses incurred for radiological or pathological services furnished to such individual as an inpatient of a hospital by a physician in the field of radiology or pathology".

(c) The amendments made by this section shall apply with respect to services furnished after (76) ~~December 31, 1967~~ *March 31, 1968.*

PAYMENT FOR PURCHASE OF DURABLE MEDICAL EQUIPMENT

SEC. 132. (a) Section 1861 (s) (6) of the Social Security Act is amended by striking out "rental of", and by inserting before the semicolon at the end thereof the following: ", whether furnished on a rental basis or purchased".

(b) Section 1833 of such Act is amended by adding at the end thereof the following new subsection:

"(f) In the case of the purchase of durable medical equipment included under section 1861 (s) (6), by or on behalf of an individual, payment shall be made in such amounts as the Secretary determines to be equivalent to payments that would have been made under this part had such equipment been rented and over such period of time as the Secretary finds such equipment would be used for such individual's medical treatment, except that with respect to

purchases of inexpensive equipment (as determined by the Secretary) payment may be made in a lump sum if the **Secretary finds that such method of payment is less costly or more practical than periodic payments."**

(c) The amendments made by this section shall apply only with respect to items purchased after December 31, 1967.

~~(77) PAYMENT FOR PHYSICAL THERAPY SERVICES FURNISHED BY HOSPITAL TO OUTPATIENTS~~

~~SEC. 133. (a) Subparagraph (B) of section 1861(s)(2) of the Social Security Act (as amended by section 129(a)(2) of this Act) is amended by striking out "; and" and inserting in lieu thereof "and physical therapy furnished to an outpatient, in a place of residence used as such outpatient's home, by a hospital or by others under arrangements with them made by such hospital if such therapy is under the supervision of such hospital; and".~~

~~(b) The amendment made by subsection (a) shall apply to services furnished after December 31, 1967.~~

PAYMENT FOR PHYSICAL THERAPY SERVICES FURNISHED TO OUTPATIENTS

SEC. 133. (a) Section 1861(s)(2) of the Social Security Act (as amended by section 129(a)(2) of this Act) is amended by—

(1) striking out "and" at the end of subparagraph (B);

(2) inserting "and" at the end of subparagraph (C); and

(3) adding at the end thereof the following:

"(D) outpatient physical therapy services;"

(b) Section 1861 of such Act is amended by inserting after subsection (o) the following new subsection (in lieu of subsection (p) repealed by section 129(c)(10) of this Act):

"Outpatient Physical Therapy Services

"(p) The term 'outpatient physical therapy services' means physical therapy services furnished by a provider of services, a clinic, rehabilitation agency, or a public health agency, or by others under an arrangement with, and under the supervision of, such provider, clinic, rehabilitation agency, or public health agency to an individual as an outpatient—

"(1) who is under the care of a physician (as defined in section 1861(r)(1)), and

"(2) with respect to whom a plan prescribing the type, amount, and duration of physical therapy services that are to be furnished such individual has been established, and is periodically reviewed, by a physician (as so defined);

excluding, however—

"(3) any item or service if it would not be included under subsection (b) if furnished to an inpatient of a hospital; and

"(4) any such service—

"(A) if furnished, by a clinic rehabilitation *agency, or by others under arrangements with such clinic or agency unless such clinic or rehabilitation agency—*

"(i) provides an adequate program of physical therapy services for outpatients and has the facilities and personnel required for such program or required for the supervision of such a program, in accordance with such requirements as the Secretary may specify,

"(ii) has policies, established by a group of professional personnel, including one or more physicians (associated with the clinic or rehabilitation agency) and one or more qualified physical therapists, to govern the services (referred to in clause (i)) it provides,

"(iii) maintains clinical records on all patients,

"(iv) if such clinic or agency is situated in a State in which State or applicable local law provides for the licensing of institutions of this

nature, (I) is licensed pursuant to such law, or (II) is approved by the agency of such State or locality responsible for licensing institutions of this nature, as meeting the standards established for such licensing; and

"(v) meets such other conditions relating to the health and safety of individuals who are furnished services by such clinic or agency on an outpatient basis, as the Secretary may find necessary, or

"(B) if furnished by a public health agency, unless such agency meets such other conditions relating to health and safety of individuals who are furnished services by such agency on an outpatient basis, as the Secretary may find necessary."

(c) Section 1866 of such Act is amended by adding at the end thereof the following new subsection:

"(e) For purposes of this section, the term 'provider of services' shall include a clinic, rehabilitation agency, or public health agency if, in the case of a clinic or rehabilitation agency, such clinic or agency meets the requirements of section 1861(p)(4)(A), or if, in the case of a public health agency, such agency meets the requirements of section 1861(p)(4)(B), but only with respect to the furnishing of outpatient physical therapy services (as therein defined)."

(d) Section 1832(a) of such Act is amended by—

(1) deleting "and" at the end of paragraph (2)(A) thereof;

(2) striking out the period at the end and inserting in lieu thereof the following: "; and"; and

(3) adding at the end thereof the following new subparagraph:

"(C) outpatient physical therapy services."

(e) Section 1835(a)(2) of such Act (as amended by section 126(b) of this Act) is amended by—

(1) striking out "and" at the end of subparagraph (A);

(2) striking out the period at the end and inserting in lieu thereof the following: "; and";

(3) adding at the end thereof the following new subparagraph:

"(C) in the case of outpatient physical therapy services, (i) such services are or were required because the individual needed physical therapy services on an outpatient basis, (ii) a plan for furnishing such services has been established, and is periodically reviewed, by a physician, and (iii) such services are or were furnished while the individual is or was under the care of a physician."

(4) striking out "(B) and (C) of section 1861

(s)(2)" and inserting in lieu thereof "(B), (C), and (D) of section 1861(s)(2)"; and

(5) adding at the end thereof the following new sentence: "For purposes of this section, the term 'provider of services' shall include a clinic, rehabilitation agency, or public health agency if, in the case of a clinic or rehabilitation agency, such clinic or agency meets the requirements of section 1861(p)(4)(A), or if, in the case of a public health agency, such agency meets the requirements of section 1861(p)(4)(B), but only with respect to the furnishing of outpatient physical therapy services (as therein defined)."

(f) The first sentence of section 1864(a) of such Act is amended by inserting before the period the following: ", or whether a clinic, rehabilitation agency or public health agency meets the requirements of subparagraph (A) or (B), as the case may be, of section 1861(p)(4)".

(g) The amendments made by the preceding subsections of this section shall apply to services furnished after June 30, 1968.

PAYMENT FOR CERTAIN PORTABLE X-RAY SERVICES

SEC. 134. (a) Section 1861 (s) (3) of the Social Security Act is amended by striking out "diagnostic X-ray tests," and inserting in lieu thereof the following: "diagnostic X-ray

tests (including tests under the supervision of a physician, furnished in a place of residence used as the patient's home, if the performance of such tests meets such conditions relating to health and safety as the Secretary may find necessary),".

(b) The amendment made by subsection (a) shall apply with respect to services furnished after December 31, 1967.

BLOOD DEDUCTIBLES

SEC. 135. (a) (1) Section 1813 (a) (2) of the Social Security Act (as redesignated by section 129 (c) (3) of this Act) is amended to read as follows:

"(2) The amount payable to any provider of services under this part for services furnished an individual during any spell of illness shall be further reduced by a deduction equal to the cost of the first three pints of whole blood (or equivalent quantities of packed red blood cells, as defined under regulations) furnished to him as part of such services during such spell of illness."

(b) Section 1866 (a) (2) (C) of such Act (as amended by section 129 (c) (12) (B) of this Act) is amended—

(1) by striking out "may also charge" and inserting in lieu thereof "may in accordance with its customary practice also appropriately charge";

(2) by inserting after "whole blood" the following: "(or equivalent quantities of packed red blood cells, as defined under regulations)";

(3) by inserting after "blood" where it appears in clauses (i), (ii), and (iii) the following: "(or equivalent quantities of packed red blood cells, as so defined)"; and

(4) by adding at the end thereof the following new sentence: "For purposes of clause (iii) of the preceding sentence, whole blood (or equivalent quantities of packed red blood cells, as so defined) furnished an individual shall be deemed replaced when the provider of services is given one pint of blood (78)~~in addition to the number of pints~~ *for each pint* of blood (or equivalent quantities of packed red blood cells, as so defined) furnished such individual with respect to which a deduction is imposed under section 1813(a)(2)."

(c) Section 1833(b) of such Act (as amended by sections 129(c)(7) and 131(b) of this Act) is amended by adding at the end thereof the following new sentence: "The total amount of the expenses incurred by an individual as determined under the preceding sentence shall, after the reduction specified in such sentence, be further reduced by an amount equal to the expenses incurred for the first three pints

of whole blood (or equivalent quantities of packed red blood cells, as defined under regulations) furnished to the individual during the calendar year, except that such deductible for such blood shall in accordance with regulations be appropriately reduced to the extent that there has been a replacement of such blood (or equivalent quantities of packed red blood cells, as so defined); and for such purposes blood (or equivalent quantities of packed red blood cells, as so defined) furnished such individual shall be deemed replaced when the institution or other person furnishing such blood (or such equivalent quantities of packed red blood cells, as so defined) is given one pint of blood (79) ~~in addition to the number of pints~~ *for each pint* of blood (or equivalent quantities of packed red blood cells, as so defined) furnished such individual with respect to which a deduction is made under this sentence."

(d) The amendments made by this section shall apply with respect to payment for blood (or packed red blood cells) furnished an individual after December 31, 1967.

ENROLLMENT UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM BASED ON ALLEGED DATE OF ATTAINING AGE 65

SEC. 136. (a) Section 1837 (d) of the Social Security Act is amended by adding at the end thereof the following new sentence: "Where the Secretary finds that an individual who has attained age 65 failed to enroll under this part dur-

ing his initial enrollment period (based on a determination by the Secretary of the month in which such individual attained age 65), because such individual (relying on documentary evidence) was mistaken as to his correct date of birth, the Secretary shall establish for such individual an initial enrollment period based on his attaining age 65 at the time shown in such documentary evidence with a coverage period determined under section 1838 as though he had attained such age at that time)."

(b) The amendment made by subsection (a) shall apply to individuals enrolling under part B of title XVIII in months beginning after the date of the enactment of this Act.

(80) EXTENSION OF MAXIMUM DURATION OF BENEFITS FOR INPATIENT HOSPITAL SERVICES TO 120 DAYS

SEC. 137. (a)(1) Section 1812(a)(1) of the Social Security Act is amended by striking out "up to 90 days" and inserting in lieu thereof "up to 120 days".

(2) Section 1812(b)(1) of such Act is amended by striking out "for 90 days" and inserting in lieu thereof "for 120 days".

(b) The second sentence of section 1813(a)(1) of such Act is amended to read as follows: "Such amount shall be further reduced by a coinsurance amount equal to—

"(A) one-fourth of the inpatient hospital deductible for each day (before the 91st day) on which such

~~individual is furnished such services during such spell of illness after such services have been furnished to him for 60 days during such spell; and~~

~~"(B) one-half of the inpatient hospital deductible for each day (before the 121st day) on which such individual is furnished such services during such spell of illness after such services have been furnished to him for 90 days during such spell;~~

~~except that the reduction under this sentence for any day shall not exceed the charges imposed for that day with respect to such individual for such services (except that, if the customary charges for such services are greater than the charges so imposed, such customary charges shall be considered to be the charges so imposed).~~"

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

EXTENSION BY 60 DAYS DURING INDIVIDUAL'S LIFETIME OF MAXIMUM DURATION OF BENEFITS FOR INPATIENT HOSPITAL SERVICES

SEC. 137. (a)(1) Section 1812(a)(1) of the Social Security Act is amended by striking out "up to 90 days during any spell of illness" and inserting in lieu thereof "up to 150 days during any spell of illness minus 1 day for

each day of inpatient hospital services in excess of 90 received during any preceding spell of illness (if such individual was entitled to have payment for such services made under this part unless he specifies in accordance with regulations of the Secretary that he does not desire to have such payment made)".

(2) Section 1812(b)(1) of such Act is amended by striking out "for 90 days during such spell" and inserting in lieu thereof "for 150 days during such spell minus 1 day for each day of inpatient hospital services in excess of 90 received during any preceding spell of illness (if such individual was entitled to have payment for such services made under this part unless he specifies in accordance with regulations of the Secretary that he does not desire to have such payment made)".

(b) The second sentence of section 1813(a)(1) of such Act is amended by striking out "(before the 91st day)" and inserting in lieu thereof "(before the day following the last day for which the individual is entitled under section 1812(a)(1) to have payment made on his behalf for inpatient hospital services during such spell of illness)".

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

LIMITATION ON SPECIAL REDUCTION IN ALLOWABLE DAYS OF INPATIENT HOSPITAL SERVICES

SEC. 138. (a) Section 1812 (c) of the Social Security Act is amended by striking out "in the 90-day period immediately before such first day shall be included in determining the 90-day limit under subsection (b) (1) (but not in determining the 190-day limit under subsection (b) (3))" and inserting in lieu thereof "in the (81) ~~120-day period~~ *150-day period* immediately before such first day shall be included in determining the (82) ~~120-day limit~~ *number of days limit* under subsection (b) (1) insofar as such limit applies to (1) inpatient psychiatric hospital services and inpatient tuberculosis hospital services, or (2) inpatient hospital services for an individual who is an inpatient primarily for the diagnosis or treatment of mental illness or tuberculosis (but shall not be included in determining such (83) ~~120-day limit~~ *number of days limit* insofar as it applies to other inpatient hospital services or in determining the 190-day limit under subsection (b) (3)".

(b) The amendment made by subsection (a) shall apply with respect to payment for services furnished after December 31, 1967.

TRANSITIONAL PROVISION ON ELIGIBILITY OF PRESENTLY UNINSURED INDIVIDUALS FOR HOSPITAL INSURANCE BENEFITS

SEC. 139. Section 103 (a) (2) of the Social Security Amendments of 1965 is amended by striking out "1965" in clause (B) and inserting in lieu thereof "1966".

ADVISORY COUNCIL TO STUDY COVERAGE OF THE DISABLED UNDER TITLE XVIII OF THE SOCIAL SECURITY ACT

SEC. 140. (a) The Secretary of Health, Education, and Welfare shall appoint an Advisory Council to study the need for coverage of the disabled under the health insurance program of title XVIII of the Social Security Act.

(b) The Council shall be appointed by the Secretary during 1968 without regard to the provisions of title 5, United States Code, governing appointments in the competitive service and shall consist of 12 persons who shall, to the extent possible, represent organizations of employers and employees in equal numbers, and represent self-employed persons and the public.

(c) The Council is authorized to engage such technical assistance, including actuarial services, as may be required to carry out its functions, and the Secretary shall, in addition,

make available to such Council such secretarial, clerical, and other assistance and such actuarial and other pertinent data prepared by the Department of Health, Education, and Welfare as it may require to carry out such functions.

(d) Members of the Council, while serving on the business of the Council (inclusive of traveltime), shall receive compensation at rates fixed by the Secretary, but not exceeding $100 per day and, while so serving away from their homes or regular places of business, they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government employed intermittently.

(e) The Council shall make findings on the unmet need of the disabled for health insurance, on the costs involved in providing the disabled with insurance protection to cover the cost of hospital and medical services, and on the ways of financing this insurance. The Council shall submit a report of its findings to the Secretary not later than January 1, 1969, together with recommendations on how such protection should be financed and, if such financing is to be accomplished through the trust funds established under title XVIII of the Social Security Act, on the extent to which each of such trust funds should bear the cost of such financing. Such

report shall thereupon be transmitted to the Congress and to the Boards of Trustees created by sections 1817 (b) and 1841 (b) of the Social Security Act. After the date of transmittal to the Congress of the report, the Council shall cease to exist.

STUDY TO DETERMINE FEASIBILITY OF INCLUSION OF CERTAIN ADDITIONAL SERVICES UNDER PART B OF TITLE XVIII OF THE SOCIAL SECURITY ACT

SEC. 141. The Secretary shall make a study relating to the inclusion under the supplementary medical insurance program (part B of title XVIII of the Social Security Act) of services of additional types of licensed practitioners performing health services in independent practice. The Secretary shall make a report to the Congress prior to January 1, 1969, of his finding with respect to the need for covering, under the supplementary medical insurance program, any of the various types of services such practitioners perform and the costs to such program of covering such additional services, and shall make recommendations as to the priority and method for covering these services and the measures that should be adopted to protect the health and safety of the individuals to whom such services would be furnished.

(84) *METHOD OF DETERMINING REASONABLE COST FOR PROVIDERS OF SERVICES*

SEC. 142. (a)(1) Strike out the third sentence of section 1861(v)(1) of the Social Security Act and insert in lieu thereof the following: "Such regulations (A) shall provide for the determination of costs of services on a per diem basis, at the option of the provider of services, in all cases where the circumstances under which the services provided so permit, and, otherwise, shall provide for the determination of costs of services on a per unit, per capita, or other basis, insuring the provider of services reasonable cost reimbursement, (B) may provide for the use of estimates of costs of particular items or services, and (C) may provide for the use of charges or a percentage of charges where this method reasonably reflects the costs. With a view to not encouraging inefficiency, in determining a per diem basis for cost of services there shall be taken into account the per diem costs prevailing in a community for comparable quality and levels of services."

(2) The fourth sentence of such section 1861(v)(1) is amended by inserting "(except as might happen by reason of the provisions of clause (A) of the preceding sentence)" immediately after "will not".

(b) The amendments made by subsection (a) shall be applicable to services provided under title XVIII of the Social Security Act on and after July 1, 1968.

(85) *ALLOWANCE FOR DEPRECIATION AND INTEREST IN DETERMINING REASONABLE COST UNDER TITLES V, XVIII, AND XIX*

SEC. 143. (a)(1) Section 1861(v) of the Social Security Act is amended by adding at the end thereof the following new paragraph:

"(5)(A) Notwithstanding any other provisions of this title, the term 'reasonable cost' shall include amounts attributable to the depreciation of plant and equipment of a provider of services and interest on funds borrowed by a provider of services for plant and equipment, except as provided in the succeeding subparagraphs of this paragraph.

"(B) Where a provider of services makes a capital expenditure with respect to plant and equipment and a State agency (established or designated pursuant to section 314 (a)(2) of the Public Health Service Act) determines (and so informs such provider) that such capital expenditure does not conform to the overall plan developed by such agency for adequate health-care facilities in such State or any part thereof, then the Secretary shall, if such provider had notice that such capital expenditure did not conform to such overall plan at the time such capital expenditure was made, deduct from future payments under this title to such provider of services, for such periods of time as the Secretary finds

necessary to effectuate the purposes of this paragraph, the amounts for depreciation attributable to, and interest on funds borrowed for, such capital expenditure.

"(C) For purpose of this paragraph, a 'capital expenditure' means an expenditure which, under accepted accounting procedures, is not properly chargeable as an expense of operation and maintenance and which either (i) exceeds $50,000, (ii) changes the bed capacity of the facility with respect to which such expenditure is made, or (iii) substantially changes the services of the facility with respect to which such expenditure is made. For purposes of clause (i) of the preceding sentence, the cost of the studies, surveys, designs, plans, working drawings, specifications, and other activities essential to the acquisition, improvement, expansion, or replacement of the plant and equipment with respect to which such expenditure is made shall be included in determining whether such expenditure exceeds $50,000."

(2) The amendment made by this subsection shall apply, in the case of any State, with respect to capital expenditures made after whichever of the following is the earlier: (A) June 30, 1970, or (B) the last day of the calendar quarter in which a request is made by such State that such amendment apply in such State or any part thereof specified by such State.

(b)(1) Section 1902(a)(13) of the Social Security

Act (as amended by section 224 of this Act) is further amended by—

(A) striking out "(D)" and inserting in lieu thereof "(D)(i)";

(B) inserting immediately before the semicolon at the end thereof the following: "and (ii) that, in determining the reasonable cost of inpatient hospital services provided under the plan, there shall be included an amount attributable to the depreciation of plant and equipment and interest on funds borrowed for plant and equipment, but not, with respect to a capital expenditure in the case of any institution furnishing such services, for such periods as the Secretary may specify, after a determination has been made (and the institution has been so notified) by a State agency (established or designated pursuant to section 314(a)(2) of the Public Health Service Act) that such capital expenditure (as defined in section 1861(v)(5)(C)) with respect to the plant and equipment of such institution does not conform to the overall plan of such State agency (so established or designated) for adequate health-care facilities and the institution had notice that such capital expenditure did not conform to such overall plan at the time such capital expenditure was made".

(2) Section 1903(b) of such Act is amended by adding

at the end thereof (after paragraph (2) added to such subsection by section 222(c) of this Act) the following new paragraph:

"(3) Notwithstanding the previous provisions of this section where an institution furnishing care and services under the plan has made a capital expenditure (as defined in section 1861(v)(5)(C) which a State agency (established or designated pursuant to section 314(a)(2) of the Public Health Service Act) has determined (and so informs such institution) does not conform to the overall plan developed by such State agency (so established or designated) for adequate health-care facilities and such institution had notice that such capital expenditure did not conform to such overall plan at the time such expenditure was made, the amount determined under subsection (a)(1) for care and services furnished by such institution shall not take into account, for such period of time as the Secretary may specify, the amounts attributable to depreciation of, and interest on, funds borrowed for such capital expenditure."

(c)(1) Section 505(a)(6) of the Social Security Act (as added to such Act by section 301 of this Act) is amended by—

(A) striking out "provides" and inserting in lieu thereof "(A) provides"; and

(B) striking out "under the plan" and inserting in

lieu thereof the following: "under the plan, and (B) provides that, in determining the reasonable cost of inpatient hospital services provided under the plan, there shall be included an amount attributable to the depreciation of plant and equipment and interest on funds borrowed for plant and equipment, but not, with respect to a capital expenditure in the case of any institution furnishing such services, for such periods as the Secretary may specify, after a determination has been made (and the institution has been so notified) by a State agency (established or designated pursuant to section 314(a)(2) of the Public Health Service Act) that such capital expenditure (as defined in section 1861(v)(5)(C)) with respect to the plant and equipment of such institution does not conform to the overall plan of such State agency (so established or designated) for adequate healthcare facilities and the institution had notice that such capital expenditure did not conform to such overall plan at the time such capital expenditure was made".

(2) Section 506(a) of the Social Security Act (as added to such Act by section 301 of this Act) is amended by adding at the end before the period the following: "(including expenditures for inpatient hospital services in accordance with the requirements of section 505(a)(6)(B))".

(3)(A) Clause (2) of the second sentence of section 509(a) of the Social Security Act (as added by section 301 of this Act) is amended by striking out "by the Secretary" and inserting in lieu thereof "by the Secretary and the provisions of the succeeding sentence of this subsection)".

(B) Section 509(a) of the Social Security Act (as added by section 301 of this Act) is amended by adding at the end the following new sentence: "For purposes of the preceding sentence, 'reasonable cost' shall include an amount attributable to the depreciation of plant and equipment and interest on funds borrowed for plant and equipment, but not, with respect to a capital expenditure in the case of any institution furnishing inpatient hospital services, for such periods as the Secretary may specify, after a determination has been made (and the institution has been so notified) by a State agency (established or designated pursuant to section 314(a)(2) of the Public Health Service Act) that such capital expenditure (as defined in section 1861(v)(5)(C)) with respect to the plant and equipment of such institution does not conform to the overall plan of such State agency (so established or designated) for adequate health-care facilities and the institution had notice that such capital expenditure did not conform to such overall plan at the time such capital expenditure was made."

(4) Title V of the Social Security Act (as added to

such Act by section 301 of this Act) is amended by adding at the end thereof the following new section:

"LIMITATION ON PAYMENTS AND GRANTS

"SEC. 515. Notwithstanding the previous provisions of this title, where an institution furnishing health-care, services, and treatment has made a capital expenditure (as defined in section 1861(v)(5)(C)) which a State agency (established or designated pursuant to section 314(a)(2) of the Public Health Service Act) has determined (and so informed such institution) does not conform to the overall plan of such State agency (so established or designated) for adequate health-care facilities and such institution had notice that such capital expenditure did not conform to such overall plan at the time the expenditure was made, the Secretary shall not, for such period or periods of time as he may specify, take into account the amounts attributable to depreciation of, and the interest on funds borrowed for, such capital expenditure."

(d) The amendments made by subsections (b) and (c) shall apply, in the case of any State, with respect to care, services, or treatment provided after whichever of the following is the earlier: (A) June 30, 1970, or (B) the last day of the calendar quarter in which the State has requested the amendment made by subsection (a) of this section to apply in such State or any part thereof.

(86) *STATE AGREEMENTS FOR COVERAGE UNDER THE HOSPITAL INSURANCE PROGRAM FOR THE AGED*

SEC. 144. Title XVIII of the Social Security Act is amended by adding after section 1817 the following new section:

"STATE AGREEMENTS FOR COVERAGE OF ANNUITANTS AND MEMBERS OF A RETIREMENT SYSTEM AND THEIR DEPENDENTS AND SURVIVORS

"SEC. 1818. (a) The Secretary shall, at the request of a State which has entered into an agreement under section 218, enter into an agreement with such State pursuant to which all individuals in any of the coverage groups described in subsection (b) (as specified in the agreement) will be entitled to benefits under this part.

"(b) For purposes of this section—

"(1) the term 'retirement system' means a pension, annuity, retirement, or similar fund or system established by a State or by a political subdivision thereof.

"(2) the term 'political subdivision' includes an instrumentality of (A) a State, (B) one or more political subdivisions of a State, or (C) a State and one or more political subdivisions.

"(3) the term 'State' includes an instrumentality of two or more States.

"(4) the term 'coverage group' means (A) an-

nuitants under a retirement system, (B) members of a retirement system who are not annuitants, (C) the wives or husbands of annuitants under a retirement system, (D) the wives or husbands of members of a retirement system who are not annuitants, (E) the widows or widowers of annuitants under a retirement system, and (F) the widows or widowers of members of a retirement system who were not annuitants; except that such term shall not include any individual who is entitled to monthly insurance benefits under title II or who is entitled to receive an annuity or a pension under the Railroad Retirement Act of 1937 or who is entitled to benefits under this part pursuant to section 103 of the Social Security Amendments of 1965.

"(c) (1) An agreement entered into with any State under this section shall be applicable to one or more coverage groups, referred to in clause (A) of subsection (b)(4), and as designated by the State in such agreement.

"(2) An agreement entered into with any State under this section may be applicable to one or more of the coverage groups referred to in any of the clauses of subsection (b)(4) (except clause (A)) but only with respect to retirement systems (A) the annuitants of which are individuals in a coverage group designated, pursuant to paragraph (1), as a cov-

erage group to which such agreement applies and (B) in the case of wives, husbands, widows, and widowers, referred to in clauses (D) and (F), the members of which are individuals in a coverage group designated, pursuant to this paragraph, as a coverage group to which this agreement applies.

"(d) The Secretary shall, at the request of any State, modify the agreement with such State under this section to include any coverage group to which the agreement did not previously apply; but the agreement as so modified may not be inconsistent with the provisions of this section applicable in the case of an original agreement with a State.

"(e) For purposes of this section an individual who is in a coverage group to which the agreement under this section applies, shall (subject to the succeeding provisions of this section) be entitled (1) to benefits under this part in the same manner and under the same conditions as though he established such entitlement under section 226, and (2) for the purposes of section 144 of the Social Security Amendments of 1967.

"(f) The entitlement to benefits under this part of an individual, who is in a coverage group to which the agreement under this section applies, shall—

"(1) begin on whichever of the following is the latest:

"(A) April 1, 1968,

"(B) the first day of the month in which such individual attains the age of 65,

"(C) the first day of the month following the first month in which he is in such coverage group,

"(D) the first day of the second month following the month in which such agreement is entered into, or

"(E) the first day of the second month following the month to which such agreement, pursuant to a modification, becomes applicable to such coverage group, and

"(2) end on whichever of the following is the earliest—

"(A) the last day of the month in which such individual dies,

"(B) the last day of the month preceding the first month for which he becomes entitled to monthly benefits under title II or to an annuity or a pension under the Railroad Retirement Act of 1937 or to benefits under this part pursuant to section 103 of the Social Security Amendments of 1965,

"(C) the first day of the month following the month in which he ceases to be in the coverage group to which such agreement is applicable.

"(D) the day on which such agreement terminates, or

"(E) the day on which such agreement terminates with respect to such coverage group.

"(g) Each such agreement shall provide that the State—

"(1) will, at such time or times as the Secretary specifies, reimburse the Federal Hospital Insurance Trust Fund (A) for payments made from such Fund to pay for the services furnished to individuals entitled to have payment made for such services by reason of such agreement and (B) for the administrative expenses incurred by the Department of Health, Education, and Welfare in carrying out such agreement and by such public or private agencies that such Department may utilize for such purpose,

"(2) will comply with such rules and regulations as the Secretary may issue in carrying out such agreement,

"(3) will furnish the Secretary such timely information and reports as he may find necessary in performing his functions under this section and will maintain such records and afford such access thereto as the Secretary finds necessary to assure the correctness and verification of the information and reports under this paragraph and otherwise carry out this agreement,

and shall contain such other terms and conditions not inconsistent with this section as the Secretary may find necessary and appropriate.

"(h) Upon giving at least 6 months notice in writing to the Secretary, a State may terminate, effective at the end of a calendar quarter specified in the notice, its agreement with the Secretary either in its entirety or with respect to a coverage group.

"(i) If the Secretary, after giving reasonable notice and opportunity for hearing to a State with whom he has entered into an agreement pursuant to this section, finds that the State has failed or is no longer legally able substantially to comply with any provision of such agreement or of this section, he shall notify such State that the agreement will be terminated in its entirety, or with respect to any one or more coverage groups designated by him, at such time as he deems appropriate, unless prior to such time he finds there no longer is any such failure or that the cause for such legal inability has been removed.

"(j) A determination by a State, which has entered into an agreement with the Secretary under this section, as to whether an individual is an annuitant or member of a retirement system or the wife, widow, husband, or widower of such an annuitant or member shall, for purposes of this section, be final and conclusive upon the Secretary.

"(k)(1) If more or less than the correct amount due under an agreement pursuant to this section is paid, proper adjustments with respect to the amounts due under such agreement shall be made, without interest, in such manner and at such times as may be prescribed by regulations of the Secretary.

"(2) In case any State does not make, at the time or times due, the payments provided for under an agreement pursuant to this section, there shall be added, as part of the amounts due, interest at the rate of 6 per centum per annum from the date due until paid."

(87) *PROVISIONS FOR BENEFITS UNDER PART A OF TITLE XVIII OF THE SOCIAL SECURITY ACT FOR SERVICES TO PATIENTS ADMITTED PRIOR TO 1968 TO CERTAIN HOSPITALS*

SEC. 145. (a) Notwithstanding any provision of title XVIII of the Social Security Act, an individual who is entitled to hospital insurance benefits under section 226 of such Act may, subject to subsections (b) and (c), receive, on the basis of an itemized bill, reimbursement for charges to him for inpatient hospital services (as defined in section 1861 of such Act, but without regard to subsection (e) of such section) furnished by, or under arrangements (as defined in section 1861(w) of such Act) with, a hospital if—

(1) the hospital did not have an agreement in effect

under section 1866 of such Act but would have been eligible for payment under such part A with respect to such services if at the time such services were furnished the hospital had such an agreement in effect;

(2) the hospital (A) meets the requirements of paragraphs (5) and (7) of section 1861(e) of such Act, (B) is not primarily engaged in providing the services described in section 1861(j)(1)(A) of such Act, and (C) is primarily engaged in providing, by or under the supervision of individuals referred to in paragraph (1) of section 1861(r) of such Act, to inpatients (i) diagnostic services and therapeutic services for medical diagnosis, treatment, and care of injured, disabled, or sick persons, or (ii) rehabilitation services for the rehabilitation of injured, disabled, or sick persons;

(3) the hospital did not meet the requirements that must be met to permit payment to the hospital under such part A; and

(4) an application is filed (submitted in such form and manner and by such person, and containing and supported by such information, as the Secretary shall by regulations prescribe) for reimbursement before January 1, 1969.

(b) Payments under this section may not be made for

inpatient hospital services (as defined in subsection (a)) furnished to an individual—

(1) prior to July 1, 1966,

(2) after December 31, 1967, unless furnished with respect to an admission to the hospital prior to January 1, 1968, and

(3) for more than—

(A) 90 days in any spell of illness, but only if (i) prior to January 1, 1969, the hospital furnishing such services entered into an agreement under section 1866 of the Social Security Act and (ii) the hospital's plan for utilization review, as provided for in section 1861(k) of such Act, has, in accordance with section 1814 of such Act, been applied to the services furnished such individual, or

(B) 20 days in any spell of illness, if the hospital did not meet the conditions of clauses (i) and (ii) of subparagraph (A).

(c)(1) The amounts payable in accordance with subsection (a) with respect to inpatient hospital services shall, subject to paragraph (2) of this subsection, be paid from the Federal Hospital Insurance Trust Fund in amounts equal to 60 percent of the hospital's reasonable charges for routine services furnished in the accommodations occupied by the individual or in semi-private accommodations (as defined

in section 1861(v)(4)) whichever is less, plus 80 percent of the hospital's reasonable charges for ancillary services. If separate charges for routine and ancillary services are not made by the hospital, reimbursement may be based on two-thirds of the hospital's reasonable charges for the services received but not to exceed the charges which would have been made if the patient had occupied semi-private accommodations (as so defined). For purposes of the preceding provisions of this paragraph, the term "routine services" shall mean the regular room, dietary, and nursing services, minor medical and surgical supplies and the use of equipment and facilities for which a separate charge is not customarily made; the term "ancillary services" shall mean those special services for which charges are customarily made in addition to routine services.

(2) Before applying paragraph (1), payments made under this section shall be reduced to the extent provided for under section 1813 of the Social Security Act in the case of benefits payable to providers of services under part A of title XVIII of such Act.

(d) For the purposes of this section—

(1) the 90-day period, referred to in subsection (b)(3)(A), shall be reduced by the number of days of inpatient hospital services furnished to such individual during the spell of illness, referred to therein, and with

respect to which he was entitled to have payment made under part A of title XVIII of the Social Security Act;

(2) the 20-day period, referred to in subsection (b)(3)(B) shall be reduced by the number of days in excess of 70 days of inpatient hospital services furnished during the spell of illness, referred to therein, and with respect to which such individual was entitled to have payment made under such part A;

(3) the term "spell of illness" shall have the meaning assigned to it by subsection (a) of section 1861 of such Act except that the term "inpatient hospital services" as it appears in such subsection shall have the meaning assigned to it by subsection (a) of this section.

(88) *PAYMENTS FOR EMERGENCY HOSPITAL SERVICES*

SEC. 146. (a) The second sentence following paragraph (8) of section 1861(e) of the Social Security Act is amended by striking out "which meets the requirement of paragraphs (1), (2), (3), (4), (5) and (7) of this subsection" and inserting in lieu thereof "which (i) meets the requirements of paragraphs (5) and (7) of this subsection, (ii) is not primarily engaged in providing the services described in section 1861(j)(1)(A) and (iii) is primarily engaged in providing, by or under the supervision of individuals referred to in paragraph (1) of section 1861(r), to inpatients diagnostic services and therapeutic services for medical diagnosis,

treatment, and care of injured, disabled, or sick persons, or rehabilitation services for the rehabilitation of injured, disabled, or sick persons."

(b) That portion of section 1812(a) of such Act that precedes paragraph (1) thereof is amended by inserting "or, in the case of payments referred to in section 1814(d)(2) to him" after "on his behalf".

(c) Section 1814(d) is amended by—

(1) striking out "Payments" and inserting in lieu thereof "(1) Payments";

(2) deleting "furnished" and inserting "furnished in a calendar year";

(3) deleting "and" at the end of clause (A) and inserting a comma in lieu thereof;

(4) inserting before the period at the end of the first sentence the following: ", and (C) such hospital has elected to claim payments for all such inpatient emergency services and for the emergency outpatient services referred to in section 1835(b) furnished during such year"; and

(5) adding at the end of such section 1814(d) the following new paragraphs:

"(2) Payment may be made on the basis of an itemized bill to an individual entitled to hospital insurance benefits under section 226 for services described in paragraph (1)

which are emergency services if (A) payment cannot be made under paragraph (1) solely because the hospital does not elect to claim such payment, and (B) such individual files application (submitted within such time and in such form and manner and by such person, and containing and supported by such information as the Secretary shall by regulations prescribe) for reimbursement.

"(3) The amounts payable under the preceding paragraph with respect to services described therein shall, subject to the provisions of section 1813, be equal to 60 percent of the hospital's reasonable charges for routine services furnished in the accommodations occupied by the individual or in semiprivate accommodations (as defined in section 1861(v)(4)), whichever is less, plus 80 percent of the hospital's reasonable charges for ancillary services. If separate charges for routine and ancillary services are not made by the hospital, reimbursement may be based on two-thirds of the hospital's reasonable charges for the services received but not to exceed the charges which would have been made if the patient had occupied semiprivate accommodations. For purposes of the preceding provisions of this paragraph, the term 'routine services' shall mean the regular room, dietary, and nursing services, minor medical and surgical supplies and the use of equipment and facilities for which a separate charge is not customarily made; the term 'ancillary services' shall mean

those special services for which charges are customarily made in addition to routine services."

(d) The provisions made by subsection (a) of this section shall become effective as of July 1, 1966, and the provisions made by subsections (b) and (c) of this section shall apply to services furnished with respect to admissions occurring after December 31, 1967, and to outpatient hospital diagnostic services furnished after December 31, 1967, and before April 1, 1968.

(89) *PAYMENT FOR CERTAIN SERVICES FURNISHED OUTSIDE THE UNITED STATES*

SEC. 147. (a) Section 1814(f) of the Social Security Act is amended to read as follows:

"PAYMENT FOR CERTAIN SERVICES FURNISHED OUTSIDE THE UNITED STATES

"(f)(1) Payment shall be made for inpatient hospital services (as defined in section 1861, but without regard to subsection (e) of such section) furnished to an individual entitled to hospital insurance benefits under section 226 by a hospital (or under arrangements (as defined in section 1861(w)) with it) which is situated within 50 miles outside the continental United States (or within a city or other municipality any part of which is within 50 miles of the United States) in a country contiguous thereto if such individual is a resident of the United States and if—

"(A)(i) such hospital was closer to, or substantially more accessible from the residence of such individual than the nearest hospital within the United States which was adequately equipped to deal with, and was available for the treatment of, such individual's illness or injury, or (ii) such services were emergency services and the emergency which necessitated such services occurred in a place within (I) the United States or (II) 50 miles outside the United States in a country contiguous thereto and such hospital was closer to or substantially more accessible from such place than the nearest hospital within the United States which was adequately equipped to deal with, and was available for the treatment of, such individual's illness or injury, and

"(B)(i) the hospital was accredited by the Joint Commission on Accreditation of Hospitals or (ii) the Secretary finds that the accreditation or comparable approval standards of a program of the country in which the hospital is located are essentially equivalent to the requirements specified in clause (i) of this subparagraph and the hospital was accredited or similarly approved by such program.

"(2) Payment under this subsection may not be made for inpatient hospital services (as defined in paragraph (1)) furnished to an individual for more than twenty days in

a spell of illness (as defined in subsection (a) of section 1861, except that for such purposes the term 'inpatient hospital services' shall have the meaning assigned to it by paragraph (1) of this subsection); and days in excess of twenty in which inpatient hospital services (as so defined) are furnished during such spell of illness for which payment, but for this paragraph, would be made under this subsection shall not be taken into account for purposes of section 1812 (b)(1).

"(3) Payments under this subsection shall be made to the individual on the basis of an itemized bill in the amount specified in paragraph (4), if such individual files application (submitted within such time and in such form and manner and by such person, and containing and supported by such information as the Secretary shall by regulations prescribe) for such payment.

"(4) The amounts payable under paragraph (3) shall, subject to the provisions of section 1813, be equal to 60 per centum of the hospital's reasonable charges for routine services furnished in the accommodations occupied by the individual or in semiprivate accommodations (as defined in section 1861(v)(4)), whichever is less, plus 80 per centum of the hospital's reasonable charges for ancillary services. If separate charges for routine and ancillary services are not made by the hospital, reimburse-

ment may be based on two-thirds of the hospital's reasonable charges for the services received but not to exceed the charges which would have been made if the patient had occupied semiprivate accommodations. For purposes of the preceding provisions of this paragraph, the term 'routine services' shall mean the regular room, dietary, and nursing services, minor medical and surgical supplies, and the use of equipment and facilities for which a separate charge is not customarily made; the term 'ancillary services' shall mean those special services for which charges are customarily made in addition to routine services."

(b) The provisions made by this section shall apply to services furnished with respect to admissions occurring after March 31, 1968.

(90) *PAYMENT UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM FOR CERTAIN INPATIENT ANCILLARY SERVICES*

SEC. 148. (a) So much of section 1861(s) of the Social Security Act which precedes paragraph (1) is amended by striking out "(unless they would otherwise constitute inpatient hospital services, extended care services, or home health services)".

(b) The sentence immediately following paragraph (9) of section 1861(s) of such Act is amended by inserting after "hospital" the following: "(which, for purposes of this

sentence, means an institution considered a hospital for purposes of section 1814(d))".

(c) Section 1861(s) of such Act is amended by adding at the end thereof (after and below paragraph (13) as added to such section by section 129(b) of this Act) the following new sentence: "None of the items and services referred to in the preceding paragraphs (other than paragraphs (1) and (2)(A)) of this subsection which are furnished to a patient of an institution which meets the definition of a hospital for purposes of section 1814(d) shall be included unless such other conditions are met as the Secretary may find necessary relating to health and safety of individuals with respect to whom such items and services are furnished."

(d) Section 1861(s)(6) of such Act is amended by striking out "as his home" and inserting in lieu thereof "as his home other than an institution that meets the requirements of subsection (e)(1) or (j)(1) of this section".

(e) The amendments made by this section shall apply with respect to services furnished after March 31, 1968.

(91) *GENERAL ENROLLMENT PERIOD UNDER TITLE XVIII*

SEC. 149. (a) Section 1837(b)(1) of the Social Security Act is amended to read as follows:

"(1) No individual may enroll for the first time under this part unless he does so in a general enrollment period (as provided in subsection (e)) which begins within 3 years

after the close of the first enrollment period during which he could have enrolled under this part."

(b) Section 1837(e) of such Act is amended to read as follows:

"(e) There shall be a general enrollment period, after the period described in subsection (c), during the period beginning on January 1 and ending on March 31 of each year beginning with 1969."

(c) Section 1838(b) of such Act is amended by—

(1) striking out in paragraph (1) the following: ", during a general enrollment period described in section 1837(e),"; and

(2) striking out "December 31 of the year" and inserting in lieu thereof "the calendar quarter following the calendar quarter".

(d) Section 1839(b)(2) of such Act is amended to read as follows:

"(2) The Secretary shall, during December 1968 and of each year thereafter, determine and promulgate the dollar amount (whether or not such dollar amount was applicable for premiums for any prior month) which shall be applicable for premiums for months occurring in the 12-month period commencing July 1 in each succeeding year. Such dollar amount shall be such amount as the Secretary estimates to be necessary so that the aggregate premiums for

such 12-month period will equal one-half of the total of the benefits and administrative costs which he estimates will be payable from the Federal Supplementary Medical Insurance Trust Fund for such 12-month period. In estimating aggregate benefits payable for any period, the Secretary shall include an appropriate amount for a contingency margin. Whenever the Secretary, pursuant to the preceding sentence, promulgates the dollar amount which shall be applicable for premiums for any period, he shall, at the time such promulgation is announced, issue a public statement setting forth the actuarial assumptions and bases employed by him in arriving at the amount of premiums so promulgated.

(e) Section 1839(c) of such Act is amended to read as follows:

"(c)(1) In the case of an individual whose coverage period began pursuant to an enrollment after his initial enrollment period (determined pursuant to subsection (c) or (d) of section 1837), there shall be collected, at such time and in such manner as the Secretary may by regulations prescribe, from such individual—

"(A) 2 additional monthly premiums each of which is equal to the monthly premium for the first month of his current coverage period, if his period of delayed enrollment (as defined in paragraph (2)) is at least 12 full months, but no more than 23 full months, or

"(B) 3 additional monthly premiums each of which is equal to the monthly premium for the first month of his current coverage period if his period of delayed enrollment (as defined in paragraph (2)) is at least 24 full months;

except that there shall not be collected from an individual—

"(C) more than 2 additional monthly premiums pursuant to subparagraph (A), and

"(D) more than one additional monthly premium under subparagraph (B) if 2 additional monthly premiums had been collected from him pursuant to subparagraph (A).

"(2) For purposes of paragraph (1) of this subsection, a period of delayed enrollment with respect to an individual shall be—

"(A) the number of months between the close of his initial enrollment period and the close of the enrollment period in which he enrolled, plus

"(B) if he enrolls for a second time, the number of months which elapsed between the date of the termination of his first coverage period and the close of the enrollment period in which he enrolled for the second time."

(f)(1) The amendments made by subsections (a), (b), and (c) shall become effective April 1, 1968. Notwithstanding the provisions of section 2 of Public Law 90–97, the

amendments made by subsection (d) shall become effective December 1, 1968.

(2) The amendment made by subsection (e) shall apply to individuals who enroll under part B of title XVIII of the Social Security Act in a general enrollment period which begins after September 30, 1967, except that in the case of an individual who enrolled in the general enrollment period beginning October 1, 1967, and ending March 31, 1968 (as provided for in Public Law 90-97), then his period of delayed enrollment, for purposes of section 1839(c) of the Social Security Act, as amended by this section, shall not include January through March 1968.

(92) *ELIMINATION OF SPECIAL REDUCTION IN ALLOWABLE DAYS OF INPATIENT HOSPITAL SERVICES FOR PATIENTS IN TUBERCULOSIS HOSPITALS*

SEC. 149a. (a) Section 1812(c) of the Social Security Act (as amended by section 138 of this Act) is further amended—

(1) by striking out "a psychiatric hospital or a tuberculosis hospital" and inserting in lieu thereof "a psychiatric hospital",

(2) by striking out "and inpatient tuberculosis hospital services", and

(3) by striking out "or tuberculosis".

(b) The amendments made by subsection (a) shall apply with respect to payment for services furnished after December 31, 1967.

(93) INCLUSION OF OPTOMETRISTS' SERVICES UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

SEC. 149b. (a) Section 1861(r) of the Social Security Act (as amended by section 127(a) of this Act) is further amended by—

(1) striking out "or (3)" and inserting in lieu thereof "(3)"; and

(2) inserting before the period at the end thereof the following: ", or (4) a doctor of optometry, but only for purposes of sections 1861(s)(1) and 1861(s)(2)(A) and only with respect to functions which he is legally authorized to perform as such by the State in which he performs them".

(b) Section 1862(a) of such Act (as amended by section 127(b) of this Act) is further amended by—

(1) striking out "or" at the end of paragraph (12);

(2) striking out the period at the end of paragraph (13) and inserting in lieu thereof "; or"; and

(3) adding after paragraph (13) the following new paragraph:

"(14) where such expenses constitute charges with re-

spect to (A) the detection of eye diseases or (B) the referral of an individual to a physician (as defined in section 1861 (r)(1)), by a doctor of optometry arising out of a procedure in connection with the detection of eye diseases."

(c) The amendment made by subsections (a) and (b) shall apply with respect to services furnished after March 31, 1968.

(94) *INCLUSION OF CHIROPRACTORS' SERVICES UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM*

SEC. 149c. (a) Section 1861(r) of the Social Security Act (as amended by section 127(a) and section 149b(a) of this Act) is further amended by—

(1) striking out "or (4)" and inserting in lieu thereof "(4)", and

(2) inserting before the period at the end thereof the following: ", or (5) a chiropractor licensed as such by a State, but only for purposes of sections 1861(s)(1) and 1861(s)(2)(A) and only with respect to functions which he is legally authorized to perform as such by the State in which he performs them".

(b) The amendments made by subsection (a) of this section shall take effect with respect to services furnished after March 31, 1968.

(95) *INCLUSION OF PSYCHOLOGISTS' SERVICES UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM*

SEC. 149d. (a) Section 1861(r) of the Social Security Act (as amended by sections 127, 149b, and 149c, of this Act) is further amended by—

(1) striking out "or (5)" and inserting in lieu thereof "(5)", and

(2) inserting before the period at the end thereof the following: ", or (6) a psychologist licensed or certified as such by the State, but only for purposes of 1861(s)(1) and 1861(s)(2)(A) and only with respect to functions which he is legally authorized to perform as such by the State in which he performs them".

(b) The amendments made by subsection (a) of this section shall take effect with respect to services furnished after March 31, 1968.

PART 4—MISCELLANEOUS AND TECHNICAL AMENDMENTS

ELIGIBILITY OF ADOPTED CHILD FOR MONTHLY BENEFITS

SEC. 150. (a) The second sentence of section 216(e) of the Social Security Act is amended by striking out "before the end of two years after the day on which such individual died or the date of enactment of this Act" and inserting in lieu thereof "only if (A) proceedings for the adoption of the child had been instituted by such individual before his

death, or (B) such child was adopted by such individual's surviving spouse before the end of two years after (i) the day on which such individual died or (ii) the date of enactment of the Social Security Amendments of 1958".

(b) The amendment made by subsection (a) shall apply with respect to monthly benefits payable under title II of the Social Security Act for (96) ~~and after the second month following the month in which this Act is enacted,~~ *months after February 1968,* but only on the basis of an application filed in or after the month in which this Act is enacted.

CRITERIA FOR DETERMINING CHILD'S DEPENDENCY ON MOTHER

SEC. 151. (a) Section 202 (d) (3) of the Social Security Act is amended—

(1) by inserting "or his mother or adopting mother" after "his father or adopting father" in the first sentence; and

(2) by striking out ", if such individual is the child's father," in the second sentence.

(b) Section 202 (d) (4) of such Act is amended by inserting "or stepmother" after "stepfather" each place it appears.

(c) Section 202 (d) of such Act is further amended by striking out paragraph (5), and by redesignating para-

graphs (6) through (10) as paragraphs (5) through (9), respectively.

(d) (1) The paragraph of section 202(d) of such Act redesignated as paragraph (9) by subsection (c) of this section is amended by striking out "under paragraph (9)" and inserting in lieu thereof "under paragraph (8)".

(2) Paragraphs (2) and (3) of section 202(s) of such Act are each amended by striking out "(d) (6)," and inserting in lieu thereof "(d) (5),".

(3) Section (5) (l) (1) of the Railroad Retirement Act of 1937 is amended—

(A) by striking out "(3), (4), or (5)" in the third sentence and inserting in lieu thereof "(3) or (4)"; and

(B) by striking out "paragraph (8)" in the ninth sentence and inserting in lieu thereof "paragraph (7)".

(e) The amendments made by this section shall apply with respect to monthly benefits payable under title II of the Social Security Act (and annuities accruing under the Railroad Retirement Act of 1937) for (97)~~and after the second month following the month in which this Act is enacted,~~ *months after February 1968*, but only on the basis of applications filed in or after the month in which this Act is enacted.

(98) *RECOVERY OF OVERPAYMENTS*

SEC. 152. (a) Section 204(a) of the Social Security Act is amended to read as follows:

"SEC. 204. (a) Whenever the Secretary finds that more or less than the correct amount of payment has been made to any person under this title, proper adjustment or recovery shall be made, under regulations prescribed by the Secretary, as follows:

"(1) With respect to payment to a person of more than the correct amount, the Secretary shall decrease any payment under this title to which such overpaid person is entitled, or shall require such overpaid person or his estate to refund the amount in excess of the correct amount, or shall decrease any payment under this title payable to his estate or to any other person on the basis of the wages and self-employment income which were the basis of the payments to such overpaid person, or shall apply any combination of the foregoing.

"(2) With respect to payment to a person of less than the correct amount, the Secretary shall make payment of the balance of the amount due such underpaid person, or, if such person dies before payments are completed or before negotiating one or more checks repre-

senting correct payments, disposition of the amount due shall be made in accordance with subsection (d)."

(b) Section 204(b) of such Act is amended to read as follows:

"*(b) In any case in which more than the correct amount of payment has been made, there shall be no adjustment of payments to, or recovery by the United States from, any person who is without fault if such adjustment or recovery would defeat the purpose of this title or would be against equity and good conscience.*"

(99) *BENEFITS PAID ON BASIS OF ERRONEOUS REPORTS OF DEATH IN MILITARY SERVICE*

SEC. 153. (a) Section 204(a)(1) of the Social Security Act (as amended by section 152 of this Act) is further amended by adding at the end the following sentence: "A payment made under this title on the basis of an erroneous report of death by the Department of Defense of an individual in the line of duty while he is a member of the uniformed services (as defined in section 210(m)) on active duty (as defined in section 210(l)) shall not be considered an incorrect payment prior to the month such Department notifies the Secretary that such individual is alive."

(b) The amendment made by this section shall apply with respect to benefits under title II of the Social Security Act if the individual to whom such benefits were paid would

have been entitled to such benefits in or after the month in which this Act was enacted if the report mentioned in the amendment made by subsection (a) of this section had been correct (but without regard to the provisions of section 202 (j)(1) of such Act).

(100) UNDERPAYMENTS

SEC. 152. (a) Section 204(d) of the Social Security Act is amended to read as follows:

"(d) Notwithstanding the provisions of subsection (a), if an individual dies before any payment due him under this title is completed, payment of the amount due (including the amount of any unnegotiated checks) shall be made—

"(1) to the surviving spouse of the deceased individual who was, for the month in which the deceased individual died, entitled to a monthly benefit on the basis of the same wages and self-employment income as was the deceased individual;

"(2) if there is no person who meets the requirements of paragraph (1), or if the person who meets such requirements dies before the payment due him under this title is completed, to the child or children, if any, of the deceased individual who were, for the month in which the deceased individual died, entitled to monthly benefits on the basis of the same wages and self-employment income as was the deceased individual (and,

in case there is more than one such child, in equal parts to each such child) ;

"(3) if there is no person who meets the requirements of paragraph (1) or (2), or if each person who meets such requirements dies before the payment due him under this title is completed, to the parent or parents, if any, of the deceased individual who were, for the month in which the deceased individual dies, entitled to monthly benefits on the basis of the same wages and self-employment income as was the deceased individual (and, in case there is more than one such parent, in equal parts to each such parent) ;

"(4) if there is no person who meets the requirements of paragraph (1), (2), or (3), or if each person who meets such requirements dies before the payment due him under this title is completed, to the legal representative of the estate of the deceased individual;

"(5) if there is no person who meets the requirements of paragraph (1), (2), (3), or (4), or if each person who meets such requirements dies before the payment due him under this title is completed, to the person, if any, determined by the Secretary to be the surviving spouse of the deceased individual; or

"(6) if there is no person who meets the requirements of paragraph (1), (2), (3), (4), or (5), or

if each person who meets such requirements dies before the payment due him under this title is completed, to the person or persons, if any, determined by the Secretary to be the child or children of the deceased individual (and, in case there is more than one such child, in equal parts to each such child)."

(b) The heading of section 1870 of such Act is amended by adding at the end thereof "AND SETTLEMENT OF CLAIMS FOR BENEFITS ON BEHALF OF DECEASED INDIVIDUALS".

(c) Section 1870 of such Act is amended by adding after subsection (d) the following new subsections:

"(e) If an individual who received medical and other health services for which payment may be made under section 1832(a)(1) dies, and payment for such services was made (other than under this title) and the individual died before any payment due with respect to such services was completed, payment of the amount due (including the amount of any unnegotiated checks) shall be made—

"(1) if the payment for such services was made by a person other than the deceased individual, to the person or persons determined by the Secretary under regulations to have paid for such services; or

"(2) if the payment for such services was made by the deceased individual before his death, or if there

is no person to whom payment can be made under paragraph (1) (or each such person dies before such payment is completed)—

"(A) to the legal representative of the estate of such deceased individual, if any;

"(B) if there is no legal representative, to the person, if any, determined by the Secretary to be the surviving spouse of the deceased individual and to have been living in the same household with the deceased at the time of his death;

"(C) if there is no person who meets the requirements of subparagraph (A) or (B), or if each person who meets such requirements dies before the payment due him under this title is completed, to the surviving spouse of the deceased individual who was, for the month in which the deceased individual died, entitled to a monthly benefit under title II on the basis of the same wages and self-employment income as was the deceased individual; or

"(D) if there is no person who meets the requirements of subparagraph (A), (B), or (C), or if each person who meets such requirements dies before the payment due him under this title is completed, to the person or persons, if any, determined by the Secretary to be the child or children of such

~~deceased individual (and in case there is more than one such child, in equal parts to each such child).~~

UNDERPAYMENTS

SEC. 154. (a) Section 204(d) of the Social Security Act is amended to read as follows:

"(d) If an individual dies before any payment due him under this title is completed, payment of the amount due (including the amount of any unnegotiated checks) shall be made—

"(1) to the person, if any, determined by the Secretary to be the surviving spouse of the deceased individual and who either (i) was living in the same household with the deceased at the time of his death or (ii) was, for the month in which the deceased individual died, entitled to a monthly benefit on the basis of the same wages and self-employment income as was the deceased individual;

"(2) if there is no person who meets the requirements of paragraph (1), or if the person who meets such requirements dies before the payment due him under this title is completed, to the child or children, if any, of the deceased individual who were, for the month in which the deceased individual died, entitled to monthly benefits on the basis of the same wages and self-

employment income as was the deceased individual (and, in case there is more than one such child, in equal parts to each such child);

"(3) if there is no person who meets the requirements of paragraph (1) or (2), or if each person who meets such requirements dies before the payment due him under this title is completed, to the parent or parents, if any, of the deceased individual who were, for the month in which the deceased individual died, entitled to monthly benefits on the basis of the same wages and self-employment income as was the deceased individual (and, in case there is more than one such parent, in equal parts to each such parent);

"(4) if there is no person who meets the requirements of paragraph (1), (2), or (3), or if each such person dies before the payment due under this title is completed, to the person, if any, determined by the Secretary to be the surviving spouse of the deceased individual;

"(5) if there is no person who meets the requirements of paragraph (1), (2), (3), or (4), or if each person who meets such requirements dies before the payment due him under this title is completed, to the person or persons, if any, determined by the Secretary to be the child or children of the deceased individual (and, in case

there is more than one such child, in equal parts to each such child);

"(6) if there is no person who meets the requirements of paragraph (1), (2), (3), (4), or (5), or if each person who meets such requirements dies before the payment due under this title is completed, to the parent or parents, if any, of the deceased individual (and, in case there is more than one such parent, in equal parts to each such parent);

"(7) if there is no person who meets the requirements of paragraph (1), (2), (3), (4), (5), or (6), or if each person who meets such requirements dies before the payment due him under this title is completed, to the legal representative of the estate of the deceased individual, if any;

"(8) if there is no such person who meets the requirements of paragraph (1), (2), (3), (4), (5), (6), or (7), or if each such person who meets such requirements dies before payment under this title is completed, to the person or persons related to the deceased individual by blood, marriage, or adoption, if any, determined by the Secretary to be the proper person to receive payment on behalf of the estate."

(b) The heading of section 1870 of such Act is amended

by adding at the end thereof "AND SETTLEMENT OF CLAIMS FOR BENEFITS ON BEHALF OF DECEASED INDIVIDUALS".

(c) Section 1870 of such Act is amended by adding after subsection (d) the following new subsections:

"(e) If an individual, who received services for which payment may be made to such individual under this title or under section 144 of the Social Security Amendments of 1967, dies, and payment for such services was made (other than under this title), and the individual died before any payment due with respect to such services was completed, payment of the amount due (including the amount of any unnegotiated checks) shall be made—

"(1) if the payment for such services was made before such individual's death by a person other than the deceased individual, to the person or persons determined by the Secretary under regulations to have paid for such services, or if the payment for such services was made by the deceased individual before his death, to the legal representative of the estate of such deceased individual, if any;

"(2) if there is no person who meets the requirements of paragraph (1), to the person, if any, determined by the Secretary to be the surviving spouse of the deceased individual and who was either living in the

same household with the deceased at the time of his death or was, for the month in which the deceased individual died, entitled to a monthly benefit on the basis of the same wages and self-employment income as was the deceased individual;

"(3) if there is no person who meets the requirements of paragraph (1) or (2), or if the person who meets such requirements dies before the payment due him under this title is completed, to the child or children, if any, of the deceased individual who were, for the month in which the deceased individual died, entitled to monthly benefits on the basis of the same wages and self-employment income as was the deceased individual (and, in case there is more than one such child, in equal parts to each such child);

"(4) if there is no person who meets the requirements of paragraph (1), (2), or (3), or if each person who meets such requirements dies before the payment due him under this title is completed, to the parent or parents, if any, of the deceased individual who were, for the month in which the deceased individual died, entitled to monthly benefits on the basis of the same wages and self-employment income as was the deceased individual (and, in case there is more than one such parent, in equal parts to each such parent);

"(5) if there is no person who meets the requirements of paragraph (1), (2), (3), or (4), or if each such person dies before the payment due under this title is completed, to the person, if any, determined by the Secretary to be the surviving spouse of the deceased individual;

"(6) if there is no person who meets the requirements of pargraph (1), (2), (3), (4), or (5), or if each person who meets such requirements dies before the payment due him under this title is completed, to the person or persons, if any, determined by the Secretary to be the child or children of the deceased individual (and, in case there is more than one such child, in equal parts to each such child);

"(7) if there is no person who meets the requirements of paragraph (1), (2), (3), (4), (5), or (6), or if each person who meets such requirements dies before the payment due under this title is completed, to the parent or parents, if any, of the deceased individual (and, in case there is more than one such parent, in equal parts to each such parent);

"(8) if there is no person who meets the requirements of paragraph (1), (2), (3), (4), (5), (6), or (7), or if each person who meets such requirements dies before the payment due him under this title is completed.

to the legal representatives of the estate of the deceased individual, if any;

"(9) if there is no such person who meets the requirements of paragraph (1), (2), (3), (4), (5), (6), (7), or (8), or if each such person who meets such requirements dies before payment under this title is completed, to the person or persons related to the deceased individual by blood, marriage, or adoption, if any, determined by the Secretary to be the proper person to receive payment on behalf of the estate.

"(f) If an individual who received medical and other health services for which payment may be made under section 1832(a)(1) dies, and—

"(1) no assignment of the right to payments was made by such individual before his death, and

"(2) payment for such services has not been made, payment for such services shall be made to the physician or other person who provided such services, but payment shall be made under this subsection only in such amount and subject to such conditions as would have been applicable if the individual who received the services had not died, and only if the person or persons who provided the services agrees that the reasonable charge is the full charge for the services."

(d) Section 1842(b)(3)(B) of such Act (as amended

by section ~~(101)128(a)~~ *125(a)* of this Act) is amended by striking out "and such payment will be made" and inserting in lieu thereof "and such payment will (except as otherwise provided in section 1870(f)) be made".

SIMPLIFICATION OF COMPUTATION OF PRIMARY INSURANCE AMOUNT AND QUARTERS OF COVERAGE IN CASE OF 1937–1950 WAGES

SEC. ~~(102)153~~ *155*. (a) (1) Section 215(d)(1) of the Social Security Act is amended to read as follows:

"Primary Insurance Benefit Under 1939 Act

"(d) (1) For purposes of column I of the table appearing in subsection (a) of this section, an individual's primary insurance benefit shall be computed as follows:

"(A) The individual's average monthly wage shall be determined as provided in subsection (b) (but without regard to paragraph (4) thereof) of this section, except that for purposes of paragraph (2) (C) and (3) of such subsection, 1936 shall be used instead of 1950.

"(B) For purposes of subparagraphs (B) and (C) of subsection (b) (2), an individual whose total wages prior to 1951 (as defined in subparagraph (C) of this subsection)—

"(i) do not exceed $27,000 shall be deemed to have been paid such wages in equal parts in nine calendar years after 1936 and prior to 1951;

"(ii) exceed $27,000 and are less than $42,000 shall be deemed to have been paid (I) $3,000 in each of such number of calendar years after 1936 and prior to 1951 as is equal to the integer derived by dividing such total wages by $3,000, and (II) the excess of such total wages over the product of $3,000 times such integer, in an additional calendar year in such period; or

"(iii) are at least $42,000 shall be deemed to have been paid $3,000 in each of the fourteen calendar years after 1936 and prior to 1951.

"(C) For the purposes of subparagraph (B), 'total wages prior to 1951' with respect to an individual means the sum of (i) remuneration credited to such individual prior to 1951 on the records of the Secretary, (ii) wages deemed paid prior to 1951 to such individual under section 217, and (iii) compensation under the Railroad Retirement Act of 1937 prior to 1951 creditable to him pursuant to this title.

"(D) The individual's primary insurance benefit shall be 45.6 per centum of the first $50 of his average monthly wage as computed under this subsection, plus 11.4 per centum of the next $200 of such average monthly wage."

(2) Section 215(d)(2) of such Act is amended to read as follows:

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

"(A) with respect to whom at least one of the quarters elapsing prior to 1951 is a quarter of coverage;

"(B) except as provided in paragraph (3), who attained age 22 after 1950 and with respect to whom less than six of the quarters elapsing after 1950 are quarters of coverage, or who attained such age before 1951; and

"(C)(i) who becomes entitled to benefits under section 202(a) or 223 after the date of the enactment of the Social Security Amendments of 1967, or

"(ii) who dies after such date without being entitled to benefits under section 202(a) or 223, or

"(iii) whose primary insurance amount is required to be recomputed under section 215(f)(2)."

(3) Section 215(d)(3) of such Act is amended to read as follows:

"(3) The provisions of this subsection as in effect prior to the enactment of the Social Security Amendments of 1967 shall be applicable in the case of an individual—

"(A) who attained age 21 after 1936 and prior to 1951, or

"(B) who had a period of disability which began prior to 1951, but only if the primary insurance amount resulting therefrom is higher than the primary insurance amount resulting from the application of this section (as amended by the Social Security Amendments of 1967) and section 220.".

(4) So much of section 215 (f) (2) of such Act as precedes subparagraph (E) is amended to read as follows:

"(2) If an individual has wages or self-employment income for a year after 1965 for any part of which he is entitled to old-age insurance benefits, the Secretary shall, at such time or times and within such period as he may by regulations prescribe, recompute such individual's primary insurance amount with respect to each such year. Such recomputation shall be made as provided in subsection (a) (1) and (3) as though the year with respect to which such recomputation is made is the last year of the period specified in subsection (b) (2) (C). A recomputation under this paragraph with respect to any year shall be effective—"

(5) Subparagraphs (E) and (F) of such section 215 (f) (2) are redesignated as subparagraphs (A) and (B), respectively.

(6) Section 215 (f) of such Act is further amended by adding at the end thereof the following new paragraph:

"(5) In the case of a man who became entitled to

old-age insurance benefits and died before the month in which he attained age 65, the Secretary shall recompute his primary insurance amount as provided in subsection (a) as though he became entitled to old-age insurance benefits in the month in which he died; except that (i) his computation base years referred to in subsection (b) (2) shall include the year in which he died, and (ii) his elapsed years referred to in subsection (b) (3) shall not include the year in which he died or any year thereafter. Such recomputation of such primary insurance amount shall be effective for and after the month in which he died."

(7) (A) The amendments made by paragraphs (4) and (5) shall apply with respect to recomputations made under section 215 (f) (2) of the Social Security Act after the date of the enactment of this Act.

(B) The amendment made by paragraph (6) shall apply with respect to individuals who die after the date of enactment of this Act.

(8) In any case in which—

(A) any person became entitled to a monthly benefit under section 202 or 223 of the Social Security Act after the date of enactment of this Act and before (103) ~~the second month following the month in which this Act is enacted~~ *March 1968*, and

(B) the primary insurance amount on which the

amount of such benefit is based was determined by applying section 215(d) of the Social Security Act as amended by this Act,

such primary insurance amount shall, for purposes of section 215(c) of the Social Security Act, as amended by this Act, be deemed to have been computed on the basis of the Social Security Act in effect prior to the enactment of this Act.

(9) The amendment made by paragraphs (1) and (2) shall not apply with respect to monthly benefits for any month prior to January 1967.

(b)(1) Section 213 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"Alternative Method for Determining Quarters of Coverage With Respect to Wages in the Period from 1937 to 1950

"(c) For purposes of section 214(a), an individual shall be deemed to have one quarter of coverage for each $400 of his total wages prior to 1951 (as defined in section 215(d)(1)(C)), except where—

"(1) such individual is not a fully insured individual on the basis of the number of quarters of coverage so derived plus the number of quarters of coverage derived from the wages and self-employment income credited to him for periods after 1950, or

"(2) such individual's elapsed years (for purposes of section 214(a)(1)) are less than 7."

(2) The amendment made by paragraph (1) shall apply only in the case of an individual who applies for benefits under section 202(a) of the Social Security Act after the date of the enactment of this Act, or who dies after such date without being entitled to benefits under section 202(a) or 223 of the Social Security Act.

(c) Section 303(g)(1) of the Social Security Amendments of 1960 is amended—

(1) by striking out "section 302 of" and by striking out "Amendments of 1965" and inserting in lieu thereof "Amendments of 1965 and 1967" in the first sentence; and

(2) by striking out "after 1965, or dies after 1965" and inserting in lieu thereof "after the date of the enactment of the Social Security Amendments of 1967, or dies after such date", and by striking out "Amendments of 1965" and inserting in lieu thereof "Amendments of 1967", in the second sentence.

DEFINITIONS OF WIDOW, WIDOWER, AND STEPCHILD

SEC. (104)~~154~~ *156*. (a) Section 216(c) of the Social Security Act is amended by striking out "not less than one year" in clause (5) and inserting in lieu thereof "not less than nine months".

(b) The first sentence of section 216(e) of such Act is amended by striking out "the day on which such individual died" and inserting in lieu thereof "not less than nine months immediately preceding the day on which such individual died".

(c) Section 216(g) of such Act is amended by striking out "not less than one year" in clause (5) and inserting in lieu thereof "not less than nine months".

(d) Section 216 of such Act is further amended by adding at the end thereof the following new subsection:

"Waiver of Nine-Month Requirement for Widow, Stepchild, or Widower in Case of Accidental Death or in Case of Serviceman Dying in Line of Duty

"(k) The requirement in clause (5) of subsection (c) or clause (5) of subsection (g) that the surviving spouse of an individual have been married to such individual for a period of not less than nine months immediately prior to the day on which such individual died in order to qualify as such individual's widow or widower, and the requirement in subsection (e) that the stepchild of a deceased individual have been such stepchild for not less than nine months immediately preceding the day on which such individual died in order to qualify as such individual's child, shall be deemed to be satisfied, where such individual dies within the applicable nine-month period, if his death—

"(1) is accidental, or

"(2) occurs in line of duty while he is a member of a uniformed service serving on active duty (as defined in section 210(l)(2)),

and he would satisfy such requirement if a three-month period were substituted for the nine-month period; except that this subsection shall not apply if the Secretary determines that at the time of the marriage involved the individual could not have reasonably been expected to live for nine months. For purposes of paragraph (1) of the preceding sentence, the death of an individual is accidental if he receives bodily injuries solely through violent, external, and accidental means and, as a direct result of the bodily injuries and independently of all other causes, loses his life not later than three months after the day on which he receives such bodily injuries."

(e) The amendments made by this section shall apply with respect to monthly benefits under title II of the Social Security Act for (105) ~~and after the second month following the month in which this Act is enacted~~ *months after February 1968*, but only on the basis of applications filed in or after the month in which this Act is enacted.

HUSBAND'S AND WIDOWER'S INSURANCE BENEFITS WITHOUT REQUIREMENT OF WIFE'S CURRENTLY INSURED STATUS

SEC. ~~(106)155~~ *157*. (a) (1) Section 202 (c) (1) of the Social Security Act is amended by striking out "a currently insured individual (as defined in section 214 (b))" in the matter preceding subparagraph (A) and inserting in lieu thereof "an individual".

(2) Section 202 (c) (2) of such Act is amended by striking out "The requirement in paragraph (1) that the individual entitled to old-age or disability insurance benefits be a currently insured individual, and the provisions of subparagraph (C) of such paragraph," and inserting in lieu thereof "The provisions of subparagraph (C) of paragraph (1)".

(b) (1) Section 202 (f) (1) of such Act is amended—

(A) by striking out "and currently" in the matter preceding subparagraph (A), and

(B) by striking out ", and she was a currently insured individual," in subparagraph (D) (ii).

(2) Section 202 (f) (2) of such Act is amended by striking out "The requirement in paragraph (1) that the

deceased fully insured individual also be a currently insured individual, and the provisions of subparagraph (D) of such paragraph," and inserting in lieu thereof "The provisions of subparagraph (D) of paragraph (1)".

(c) In the case of any husband who would not be entitled to husband's insurance benefits under section 202 (c) of the Social Security Act or any widower who would not be entitled to widower's insurance benefits under section 202 (f) of such Act except for the enactment of this section, the requirement in section 202 (c) (1) (C) or 202 (f) (1) (D) of such Act relating to the time within which proof of support must be filed shall not apply if such proof of support is filed within two years after the month following the month in which this Act is enacted.

(d) The amendments made by this section shall apply with respect to monthly benefits payable under title II of the Social Security Act for (107) ~~and after the second month following the month in which this Act is enacted~~ *months after February 1968*, but only on the basis of applications filed in or after the month in which this Act is enacted.

DEFINITION OF DISABILITY

SEC. (108) ~~156~~ *158*. (a) Section 223 (c) of the Social Security Act is amended—

(1) by inserting "of Insured Status and Waiting Period" after "Definitions" in the heading;

(2) by striking out paragraph (2); and

(3) by redesignating paragraph (3) as paragraph (2).

(b) Section 223 of such Act is further amended by adding at the end thereof the following new subsection:

"Definition of Disability

"(d) (1) The term 'disability' means—

"(A) inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months; or

"(B) in the case of an individual who has attained the age of 55 and is blind (within the meaning of 'blindness' as defined in section 216(i)(1)), inability by reason of such blindness to engage in substantial gainful activity requiring skills or abilities comparable to those of any gainful activity in which he has previously engaged with some regularity and over a substantial period of time.

(109) ~~"(2) For purposes of paragraph (1)(A)—~~

~~"(A) an individual (except a widow, surviving~~

~~divorced wife, or widower for purposes of section 202 (c) or (f)) shall be determined to be under a disability only if his physical or mental impairment or impairments are of such severity that he is not only unable to do his previous work but cannot, considering his age, education, and work experience, engage in any other kind of substantial gainful work which exists in the national economy, regardless of whether such work exists in the general area in which he lives, or whether a specific job vacancy exists for him, or whether he would be hired if he applied for work.~~

~~"(B) a widow, surviving divorced wife, or widower shall not be determined to be under a disability (for purposes of section 202 (c) or (f)) unless his or her physical or mental impairment or impairments are of a level of severity which under regulations prescribed by the Secretary is deemed to be sufficient to preclude an individual from engaging in any *substantial* gainful activity.~~

~~"(3) For purposes of this subsection, a 'physical or mental impairment' is an impairment that results from anatomical, physiological, or psychological abnormalities which are demonstrable by medically acceptable clinical and laboratory diagnostic techniques.~~

~~"(4) The Secretary shall by regulations prescribe the~~

~~criteria for determining when services performed or earnings derived from services demonstrate an individual's ability to engage in substantial gainful activity. Notwithstanding the provisions of paragraph (2), an individual whose services or earnings meet such criteria shall, except for purposes of section 222(c), be found not to be disabled.~~

(110) ~~"(5)~~ *"(2)* An individual shall not be considered to be under a disability unless he furnishes such medical and other evidence of the existence thereof as the Secretary may require."

(c) (1) Section 202 (d) (1) (B) of such Act is amended by striking out "section 223 (c)" and inserting in lieu thereof "section 223 (d)".

(2) Paragraphs (1), (2), and (3) of section 202 (s) of such Act are each amended by striking out "section 223 (c)" and inserting in lieu thereof "section 223 (d)".

(3) Section 221 (a) of such Act is amended by striking out "or 223 (c)" and inserting in lieu thereof "or 223 (d)".

(4) Section 221 (c) of such Act is amended by striking out "or 223 (c)" and inserting in lieu thereof "or 223 (d)".

(5) Section 222 (c) (4) (B) of such Act is amended by striking out "section 223 (c) (2)" and inserting in lieu thereof "section 223 (d)".

(6) Section 223 (a) (1) (D) of such Act is amended

by striking out "subsection (c) (2)" and inserting in lieu thereof "subsection (d)".

(7) The first sentence of section 223 (a) (1) of such Act is further amended by striking out "subsection (c) (3)" and inserting in lieu thereof "subsection (c) (2)".

~~(111) (8) The last sentence of section 223 (a) (1) is amended by striking out "subsection (c) (2) except for subparagraph (B) thereof" and inserting in lieu thereof "subsection (d) except for paragraph (1) (B) thereof".~~

~~(112) (9)~~ *(8)* Section 225 of such Act is amended by striking out "section 223 (c) (2)" and inserting in lieu thereof "section 223 (d)".

~~(113) (d) Section 216 (i) (1) of such Act is amended by striking out the third sentence and inserting in lieu thereof the following: "The provisions of paragraphs (2) (A), (3), (4), and (5) of section 223 (d) shall be applied for purposes of determining whether an individual is under a disability within the meaning of the first sentence of this paragraph in the same manner as they are applied for purposes of paragraph (1) of such section."~~

~~(114) (e)~~ *(d)* The amendments made by this section shall be effective with respect to applications for disability insurance benefits under section 223 of the Social Security Act, and for disability determinations under section 216 (i) of such Act, filed—

(1) in or after the month in which this Act is enacted, or

(2) before the month in which this Act is enacted if the applicant has not died before such month and if—

(A) notice of the final decision of the Secretary of Health, Education, and Welfare has not been given to the applicant before such month; or

(B) the notice referred to in subparagraph (A) has been so given before such month but a civil action with respect to such final decision is commenced under section 205 (g) of the Social Security Act (whether before, in, or after such month) and the decision in such civil action has not become final before such month.

DISABILITY BENEFITS AFFECTED BY RECEIPT OF WORKMEN'S COMPENSATION

SEC. ~~(115)157~~ *159*. (a) (1) The last sentence of section 224 (a) of the Social Security Act is amended by inserting after "his wages and self-employment income" where it first appears in clause (B) the following: "computed without regard to the limitations specified in sections 209 (a) and 211 (b) (1))".

(2) Section 224 (a) of such Act is further amended by adding at the end thereof the following: "In any case where

an individual's wages and self-employment income reported to the Secretary for a calendar year reach the limitations specified in sections 209 (a) and 211 (b) (1), the Secretary under regulations shall estimate the total of such wages and self-employment income for purposes of clause (B) of the preceding sentence on the basis of such information as may be available to him indicating the extent (if any) by which such wages and self-employment income exceed such limitations."

(b) (1) The amendments made by subsection (a) shall apply only with respect to monthly benefits under title II of the Social Security Act for months after (116) ~~the month in which this Act is enacted~~ *February 1968.*

(2) For purposes of any redetermination which is made under section 224 (f) of the Social Security Act in the case of benefits subject to reduction under section 224 of such Act, where such reduction as first computed was effective with respect to benefits for the month in which this Act is enacted or a prior month, the amendments made by subsection (a) of this section shall also be deemed to have applied in the initial determination of the "average current earnings" of the individual whose wages and self-employment income are involved.

EXTENSION OF TIME FOR FILING REPORTS OF EARNINGS

SEC. (117) ~~158~~ *160.* (a) Section 203 (h) (1) (A) of

the Social Security Act is amended by adding at the end thereof the following new sentence: "The Secretary may grant a reasonable extension of time for making the report of earnings required in this paragraph if he finds that there is valid reason for a delay, but in no case may the period be extended more than three months."

(b) Section 203 (h) (2) of such Act is amended by striking out "within the time prescribed therein" and inserting in lieu thereof "within the time prescribed by or in accordance with such paragraph".

PENALTIES FOR FAILURE TO FILE TIMELY REPORTS OF EARNINGS AND OTHER EVENTS

SEC. (118) ~~159~~ *161.* (a) Section 203 (h) (2) (A) of the Social Security Act is amended by inserting before the semicolon at the end thereof the following: ", except that if the deduction imposed under subsection (b) by reason of his earnings for such year is less than the amount of his benefit (or benefits) for the last month of such year for which he was entitled to a benefit under section 202, the additional deduction shall be equal to the amount of the deduction imposed under subsection (b) but not less than $10".

(b) Section 203 (g) of such Act is amended by striking out all that follows "shall suffer" and inserting in lieu thereof the following: "deductions in addition to those imposed under subsection (c) as follows:

"(1) if such failure is the first one with respect to which an additional deduction is imposed by this subsection, such additional deduction shall be equal to his benefit or benefits for the first month of the period for which there is a failure to report even though such failure is with respect to more than one month;

"(2) if such failure is the second one with respect to which an additional deduction is imposed by this subsection, such additional deduction shall be equal to two times his benefit or benefits for the first month of the period for which there is a failure to report even though such failure is with respect to more than two months; and

"(3) if such failure is the third or a subsequent one for which an additional deduction is imposed under this subsection, such additional deduction shall be equal to three times his benefit or benefits for the first month of the period for which there is a failure to report even though the failure to report is with respect to more than three months;

except that the number of additional deductions required by this subsection shall not exceed the number of months in the period for which there is a failure to report. As used in this subsection, the term 'period for which there is a failure to report' with respect to any individual means

the period for which such individual received and accepted insurance benefits under section 202 without making a timely report and for which deductions are required under subsection (c)."

(c) The amendments made by this section shall apply with respect to any deductions imposed on or after the date of the enactment of this Act under subsections (g) and (h) of section 203 of the Social Security Act on account of failure to make a report required thereby.

(119) *AMENDMENTS TO COMPLY WITH TREATY OBLIGATIONS*

SEC. 162. (a) Section 228(a) of the Social Security Act is amended by adding at the end thereof the following new sentence: "For purposes of the preceding sentence, the provisions of clause (3)(B) thereof relating to the period of continuous residence in the United States shall not be applied in the case of any individual if the application of such provisions would be contrary to the obligations of the United States under any treaty to which the United States is a party in effect on the date of enactment of the Social Security Amendments of 1967."

(b) Section 1836 of the Social Security Act is amended by adding at the end thereof the following new sentence: "For purposes of the preceding sentence, the provisions of clause (2)(A)(ii) thereof relating to the period of continu-

ous residence in the United States shall not be applied in the case of any individual if the application of such provisions would be contrary to the obligations of the United States under any treaty to which the United States is a party in effect on the date of enactment of the Social Security Amendments of 1967."

(c) Section 103(a) of the Social Security Amendments of 1965 is amended by adding at the end thereof the following new sentence: "For purposes of the preceding sentences of this subsection, the provisions of clause (4)(B) of the first sentence of this subsection which relate to the period of continuous residence in the United States shall not be applied in the case of any individual if the application of such provisions subsequent to June 30, 1966, would be contrary to the obligations of the United States under any treaty to which the United States is a party in effect on the date of enactment of the Social Security Amendments of 1967."

LIMITATION ON PAYMENT OF BENEFITS TO ALIENS OUTSIDE THE UNITED STATES

SEC. (120)~~160~~ *163.* (a) (1) Section 202 (t) (1) of the Social Security Act is amended by adding at the end thereof (after and below subparagraph (B)) the following new sentence: "For purposes of the preceding sentence, after an individual has been outside the United States for any period of thirty consecutive days he shall be treated as remaining out-

side the United States until he has been in the United States for a period of thirty consecutive days."

(2) The amendment made by paragraph (1) shall apply only with respect to six-month periods (within the meaning of section 202(t)(1)(A) of the Social Security Act) which begin after the date of the enactment of this Act.

(b)(1) Section 202(t)(4) of such Act is amended—

(A) by striking out the period at the end of subparagraph (E) and inserting in lieu thereof a semicolon; and

(B) by adding at the end thereof (after and below subparagraph (E)) the following:

"except that subparagraphs (A) and (B) of this paragraph shall not apply in the case of any individual who is a citizen of a foreign country that has in effect a social insurance or pension system which is of general application in such country and which satisfies subparagraph (A) but not subparagraph (B) of paragraph (2), or who is a citizen of a foreign country that has no social insurance or pension system of general application if at any time within five years prior to the month in which the Social Security Amendments of 1967 are enacted (or the first month thereafter for which his benefits are subject to suspension under paragraph (1)) payments to individuals residing in such country were with-

held by the Treasury Department under the first section of the Act of October 9, 1940 (31 U.S.C. 123)."

(2) The amendment made by paragraph (1) shall apply only with respect to monthly benefits under title II of the Social Security Act for (121) ~~and after the sixth month following the month in which this Act is enacted~~ *months beginning after December 31, 1968.*

(c) (1) Section 202 (t) of such Act is further amended by adding at the end thereof the following new paragraph:

"(10) Notwithstanding any other provision of this title, no monthly benefits shall be paid under this section or under section 223, for any month beginning (122) ~~on or after the date on which this paragraph is enacted~~ *after December 31, 1968,* to an individual who is not a citizen or national of the United States and who resides during such month in a foreign country if payments for such month to individuals residing in such country are withheld by the Treasury Department under the first section of the Act of October 9, 1940 (31 U.S.C. 123)."

(2) Section 202 (t) (6) of such Act is amended by striking out "by reason of paragraph (1)" and inserting in lieu thereof "by reason of paragraph (1) or (10)".

(3) Whenever benefits which an individual who is not a citizen or national of the United States was entitled to receive under title II of the Social Security Act (123) for

~~months beginning prior to the date of the enactment of this Act have been~~ *are, on December 31, 1968, being* withheld by the Treasury Department under the first section of the Act of October 9, 1940 (31 U.S.C. 123), any such benefits, payable to such individual for months after the month in which the determination by the Treasury Department that the benefits should be so withheld was made, shall not be paid—

(A) to any person other than such individual, or, if such individual dies before such benefits can be paid, to any person other than an individual who was entitled for the month in which the deceased individual died (with the application of section 202(j)(1) of the Social Security Act) to a monthly benefit under title II of such Act on the basis of the same wages and self-employment income as such deceased individual, or

(B) in excess of the equivalent of the last twelve months' benefits that would have been payable to such individual.

~~(124) RESIDUAL PAYMENTS TO CERTAIN CHILDREN~~

~~SEC. 161. (a) The last sentence of section 203(a) of the Social Security Act is amended to read as follows: "Whenever a reduction is made under this subsection in the total of monthly benefits to which individuals are entitled for any month on the basis of the wages and self-employment~~

~~income of an insured individual, each such benefit other than the old-age or disability insurance benefit shall be proportionately decreased; except that if such total of benefits for such month includes any benefit or benefits under section 202(d) which are payable solely by reason of section 216(h)(3), the reduction shall be first applied to reduce (proportionately where there is more than one benefit so payable) the benefits so payable (but not below zero)."~~

~~(b) The amendment made by subsection (a) of this section shall apply with respect to monthly benefits payable under title II of the Social Security Act for and after the second month after the month in which this Act is enacted.~~

SPECIAL SAVING PROVISION FOR CERTAIN CHILDREN

SEC. 164. Where—

(1) one or more persons were entitled (without the application of section 202(j)(1) of the Social Security Act) to monthly benefits under section 202 or 223 of such Act for August 1965 and for February 1968 on the basis of the wages and self-employment income of an individual, and

(2) one or more persons (not included in paragraph (1)) became entitled to monthly benefits for September 1965 under section 202(d) by reason of section 216(h)(3), on the basis of such wages and self-

employment income and are so entitled for February 1968, and

(3) the total of benefits to which all persons are entitled under such section 202 or 223 on the basis of such wages and self-employment for February 1968 are reduced by reason of section 203(a) of such Act, as amended by this Act (or would, but for the penultimate sentence of such section 203(a), be so reduced),

then the amount of the benefit to which each such person referred to in paragraph (1) above is entitled for months after February 1968 shall be increased, after the application of such section 203(a), to the amount it would have been if the person or persons referred to in paragraph (2) were not entitled to a benefit referred to in such paragraph.

TRANSFER TO HEALTH INSURANCE BENEFITS ADVISORY COUNCIL OF NATIONAL MEDICAL REVIEW COMMITTEE FUNCTIONS; INCREASE IN COUNCIL'S MEMBERSHIP

SEC. (125)~~162~~ *165.* (a) Section 1867 of the Social Security Act is amended to read as follows:

"HEALTH INSURANCE BENEFITS ADVISORY COUNCIL

"SEC. 1867. (a) There is hereby created a Health Insurance Benefits Advisory Council which shall consist of 19 persons, not otherwise in the employ of the United States, appointed by the Secretary without regard to the provisions

of title 5, United States Code, governing appointments in the competitive service. The Secretary shall from time to time appoint one of the members to serve as Chairman. The members shall include persons who are outstanding in fields related to hospital, medical, and other health activities, persons who are representative of organizations and associations of professional personnel in the field of medicine, and at least one person who is representative of the general public. Each member shall hold office for a term of 4 years, except that any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term. A member shall not be eligible to serve continuously for more than 2 terms. The Secretary may, at the request of the Advisory Council or otherwise, appoint such special advisory professional or technical committees as may be useful in carrying out this title. Members of the Advisory Council and members of any such advisory or technical committee, while attending meetings or conferences thereof or otherwise serving on business of the Advisory Council or of such committee, shall be entitled to receive compensation at rates fixed by the Secretary, but not exceeding $100 per day, including travel time, and while so serving away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as author-

ized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently. The Advisory Council shall meet as frequently as the Secretary deems necessary. Upon request of 5 or more members, it shall be the duty of the Secretary to call a meeting of the Advisory Council.

"(b) It shall be the function of the Advisory Council (1) to advise the Secretary on matters of general policy in the administration of this title and in the formulation of regulations under this title, and (2) to study the utilization of hospital and other medical care and services for which payment may be made under this title with a view to recommending any changes which may seem desirable in the way in which such care and services are utilized or in the administration of the programs established by this title, or in the provisions of this title. The Advisory Council shall make an annual report to the Secretary on the performance of its functions, including any recommendations it may have with respect thereto, and such report shall be transmitted promptly by the Secretary to the Congress.

"(c) The Advisory Council is authorized to engage such technical assistance as may be required to carry out its functions, and the Secretary shall, in addition, make available to the Advisory Council such secretarial, clerical, and other assistance and such pertinent data obtained and prepared

by the Department of Health, Education, and Welfare as the Advisory Council may require to carry out its functions."

(b) The amendment made by subsection (a) shall not be construed as affecting the terms of office of the members of the Health Insurance Benefits Advisory Council in office on the date of the enactment of this Act or their successors. The terms of office of the three additional members of the Health Insurance Benefits Advisory Council first appointed pursuant to the increase in the membership of such Council provided by such amendment shall expire, as designated by the Secretary at the time of appointment, one at the end of the first year, one at the end of the second year, and one at the end of the third year after the date of appointment.

(c) Section 1868 of the Social Security Act is repealed.

~~(126) ADVISORY COUNCIL ON SOCIAL SECURITY~~

~~SEC. 163. (a) (1) Section 706 (a) of the Social Security Act is amended by striking out "During 1968 and every fifth year thereafter" and inserting in lieu thereof "During February 1969 and during February of each fourth year thereafter".~~

~~(2) The first sentence of section 706 (d) of such Act is amended by striking out "second".~~

ADVISORY COUNCIL ON SOCIAL SECURITY

SEC. 166. (a)(1) Section 706(a) of the Social Security Act is amended by striking out "During 1968 and

every fifth year thereafter" and inserting in lieu thereof "During 1969 (but not before February 1, 1969) and every fourth year thereafter (but not before February 1 of such fourth year)".

(2) Section 706(d) such Act is amended by striking out "reports of its" and inserting in lieu thereof "reports (including any interim reports such Council may have issued) of its".

(b) Section 706 (b) of such Act is amended by striking out "shall consist of the Commissioner of Social Security, as Chairman, and 12 other persons, appointed by the Secretary" and inserting in lieu thereof "shall consist of a Chairman and 12 other persons, appointed by the Secretary".

REIMBURSEMENT OF CIVIL SERVICE RETIREMENT ANNUITANTS FOR CERTAIN PREMIUM PAYMENTS UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

SEC. ~~(127)~~164 *167*. Section 1840 (e) (1) of the Social Security Act is amended by adding at the end thereof the following new sentence: "A plan described in section 8903 of title 5, United States Code, may reimburse each annuitant enrolled in such plan an amount equal to the premiums paid by him under this part if such reimbursement is paid entirely from funds of such plan which are derived from sources other than the contributions described in section 8906 of such title."

APPROPRIATIONS TO SUPPLEMENTARY MEDICAL INSURANCE TRUST FUND

SEC. ~~(128)165~~ *168.* (a) Section 1844 (a) of the Social Security Act is amended to read as follows:

"(a) There are authorized to be appropriated from time to time, out of any moneys in the Treasury not otherwise appropriated, to the Federal Supplementary Medical Insurance Trust Fund—

"(1) a Government contribution equal to the aggregate premiums payable under this part and deposited in the Trust Fund, and

"(2) such sums as the Secretary deems necessary to place the Trust Fund, at the end of any fiscal year occurring after June 30, 1967, in the same position in which it would have been at the end of such fiscal year if (A) a Government contribution representing the excess of the premiums deposited in the Trust Fund during the fiscal year ending June 30, 1967, over the Government contribution actually appropriated to the Trust Fund during such fiscal year had been appropriated to it on June 30, 1967, and (B) the Government contribution for premiums deposited in the Trust Fund after June 30, 1967, had been appropriated to it when such premiums were deposited."

(b) Section 1844 (b) of such Act is amended by striking out "1967" and inserting in lieu thereof "1969".

DISCLOSURE TO COURTS OF WHEREABOUTS OF CERTAIN INDIVIDUALS

SEC. (129)~~166~~ *169.* (a) Section 1106 (c) (1) of the Social Security Act is amended by inserting "(A)" after "(c) (1)", by redesignating subparagraphs (A) through (D) as clauses (i) through (iv), respectively, and by adding at the end thereof the following new subparagraph:

"(B) If a request for the most recent address of any individual so included is filed (in accordance with paragraph (2) of this subsection) by a court having jurisdiction to issue orders (130) *or entertain petitions* against individuals for the support and maintenance of their children, the Secretary shall furnish such address, or the address of the individual's most recent employer, or both, for the (131)~~court's own use in issuing or determining whether to issue such an order against such individual (and for no other purpose)~~ *use of the court (and for no other purpose) in issuing or determining whether to issue such an order against such individual or in determining (in the event such individual is not within the jurisdiction of the court) the court to which a petition for support and maintenance against such individual should be forwarded*

under any reciprocal arrangements with other States to obtain or improve court orders for support, if the court certifies that the information is requested for such use."

(b) (1) Section 1106 (c) (2) of such Act is amended by striking out ", and shall be accompanied" and all that follows and inserting in lieu thereof " (and, in the case of a request under paragraph (1) (A), shall be accompanied by a certified copy of the order referred to in clauses (i) and (iv) thereof)."

(2) Section 1106 (c) (3) of such Act is amended by striking out "authorized by subparagraph (D) thereof" and inserting in lieu thereof "authorized by subparagraph (A) (iv) or (B) thereof".

REPORTS OF BOARDS OF TRUSTEES TO CONGRESS

SEC. (132)~~167~~ *170.* (a) Sections 201 (c) (2), 1817 (b) (2), and 1841 (b) (2) of the Social Security Act are each amended by striking out "March" and inserting in lieu thereof "April".

(b) Section 201 (c) of such Act is amended by inserting immediately before the last sentence the following new sentence: "Such report shall also include an actuarial analysis of the benefit disbursements made from the Federal Old-Age and Survivors Insurance Trust Fund with respect to disabled beneficiaries."

GENERAL (133)~~SAVINGS~~ *SAVING* PROVISION

SEC. (134)~~168~~ *171.* (a) Where—

(1) one or more persons were entitled (without the application of section 202 (j) (1) of the Social Security Act) to monthly benefits under section 202 or 223 of such Act for (135)~~the effective month~~ *February 1968* on the basis of the wages and self-employment income of an individual, and

(2) one or more persons (not included in paragraph (1)) become entitled to monthly benefits under such section 202 for (136)~~the first month after the effective month~~ *March 1968* on the basis of such wages and self-employment by reason of the amendments made to such Act by sections (137)~~104, 150, 151, 154, and 155 of this Act, and~~ *104, 113, 150, 151, 156, 157, 175, and*

(3) the total of benefits to which all persons are entitled under such section 202 or 223 on the basis of such wages and self-employment for (138)~~such first month~~ *March 1968* are reduced by reason of section 203 (a) of such Act, as amended by this Act (or would, but for the penultimate sentence of such section 203 (a), be so reduced),

then the amount of the benefit to which each such person referred to in paragraph (1) is entitled for months after

(139) ~~the effective month~~ *February 1968* shall be increased, after the application of such section 203 (a), to the amount it would have been if the person or persons referred to in paragraph (2) were not entitled to a benefit referred to in such paragraph.

(140) ~~(b) For purposes of subsection (a), the term "effective month" means the month after the month in which this Act is enacted.~~

(b) Where—

(1) one or more persons were entitled (without the application of section 202(j)(1) of the Social Security Act) to monthly benefits under section 202 or 223 of such Act for November 1968 on the basis of the wages and self-employment income of an individual, and

(2) one or more persons (not included in paragraph (1)) become entitled to monthly benefits under such section 202 for December 1968 on the basis of such wages and self-employment by reason of the amendments made to such Act by section 105 of this Act, and

(3) the total of benefits to which all persons are entitled under such section 202 or 223 on the basis of such wages and self-employment for December 1968 are reduced by reason of section 203(a) of such Act, as amended by this Act (or would, but for the penultimate sentence of such section 203(a), be so reduced),

then the amount of the benefit to which each such person referred to in paragraph (1) is entitled for months after November 1968 shall be increased, after the application of such section 203(a), to the amount it would have been if the person or persons referred to in paragraph (2) were not entitled to a benefit referred to in such paragraph.

(141) *EXPEDITED BENEFIT PAYMENTS*

SEC. 172. (a) Section 205 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"Expedited Benefit Payments

"(q)(1) The Secretary shall establish and put into effect procedures under which expedited payment of monthly insurance benefits under this title will, subject to paragraph (4) of this subsection, be made as set forth in paragraphs (2) and (3) of this subsection.

"(2) In any case in which—

"(A) an individual makes an allegation that a monthly benefit under this title was due him in a particular month but was not paid to him, and

"(B) such individual submits a written request for the payment of such benefit—

"(i) in the case of an individual who received a regular monthly benefit in the month preceding the

month with respect to which such allegation is made, not less than 30 days after the 15th day of the month with respect to which such allegation is made (and in the event that such request is submitted prior to the expiration of such 30-day period, it shall be deemed to have been submitted upon the expiration of such period), and

"(ii) in any other case, not less than 90 days after the later of (I) the date on which such benefit is alleged to have been due, or (II) the date on which such individual furnished the last information requested by the Secretary (and such written request will be deemed to be filed on the day on which it was filed, or the ninetieth day after the first day on which the Secretary has evidence that such allegation is true, whichever is later),

the Secretary shall, if he finds that benefits are due, certify such benefits for payment, and payment shall be made within 15 days immediately following the date on which the written request is deemed to have been filed.

"(3) In any case in which the Secretary determines that there is evidence, although additional evidence might be required for a final decision, that an allegation described in paragraph (2)(A) is true, he may make a preliminary certification of such benefit for payment even though the 30-

day or 90-day periods described in paragraph (2)(B)(i) and (B)(ii) have not elapsed.

"(4) Any payment made pursuant to a certification under paragraph (3) of this subsection shall not be considered an incorrect payment for purposes of determining the liability of the certifying or disbursing officer.

"(5) For purposes of this subsection, benefits payable under section 228 shall be treated as monthly insurance benefits payable under this title. However, this subsection shall not apply with respect to any benefit for which a check has been negotiated, or with respect to any benefit alleged to be due under either section 223, or section 202 to a wife, husband, or child of an individual entitled to or applying for benefits under section 223, or to a child who has attained age 18 and is under a disability, or to a widow or widower on the basis of being under a disability."

(b) The amendment made by subsection (a) of this section shall be effective with respect to written requests filed under section 205(q) of the Social Security Act after June 30, 1968.

(142) *STUDY OF PROPOSED LEGISLATION*

SEC. 173. (a) The Secretary of Health, Education, and Welfare is authorized and directed to conduct a study and investigation to determine the effects which would result from

the enactment of a proposal to establish, through a formulary committee, quality and cost control standards for drugs for which payments may be made under the various Federal-State assistance programs and under the hospital insurance program established by part A of title XVIII of the Social Security Act, and the effects which would result from the enactment of a proposal to provide coverage, under the program of supplementary medical insurance benefits established by part B of title XVIII of the Social Security Act, of certain expenses incurred by an insured individual in obtaining such drugs as may be found to be qualified drugs by a formulary committee. In such study and investigation, the Secretary shall give consideration to (1) savings which might accrue to the United States Government from the enactment of such legislation, (2) effects of the enactment thereof upon the health professions, (3) effects of the enactment thereof upon the pharmaceutical industry, including large and small manufacturers of drugs, wholesalers and retailers of drugs, and (4) such other medical, economic, and social factors as the Secretary shall determine to be material.

(b) On or before January 1, 1969, the Secretary shall transmit to the Congress a report which shall contain a full and complete statement of the findings of fact and conclusions made by the Secretary upon the basis of such study and investigation.

(143) *DISABILITY BENEFITS FOR BLIND PERSONS*

SEC. 174. (a)(1) Section 223(a)(1)(B) of the Social Security Act is amended to read as follows:

"(B) in the case of any individual other than an individual whose disability is blindness (as defined in subsection (d)(1)(B)), has not attained the age of 65,".

(2) Subsection (a)(1) of section 223 of such Act is amended by striking out "the month in which he attains age 65" and inserting in lieu thereof "in the case of any individual other than an individual whose disability is blindness (as defined in subsection (d)(1)(B)), the month in which he attains age 65".

(3) That part of paragraph (2) of section 223(a) of such Act which precedes subparagraph (A) thereof is amended by inserting immediately after "(if a man)" the following: ", and, in the case of any individual whose disability is blindness (as defined in subsection (d)(1)(B)), as though he were a fully insured individual,".

(4) The last sentence of section 223(a)(1) of such Act is repealed.

(b)(1) Paragraph (1) of subsection (c) of section 223 of such Act is amended—

(A) by inserting "(other than an individual whose

disability is blindness, as defined in subsection (d)(1)(B))" after "An individual"; and

(B) by adding at the end thereof (after the sentence following subparagraph (B)) the following new sentence: "An individual whose disability is blindness (as defined in subsection (d)(1)(B)) shall be insured for disability insurance benefits in any month if he had not less than six quarters of coverage before the quarter in which such month occurs."

(2) Subparagraph (B) of paragraph (1) of subsection (d) of section 223 of such Act (as amended by section 158 (b) of this Act) is further amended to read as follows:

"(B) blindness; and, for purposes of this subparagraph, the term 'blindness' means central visual acuity of 20/200 or less in the better eye with the use of correcting lenses, or visual acuity greater than 20/200 if accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than twenty degrees."

(3) The second sentence of paragraph (4) of subsection (d) of section 223 of such Act (as added by section 158(b) of this Act) is further amended by inserting "(other than an individual whose disability is blindness)" immediately after "individual".

(c)(1) The first sentence of section 216(i)(1) of such

Act is amended by striking out "(B)" and all that follows, and inserting in lieu thereof the following: "(B) blindness (as defined in section 223(d)(1)(B)).".

(2) The second sentence of such section 216(i) is repealed.

(d) The first sentence of section 222(b)(1) of such Act is amended by inserting "(other than such an individual whose disability is blindness, as defined in section 223(d)(1)(B))" after "an individual entitled to disability insurance benefits".

(e) The amendments made by the preceding subsections of this section shall apply only with respect to monthly benefits under title II of the Social Security Act for months after November 1968, on the basis of applications for such benefits filed after August 31, 1968.

(144) *ENTITLEMENT TO CHILD'S INSURANCE BENEFITS BASE ON DISABILITY WHICH BEGAN BETWEEN 18 AND 22*

SEC. 175. (a) Clause (ii) of section 202(d)(1)(B) of the Social Security Act is amended by striking out "which began before he attained the age of 18" and inserting in lieu thereof "which began before he attained the age of 22".

(b) Subparagraphs (F) and (G) of section 202(d)(1) of such Act are amended to read as follows:

"(F) if such child was not under a disability (as

so defined) at the time he attained the age of 18, the earlier of—

"(i) the first month during no part of which he is a full-time student, or

"(ii) the month in which he attains the age of 22,

but only if he was not under a disability (as so defined) in such earlier month; or

"(G) if such child was under a disability (as so defined) at the time he attained the age of 18, or if he was not under a disability (as so defined) at such time but was under a disability (as so defined) at or prior to the time he attained (or would attain) the age of 22, the third month following the month in which he ceases to be under such disability or (if later) the earlier of—

"(i) the first month during no part of which he is a full-time student, or

"(ii) the month in which he attains the age of 22,

but only if he was not under a disability (as so defined) in such earlier month."

(c) Section 202(d)(1) of such Act is further amended by adding at the end thereof the following new sentence: "No payment under this paragraph may be made to a child who would not meet the definition of disability in section 223(d)

except for paragraph (1)(B) thereof for any month in which he engages in substantial gainful activity."

(d) Paragraph (6) of section 202(d) (as redesignated by section 151) is amended by striking out "in which he is a full-time student and has not attained the age of 22" and all that follows and inserting in lieu thereof "in which he—

"(A)(i) is a full-time student or (ii) is under a disability (as defined in section 223(d)), and

"(B) has not attained the age of 22,

but only if he has filed application for such reentitlement. Such reentitlement shall end with the month preceding whichever of the following first occurs:

"(C) the first month in which an event specified in paragraph (1)(D) occurs; or

"(D) the earlier of (i) the first month during no part of which he is a full-time student or (ii) the month in which he attains the age of 22, but only if he is not under a disability (as so defined) in such earlier month; or

"(E) of he was under a disability (as so defined), the third month following the month in which he ceases to be under such disability or (if later) the earlier of—

"(i) the first month during no part of which he is a full-time student, or

"(ii) the month in which he attains the age of 22."

(e) Section 202(s) of such Act is amended—

(1) by striking out "before he attained such age" in paragraph (1) and inserting in lieu thereof "before he attained the age of 22"; and

(2) by striking out "before such child attained the age of 18" in paragraphs (2) and (3) and inserting in lieu thereof "before such child attained the age of 22".

(f) The amendments made by this section shall apply only with respect to monthly insurance benefits payable under section 202 of the Social Security Act for months after February 1968; except that in the case of an individual who was not entitled to a monthly benefit under such section for February 1968, such amendments shall apply only on the basis of an application filed in or after the month in which this Act is enacted.

(145) *ATTORNEYS FEES FOR CLAIMANTS*

SEC. 176. Section 206(a) of the Social Security Act is amended by inserting, immediately before the last sentence thereof, the following new sentences: "Whenever the Secretary, in any claim before him for benefits under this title, makes a determination favorable to the claimant, he shall, if the claimant was represented by an attorney in connection with such claim, fix (in accordance with the regulations pre-

scribed pursuant to the preceding sentence) a reasonable fee to compensate such attorney for the services performed by him in connection with such claim. If as a result of such determination, such claimant is entitled to past-due benefits under this title, the Secretary shall, notwithstanding section 205(i), certify for payment (out of such past-due benefits) to such attorney an amount equal to whichever of the following is the smaller: (A) 25 per centum of the total amount of such past-due benefits, (B) the amount of the attorney's fee so fixed, or (C) the amount agreed upon between the claimant and such attorney as the fee for such attorney's services."

TITLE II—PUBLIC WELFARE AMENDMENTS

PART 1—PUBLIC ASSISTANCE AMENDMENTS

PROGRAMS OF SERVICES FURNISHED TO FAMILIES WITH DEPENDENT CHILDREN

~~(146) SEC. 201. (a) (1) Section 402 (a) of the Social Security Act (as amended by section 202 (a) of this Act) is amended by striking out "and" at the end of clause (13); by striking out ", and provide for coordination of such programs" and all that follows in clause (14); by striking out the period at the end of clause (14) and inserting in lieu thereof a semicolon; and by adding after clause (14) the following new clauses: "(15) provide—~~

SEC. 201. (a) (1) Section 402 (a) of the Social Secu-

rity Act (as amended by section 202(a) of this Act) is amended by—

(A) striking out "and" at the end of clause (13);

(B) striking out clause (14), including the period at the end thereof, and inserting in lieu thereof the following: "(14) provide for the development and application of a program for such family services, as defined in section 406(d), and child-welfare services, as defined in section 425, for each child and relative who receives aid to families with dependent children, and each appropriate individual (living in the same home as a relative and child receiving such aid whose needs are taken into account in making the determination under clause (7)), as may be necessary in the light of the particular home conditions and other needs of such child, relative, and individual, in order to assist such relative, child, and individual to attain or retain capability for self-support and care and in order to maintain and strengthen family life and to foster child development;"; and

(C) adding after clause (14) the following new clauses: "(15) provide—

"(A) for the development of a program for each appropriate relative and dependent child receiving aid under the plan, and each appropriate individual (living

in the same home as a relative and child receiving such aid) whose needs are taken into account in making the determination under clause (7), with the objective of—

"(i) assuring, to the maximum extent possible, that such relative, child, and individual will enter the labor force and accept employment so that they will become self-sufficient, and

"(ii) preventing or reducing the incidence of (147)~~illegitimate births, and otherwise strengthening family life,~~ *births out of wedlock and otherwise strengthening family life.*

"(B) for the implementation of such programs (148)~~by assuring that—by~~—

(149)~~"(i) the employment potential of such relatives, children, and individuals is evaluated and they are furnished such services as child care services and testing, counseling, basic education, vocational training, and special job development to assist them in securing and retaining employment or in raising the level of their skills to secure advancement in their employment, and~~

~~"(ii) in all appropriate cases family planning services are offered to them,~~

~~and in appropriate cases by providing aid to families~~

~~with dependent children in the form of payments of the types described in section 406(b)(2),~~

"(i) assuring that such relative, child, or individual who is referred to the Secretary of Labor pursuant to clause (19) is furnished child-care services and that in all appropriate cases family planning services are offered them, and

"(ii) in appropriate cases, providing aid to families with dependent children in the form of payments of the types described in section 406 (b)(2), and

"(C) that the acceptance by such child, relative, or individual of family planning services provided under the plan shall be voluntary on the part of such child, relative, or individual and shall not be a prerequisite to eligibility for or the receipt of any other service or aid under the plan,

(150) ~~"(C)~~ *"(D)* for such review of each such program as may be necessary (as frequently as may be necessary, but at least once a year) to insure that it is being effectively implemented,

(151) ~~"(D)~~ *"(E)* for furnishing the Secretary with such reports as he may specify showing the results of such programs, and

(152) ~~"(E)~~ *"(F)* to the extent that such programs

(153) *under this clause or clause (14)* are developed

and implemented by services furnished by the staff of the State agency, (154)~~or the local agency administering the State plan in each of the political subdivisions of the State,~~ for the establishment of a single organizational unit in (155)~~such the State or local agency, as the case may be,~~ *the State* responsible for the furnishing of such services;

(16) provide that where the State agency has reason to believe that the home in which a relative and child receiving aid reside is unsuitable for the child because of the neglect, abuse, or exploitation of such child it shall bring such condition to the attention of the appropriate court or law enforcement agencies in the State, providing such data with respect to the situation it may have; (17) provide—

"(A) for the development and implementation of a program under which the State agency will undertake—

"(i) in the case of (156)~~an illegitimate child~~ *a child born out of wedlock who is* receiving aid to families with dependent children, to establish the paternity of such child and secure support for him, and

"(ii) in the case of any child receiving such aid who has been deserted or abandoned by his parent, to secure support for such child from such parent (or from any other person legally liable for

such support), utilizing any reciprocal arrangements adopted with other States to obtain or enforce court orders for support, and

"(B) for the establishment of a single organizational unit in the State agency or local agency administering the State plan in each political subdivision which will be responsible for the administration of the program referred to in clause (A);

(18) provide for entering into cooperative arrangements with appropriate courts and law enforcement officials (A) to assist the State agency in administering the program referred to in clause (17)(A), including the entering into of financial arrangements with such courts and officials in order to assure optimum results under such program, and (B) with respect to any other matters of common concern to such courts or officials and the State agency or local agency administering the State plan."

(2) Section 402(a)(13) of such Act (as redesignated by section 202(a) of this Act) is amended by striking out "(if any)".

(b) Section 402 of such Act is amended by adding at the end thereof the following new subsection:

"(c) The Secretary shall, on the basis of his review of the reports received from the States under clause (15) of subsection (a), compile such data as he believes neces-

sary and from time to time publish his findings as to the effectiveness of the programs developed and administered by the States under such clause. The Secretary shall annually report to the Congress (with the first such report being made on or before July 1, 1970) on the programs developed and administered by each State under such clause (15)."

(157) (c) Section 403(a)(3) of such Act is amended by striking out subparagraphs (A) and (B) and inserting in lieu thereof the following:

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

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

"(ii) any of the services specified in or under subsection (c) and provided to any relative or dependent child who is applying for or receiving aid under the plan, or any other individual (living in the same home as such rel-

~~ative and child) whose needs are taken into account in making the determination under clause (7) of section 402(a), or~~

~~"(iii) any of the services specified in clause (15) of section 402(a), or specified in or under subsection (c), which are provided to any child who is applying for aid under the plan or who, within such period or periods as the Secretary may prescribe, has been or is likely to become an applicant for or recipient of such aid, or to any relative with whom any such child is living, or to any other individual (living in the same home as such relative and child) whose needs are or would be taken into account in making the determination under clause (7) of section 402(a), or~~

~~"(iv) the training of personnel employed or preparing for employment by the State agency or by the local agency administering the plan in the political subdivision; plus".~~

(c) Section 403(a)(3) of such Act is amended by striking out subparagraphs (A) and (B) and inserting in lieu thereof the following:

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

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

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

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

(d) Section 403 (a) (3) of such Act is further amended—

(158)*(1) by redesignating subparagraphs (C), (D), and (E) as (B), (C), and (D), respectively;*

(159)~~(1)~~ *(2)* by striking out "subparagraphs (A) and

(B)" in the sentence following subparagraph (160)*(B) (as redesignated by paragraph (1) of this subsection)* and inserting in lieu thereof "subparagraph (A)";

(161)~~(2)~~ *(3)* by inserting before the period at the end of the sentence following subparagraph (162)~~(C)~~ *(B) (as redesignated by paragraph (1) of this subsection)* the following: "; and except that, to the extent specified by the Secretary, child-welfare services, family planning services, and family services may be provided from sources other than those referred to in subparagraphs (163) ~~(D) and (E)~~ *(C) and (D)*"; and

(164)~~(3)~~ *(4)* by striking out "subparagraphs (B) and (C) apply" in the last sentence and inserting in lieu thereof "subparagraph (165)~~(C)~~ *(B)* applies".

(166)~~(c) (1) Section 403(c) of such Act is amended to read as follows:~~

~~"(c) For purposes of paragraphs (3)(A)(ii) and (3)(A)(iii) of subsection (a), the services referred to in such paragraphs as specified in or under this subsection include—~~

~~"(1) child-welfare services as defined in section 425,~~

~~"(2) family services as defined in section 406(d), and~~

~~"(3) other services to maintain and strengthen family life for children, and to help relatives with whom~~

~~children are living and other individuals (living in the same home as a relative and child) whose needs are or would be taken into account in making the determination under clause (7) of section 402(a) to attain or retain capability for self-support or self-care, which are specified by the Secretary.~~

~~but only with respect to a State whose State plan approved under section 402 provides that when such services are furnished by the staff of the State agency or local agency administering such plan, the organizational unit referred to in section 402(a)(15)(E) will be responsible for furnishing such services."~~

(e)(1) Section 403(c) of such Act is repealed.

(2) Section 403(a)(3) of such Act is amended by striking out "whose State plan approved under section 402 meets the requirements of subsection (c)(1)", and by striking out "; and" at the end and inserting in lieu thereof a period.

(3) Section 403(a)(4) of such Act is repealed.

(4) Section 408(d) of such Act is amended by striking out "and (4)".

(f) Section 406 of such Act is amended by adding at the end thereof the following new subsection:

"(d) The term 'family services' means services to a family or any member thereof for the purpose of preserving,

rehabilitating, reuniting, or strengthening the family, and such other services as will assist members of a family to attain or retain capability for the maximum self-support and personal independence."

~~(167) (g) (1) The amendments made by subsection (a) of this section shall be effective October 1, 1967; except that a State shall not be deemed to have failed to comply with such amendments prior to July 1, 1969, because its plan approved under section 402 of the Social Security Act has not been modified to comply with such amendments.~~

~~(2) The amendments made by subsections (c), (d), and (e) of this section shall apply in the case of any State with respect to services and training furnished on or after the date as of which the modification of the State plan to comply with the amendments made by subsection (a) is approved.~~

(g)(1) The amendments made by subsections (a), (b), (d), (e), and (f) of this section shall be effective July 1, 1968 (or earlier if the State plan so provides); except that if on the date of enactment of this Act the agency of a State referred to in section 402(a)(3) of the Social Security Act is different from the agency of such State responsible for administering the plan for child-welfare services developed pursuant to part 3 of title V of the Social Security Act, the provisions of section 402(a)(15)(F) of

such Act (added thereto by such subsection (a) of this section) shall not apply with respect to such State but only so long as such agencies of the State are different".

(2) The amendment made by subsection (c) shall apply with respect to services furnished after June 30, 1968, or furnished after such earlier date as the State plan may provide with respect to the amendment made by paragraph (1) of this subsection.

(h) Notwithstanding subparagraph (A) of section 403 (a) (3) of the Social Security Act (as amended by subsection (c) of this section), the rate specified in such subparagraph in the case of any State shall be 85 per centum (rather than 75 per centum) with respect to expenditures, for services furnished pursuant to (168)~~clause (15)~~ *clauses (14) and (15)* of section 402 (a) of such Act, made on or after (169)~~October 1, 1967~~ *the date of enactment of this Act,* and prior to July 1, 1969.

(170)~~EARNINGS EXEMPTION FOR RECIPIENTS OF AID TO FAMILIES WITH DEPENDENT CHILDREN~~

EARNINGS EXEMPTION FOR PUBLIC ASSISTANCE RECIPIENTS

SEC. 202. (a) (171) *(1)* Clauses (8) through (13) of section 402 (a) of the Social Security Act are redesignated as clauses (9) through (14), respectively.

(172)~~(b)~~ *(2)* Effective July 1, 1969, section 402 (a) of such

Act is amended by striking out clause (7) and inserting in lieu thereof the following: "(7) except as may be otherwise provided in clause (8), provide that the State agency shall, in determining need, take into consideration any other income and resources of any child or relative claiming aid to families with dependent children, or of any other individual (living in the same home as such child and relative) whose needs the State determines should be considered in determining the need of the child or relative claiming such aid, as well as any expenses reasonably attributable to the earning of any such income; (8) provide that, in making the determination under clause (7), the State agency—

"(A) shall with respect to any month disregard—

"(i) all of the earned income of each dependent child receiving aid to families with dependent children (173)~~for any month in which such child (I) is under age 16, or (II) if age 16 or over but under age 21,~~ *who* is (as determined by the State in accordance with standards prescribed by the Secretary) a full-time student (174)*or part-time student who is not a full-time employee* attending a school, college, or university, or a course of vocational or technical training designed to fit him for gainful employment, and

"(ii) in the case of earned income of a depend-

ent child not included under clause (i), a relative receiving such aid, and any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, the first (175)~~$30~~ *$50* of the total of such earned income for such month plus (176) ~~one-third~~ *one-half* of the remainder of such income for such month; and

"(B) (i) may, subject to the limitations prescribed by the Secretary, permit all or any portion of the earned or other income to be set aside for future identifiable needs of a dependent child, and (ii) may, before disregarding the amounts referred to in subparagraph (A) and clause (i) of this subparagraph, disregard not more than $5 per month of any income;

except that, with respect to any month, the State agency shall not disregard any earned income (other than income referred to in subparagraph (B)) of—

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

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

"(ii) refused without good cause, within such

period preceding such month as may be prescribed by the Secretary, to accept employment in which he is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined by the State or local agency administering the State plan, after notification by him, to be a bona fide offer of employment; or

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

(177) ~~plan;".~~ *plan; and*

(178) *except that, in the case of a dependent child who has been deprived of parental support or care by reason of the continued absence from the home of a parent and such parent is making contributions pursuant to an order of a court of competent jurisdiction, to such child, a relative (specified in section 406(a)(1)), or any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination,*

the State agency shall, in disregarding earned income under subparagraph (A), consider—

"(E) (for purposes of clause (ii) of such subparagraph (A)) such contributions for any month as earned income with respect to such month (but not for purposes of subparagraph (C)); and

"(F) (for purposes of clause (i) of such subparagraph (A)) the first $50 of such contributions for any month plus one-half of the remainder of such contribution for such month as earned income with respect to such month;".

(179) ~~(c)~~ *(3)* A State whose plan under section 402 of the Social Security Act has been approved by the Secretary shall not be deemed to have failed to comply substantially with the requirements of section 402 (a) (7) of such Act (as in effect prior to July 1, 1969) for any period beginning after **(180)** ~~September 30,~~ *December 31,* 1967, and ending prior to July 1, 1969, if for such period the State agency disregards earned income of the individuals involved in accordance with the requirements specified in section 402 (a) (7) and (8) of such Act as amended by this section.

(181) *(b) (1) Effective July 1, 1969, clauses (i) and (ii) of section 2(a)(10)(A) of such Act are amended to read as follows: "(i) the State agency shall with respect to any month disregard the first $50 of the total of the earned in-*

come of such individual for such month plus one-half of the remainder of such income for such month and (ii) the State agency may, before disregarding the amount referred to in clause (i), disregard not more than $5 per month of any income;".

(2) A State whose plan under section 2 of the Social Security Act has been approved by the Secretary shall not be deemed to have failed to comply substantially with the requirements of section 2(a)(10)(A) of such Act (as in effect prior to July 1, 1969) for any period beginning after December 31, 1967, and ending prior to July 1, 1969, if for such period the State agency disregards earned income of the individuals involved in accordance with the requirements specified in clause (i) of section 2(a)(10)(A) of such Act as amended by this section.

(182)*(c)(1) Effective July 1, 1969, clauses (A) and (B) of section 1402(a)(8) of such Act are amended to read as follows: "(A) the State agency shall with respect to any month disregard the first $50 of the total of the earned income of such individual for such month plus one-half of the remainder of such income for such month, (B) the State agency may, before disregarding the amount referred to in clause (A), disregard not more than $5 per month of any income, and".*

(2) A State whose plan under section 1402 of the

Social Security Act has been approved by the Secretary shall not be deemed to have failed to comply substantially with the requirements of section 1402(a)(8) of such Act (as in effect prior to July 1, 1969) for any period beginning after December 31, 1967, and ending prior to July 1, 1969, if for such period the State agency disregards earned income of the individual involved in accordance with the requirements specified in clause (A) of section 1402 (a)(8) of such Act as amended by this section.

(183)*(d)(1) Effective July 1, 1969, clause (i) of section 1602(a)(14)(B) of such Act is amended to read as follows: "(i) the State agency shall with respect to any month disregard the first $50 of the total of the earned income of such individual for such month plus one-half of the remainder of such income for such month, and".*

(2) Effective July 1, 1969, subparagraph (C) of section 1602(a)(14) of such Act is amended to read as follows: "if such individual has attained age 65 and is neither blind nor permanently and totally disabled, the State agency shall with respect to any month disregard the first $50 of the total of the earned income of such individual for such month plus one-half of the remainder of such income for such month, and".

(3) A State whose plan under section 1602 of the Social

Security Act has been approved by the Secretary shall not be deemed to have failed to comply substantially with the requirements of section 1602(a)(14) of such Act (as in effect prior to July 1, 1969) for any period beginning after December 31, 1967, and ending prior to July 1, 1969, if for such period the State agency disregards earned income of the individual involved in accordance with the requirements specified in clause (i) of section 1602(a)(14)(B) or subparagraph (C) of section 1602(a)(14) as amended by this section.

(184) ~~(d) In determining the need of individuals claiming aid to families with dependent children (and individuals whose needs are taken into account in making such determination) under a State plan approved under section 402 of the Social Security Act which provides for the determination of such need under the provisions of section 402(a) (7) and (8) of such Act as amended by this section, the State shall apply such provisions notwithstanding any provision of law (other than such Act) requiring the State to disregard earned income of such individuals in determining need under such State plan.~~

(e) In determining the need of individuals claiming aid or assistance under a State plan approved under title I, X, XIV, XVI, or XIX, or part A of title IV of the Social Security Act which provides for the determination of such need under the provisions of such title or such part as

amended by this section, the State shall apply such provisions notwithstanding any provisions of law (other than such Act) requiring the State to disregard earned income of such individuals in determining need under such State plan.

DEPENDENT CHILDREN OF UNEMPLOYED FATHERS

SEC. 203. (a) Section 407 of the Social Security Act is amended to read as follows:

"DEPENDENT CHILDREN OF UNEMPLOYED FATHERS

"SEC. 407. (a) The term 'dependent child' shall, notwithstanding section 406(a), include a needy child who meets the requirements of section 406(a)(2), who has been deprived of parental support or care by reason of the unemployment (as determined in accordance with standards prescribed by the Secretary) of his father, and who is living with any of the relatives specified in section 406(a)(1) in a place of residence maintained by one or more of such relatives as his (or their) own home.

"(b) The provisions of subsection (a) shall be applicable to a State if the State's plan approved under section 402—

"(1) requires the payment of aid to families with dependent children with respect to a dependent child as defined in subsection (a) when—

"(A) such child's father has not been employed (as determined in accordance with standards pre-

scribed by the Secretary) for at least 30 days prior to the receipt of such aid, (185) *and*

"(B) such father has not without good cause, within such period (of not less than 30 days) as may be prescribed by the Secretary, refused a bona fide offer of employment or training for employment, and

(186)~~"(C) (i) such father has 6 or more quarters of work (as defined in subsection (d) (1)) in any 13-calendar-quarter period ending within one year prior to the application for such aid or (ii) he received unemployment compensation under an unemployment compensation law of a State or of the United States, or he was qualified (within the meaning of subsection (d) (3)) for unemployment compensation under the unemployment compensation law of the State, within one year prior to the application for such aid; and~~

~~"(2) provides—~~

~~"(A) (i) for the establishment of a work and training program in accordance with section 409, and (ii) for such assurances as will satisfy the Secretary that fathers of dependent children as defined in subsection (a) are assigned as participants to~~

~~projects under such program within 30 days after receipt of aid with respect to such children;~~

~~"(B) that the services of the public employment offices in the State shall be utilized in order to assist fathers of dependent children as defined in subsection (a) to secure employment or occupational training, including appropriate provision for registration and periodic reregistration of such fathers and for maximum utilization of the job placement services and other services and facilities of such offices;~~

"(2) provides—

"(A) for such assurances as will satisfy the Secretary that fathers of dependent children as defined in subsection (a) will be referred to the Secretary of Labor as provided in section 402(a)(19) within thirty days after receipt of aid with respect to such children;

"(187)~~(C)~~ *(B)* for entering into cooperative arrangements with the State agency responsible for administering or supervising the administration of vocational education in the State, designed to assure maximum utilization of available public vocational education services and facilities in the State in order

to encourage the retraining of individuals capable of being retrained; and

"(188) ~~(D)~~ *(C)* for the denial of aid to families with dependent children to any child or relative specified in subsection (a) if, and for as long as, such child's (189) ~~father~~ *father is not currently registered with the public employment offices in the State.*

(190) ~~"(i) is not currently registered with the public employment offices in the State,~~

~~"(ii) refuses without good cause to undertake, or continue to undertake, work or training in the program referred to in subparagraph (A),~~

~~"(iii) refuses without good cause to accept employment in which he is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined by the State or local agency administering the State plan, after notification by him, to be a bona fide offer of employment,~~

~~"(iv) refuses without good cause to undergo the retraining referred to in subparagraph (C), or~~

"(v) receives unemployment compensation under an unemployment compensation law of a State or of the United States.

(191) "(c) Notwithstanding any other provision of this section, expenditures pursuant to this section shall be excluded from aid to families with dependent children—

"(1) where such expenditures are made with respect to any dependent child as defined in subsection (a)—

"(A) for any part of the 30-day period referred to in subparagraph (A) of subsection (b)(1), or

"(B) for any period prior to the time when the father satisfies subparagraphs (B) and (C) of subsection (b)(1), and

"(2) if, and for as long as, no action is taken under the program specified in subparagraph (A) of subsection (b)(2) (after the 30-day period referred to therein) to assign such child's father to a project under such program, unless the State agency or local agency administering the plan determines, in accordance with standards prescribed by the Secretary, that any such assignment would be detrimental to the health of such father or that no such project is available.

"(d) For purposes of this section—

"(1) the term 'quarter of work' with respect to any individual means a calendar quarter in which such individual received earned income of not less than $50 (or which is a 'quarter of coverage' as defined in section 213(a)(2)), or in which such individual participated in a community work and training program under section 409 or any other work and training program subject to the limitations in section 409;

"(2) the term 'calendar quarter' means a period of 3 consecutive calendar months ending on March 31, June 30, September 30, or December 31; and

"(3) an individual shall be deemed qualified for unemployment compensation under the State's unemployment compensation law if—

"(A) he would have been eligible to receive such unemployment compensation upon filing application, or

"(B) he performed work not covered under such law and such work, if it had been covered, would (together with any covered work he performed) have made him eligible to receive such unemployment compensation upon filing application."

(b) In the case of an application for aid to families with dependent children under a State plan approved under sec-

~~tion 402 of such Act with respect to a dependent child as defined in section 407 (a) of such Act (as amended by this section) within 6 months after the effective date of the modification of such State plan which provides for payments in accordance with section 407 of such Act as so amended, the father of such child shall be deemed to meet the requirements of subparagraph (C) of section 407 (b) (1) of such Act (as so amended) if at any time after April 1961 and prior to the date of application such father met the requirements of such subparagraph (C). For purposes of the preceding sentence, an individual receiving aid to families with dependent children (under section 407 of the Social Security Act as in effect before the enactment of this Act) for the last month ending before the effective date of the modification referred to in such sentence shall be deemed to have filed application for such aid under such section 407 (as amended by this section) on the day after such effective date.~~

"(c) Notwithstanding any other provisions of this section—

"(1) a State plan may, at the option of the State, provide for denial of all (or any part) of the aid under the plan with respect to a dependent child as defined in subsection (a) to which any child or relative might otherwise be entitled for any month if the father of such child receives unemployment compensation under an unem-

ployment compensation law of a State or of the United States for any week any part of which is included in such month, and

"(2) expenditures pursuant to this section shall be excluded from aid to families with dependent children (A) where such expenditures are made under the plan with respect to any dependent child as defined in subsection (a), (i) for any part of the 30-day period referred to in subparagraph (A) of subsection (b)(1), or (ii) for any period prior to the time when the father satisfies subparagraph (B) of such subsection, and (B) if, and for as long as, no action is taken (after the 30-day period referred to in subparagraph (A) of subsection (b)(2)), under the program therein specified, to refer such father to the Secretary of Labor pursuant to section 402(a)(19)."

(192)~~(c)~~ *(b)* The amendment made by subsection (a) shall be effective (193)~~October 1, 1967~~ *January 1, 1968*; except that (194)~~(1)~~ no State which had in operation a program of aid with respect to children of unemployed parents under section 407 of the Social Security Act (as in effect prior to such amendment) in the calendar quarter commencing (195)~~July~~ *October* 1, 1967, shall be required to include any additional child or family under its State plan approved under section 402 of such Act, by reason of the enactment

of such amendment, prior to July 1, (196)~~1969; and (2) no such State shall be required to deny aid under such State plan to any individual, because the plan does not establish a community work and training program in accordance with section 409 of such Act, prior to July 1, 1969.~~ *1969.*

(197)*(c) Section 402(a) of such Act is amended by adding at the end before the period the following: "; and (30) effective July 1, 1969, provide for assistance to children in need because of the unemployment of their father as provided in section 407."*

~~COMMUNITY WORK AND TRAINING PROGRAMS~~

~~SEC. 204. (a) Section 409 of the Social Security Act is amended to read as follows:~~

~~"COMMUNITY WORK AND TRAINING PROGRAMS~~

~~"SEC. 409. For the purpose of assisting the States in encouraging, through community work and training programs of a constructive nature, the conservation of work skills and the development of new skills in appropriate cases for children and relatives receiving aid to families with dependent children, and other individuals (living in the same home as a relative and child receiving such aid) whose needs are taken into account in making the determination under section 402(a)(7), under conditions which are designed to assure protection of the health and welfare of such persons, expenditures (other than for medical or any other type of~~

remedial care) for any month with respect to a dependent child under a State plan approved under section 402 shall be included in the term 'aid to families with dependent children' (as defined in section 406(b)) where such expenditures are made in the form of payments for work performed in such month by such child, relative, or other individual if—

"(1) such child, relative, or other individual has attained age 16,

"(2) such work is performed under a work and training program administered or supervised by the State agency and maintained and operated by that agency or another public or nonprofit agency for the purpose of preparing individuals for, or restoring them to, employability,

"(3) there is State financial participation in such expenditures,

"(4) the State plan includes provisions which, in the judgment of the Secretary, provide reasonable assurance that—

"(A) such work and training program conforms to standards prescribed by the Secretary;

"(B) such program is in effect in those political subdivisions of the State in which there is a significant number (determined in accordance with

standards prescribed by the Secretary) of individuals who have attained age 16 and are receiving aid to families with dependent children;

"(C) (i) the vocational needs and potential of each appropriate child and each relative (applying for or receiving aid to families with dependent children), and of each other appropriate individual (living in the same home as a relative and child receiving such aid) whose needs are (or would but for section 402(a)(20)(B) be) taken into account in making the determination under section 402(a)(7), are evaluated, and (ii) the program is made available to any such child, relative, or other individual who is determined to have the capability for employment;

"(D) appropriate standards for health, safety, and other conditions applicable to the performance of such work are established and maintained (except that if State law establishes standards for health and safety which are applicable to the performance of such work in the State, the requirements of this subparagraph shall be deemed to be satisfied);

"(E) payments for such work are at rates not less than the minimum rate (if any) provided by or under applicable Federal or State law for the

same type of work and not less than the rates prevailing for similar work in the community (except that in the case of work by individuals who under such law are considered learners or handicapped persons, payments may be at any special minimum rates established for them by or under such law);

"(F) such work is performed on projects which serve a useful public purpose and do not result in displacement of regular workers, with provision in appropriate cases for the performance of such work (pursuant to agreement entered into by the State or local agency administering the State plan) for Federal, State, or local agencies or for private employers, organizations, agencies, or institutions;

"(G) in determining the needs of any such child, relative, or other individual, any additional expenses reasonably attributable to such work will be considered;

"(H) any such child, relative, or other individual shall have reasonable opportunities to seek regular employment and to secure any appropriate training or retraining which may be available; and

"(I) any such child, relative, or other individual will, with respect to the work so performed, be covered under the State workmen's compensation

law or be provided comparable protection; and

"(5) the State plan includes—

"(A) provision for entering into cooperative arrangements with the public employment offices in the State for the utilization of such offices to assist any such child, relative, or other individual performing such work under such program to secure employment or occupational training, including appropriate provision for registration and periodic reregistration of such individuals and for maximum utilization of the job placement, vocational evaluation, testing, counseling, and other services and facilities of such offices;

"(B) provision that the services and facilities under title II of the Manpower Development and Training Act of 1962, and the services and facilities under any other Federal and State programs for manpower training, retraining, and work experience, shall, to the extent available, be utilized for the training, retraining, and work experience of the persons accepted for participation under such work and training program;

"(C) provision for entering into cooperative arrangements with the Federal and State agencies

responsible for administering or supervising the administration of vocational education and adult education in the State, designed to assure maximum utilization of available public vocational or adult education services and facilities in the State in order to encourage the training or retraining of any such child, relative, or other individual performing work under such program and otherwise assist them in preparing for regular employment;

"(D) provision for assuring appropriate arrangements for the care and protection of children during the absence from the home of any such relative performing work or receiving training under such program; and

"(E) provision that there will be no adjustment or recovery by the State or any political subdivision thereof on account of any payments which are correctly made for such work."

(b) Section 402(a) of such Act (as amended by sections 201(a) and 202(a) of this Act) is amended by inserting before the period at the end thereof the following new clauses: "; (19) include provisions to assure that all appropriate children and relatives receiving aid to families with dependent children, and all other appropriate individuals (living in the same home as a relative and child receiving

such aid) whose needs are taken into account in making the determination under clause (7), register and periodically reregister with the public employment offices of the State; (20) provide that (A) if and for as long as any such appropriate child or relative refuses without good cause to so register or reregister, or refuses without good cause to accept employment in which he is able to engage and which is offered through the public employment offices of the State or is otherwise offered by an employer (and the offer of such employer is determined by the State or local agency administering the State plan, after notification by him, to be a bona fide offer of employment), or refuses without good cause to participate in a work and training program under section 409 or undergo any other training for employment, then—

"(i) if the relative makes such refusal, such relative's needs shall not be taken into account in making the determination under clause (7), and aid for any dependent child in the family in any form other than payments of the type described in section 406(b)(2) (which may be made in such a case without regard to clauses (A) through (E) thereof) or section 408 will be denied,

"(ii) aid with respect to a dependent child will

be denied if a child who is the only child receiving aid in the family makes such refusal, and

"(iii) if there is more than one child receiving aid in the family, aid for any such child will be denied if that child makes such refusal;

and (B) if and for as long as any such other appropriate individual makes such a refusal, such individual's needs shall not be taken into account in making the determination under clause (7); (21) effective July 1, 1969, provide for (A) a work and training program meeting the requirements of section 409 for appropriate individuals who have attained age 16 and are receiving aid to families with dependent children, and for other appropriate individuals living in the same home whose needs are taken into account in making the determination under clause (7), with the objective that a maximum number of such individuals will be benefited through the conservation of their work skills and the development of new skills, and (B) expenditures in the form of payments described in such section 409".

(c) Section 403(a)(3) of such Act (as amended by section 201(c) of this Act) is amended by inserting after subparagraph (A) the following new subparagraph:

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

"(i) training, supervision, materials, and

such other items as are authorized by the Secretary, in connection with a work and training program described in section 409, and

"(ii) other services (not included in clause (i)), specified by the Secretary, which are related to the purposes of such a program and are provided to individuals who are participants in such a program; plus".

(d) Section 403(a) of such Act is further amended by adding at the end thereof the following new sentence: "For purposes of subparagraph (B) of paragraph (3), subject to limitations prescribed by the Secretary, the services and items referred to in clauses (i) and (ii) of such subparagraph may be furnished, pursuant to agreement entered into by the State or local agency administering the State plan, by employers, organizations, agencies, and institutions equipped to furnish such services and items."

(e) Notwithstanding subparagraph (B) of section 403(a)(3) of the Social Security Act (as added by subsection (c) of this section), the rate specified in such subparagraph in the case of any State shall be 85 per centum (rather than 75 per centum) with respect to expenditures, for services and training furnished, made on or after October 1, 1967, and prior to July 1, 1969.

(f) (1) Title III of the Social Security Act is amended by adding at the end thereof the following new section:

"SERVICES FURNISHED BY PUBLIC EMPLOYMENT OFFICES OF THE STATE

"SEC. 304. The Secretary of Health, Education, and Welfare shall enter into cooperative agreements with the Secretary of Labor for the provision through the public employment offices in each State of such services as the Secretary of Health, Education, and Welfare shall specify as necessary to assure that individuals receiving or applying for aid to families with dependent children under a plan approved under part A of title IV of this Act (1) are registered and periodically reregistered at such offices, (2) are receiving testing and counseling services and such other services as such offices make available to individuals to assist them in securing and retaining employment, and (3) are, in appropriate cases, referred to employers who have requested such offices to furnish applicants for job placement. The State agency administering or supervising the administration of the plan of any State approved under section 402 of this Act shall pay the Secretary of Labor (as expenses subject to section 403(a)(3)(B) of this Act) for any costs incurred in providing the services described

~~in clause (2) of the preceding sentence with respect to individuals who are receiving or applying for aid (or whose needs are taken into account) under such plan."~~

~~(2) Section 402(a) of such Act (as amended by the preceding provisions of this Act) is amended by inserting before the period at the end thereof the following new clause: "; (22) provide for payment to the Secretary of Labor for any costs incurred in providing the services described in clause (2) of the first sentence of section 304 with respect to individuals who are receiving or applying for aid (or whose needs are taken into account) under the plan".~~

~~(g) The amendments made by subsections (a), (c), and (f)(2) shall be effective on July 1, 1969, or, if earlier (in the case of any State), on the date as of which the modification of the State plan to comply with such amendments is approved. Except as otherwise specifically indicated therein, the amendment made by subsection (b) shall be effective April 1, 1968.~~

WORK INCENTIVE PROGRAM FOR RECIPIENTS OF AID UNDER PART A OF TITLE IV

SEC. 204. (a) Title IV of the Social Security Act is amended by inserting after part B (hereinafter added to such title by section 235 of this Act) the following material:

"PART C—WORK INCENTIVE PROGRAM FOR RECIPIENTS OF AID UNDER STATE PLAN APPROVED UNDER PART A

"PURPOSE

"SEC. 430. The purpose of this part is to require the establishment of a program utilizing all available manpower services, including those authorized under other provisions of law, under which individuals receiving aid to families with dependent children will be furnished incentives, opportunities, and necessary services in order for (1) the employment of such individuals in the regular economy, (2) the training of such individuals for work in the regular economy, and (3) the participation of such individuals in special work projects, thus restoring the families of such individuals to independence and useful roles in their communities. It is expected that the individuals participating in the program established under this part will acquire a sense of dignity, self-worth, and confidence which will flow from being recognized as a wage-earning member of society and that the example of a working adult in these families will have beneficial effects on the children in such families.

"APPROPRIATION

"SEC. 431. There is hereby authorized to be appropriated to the Secretary of Health, Education, and Welfare for each fiscal year a sum sufficient to carry out the purposes of

this part. The Secretary of Health, Education, and Welfare shall transfer to the Secretary of Labor from time to time sufficient amounts, out of the moneys appropriated pursuant to this section, to enable him to carry out such purposes.

"ESTABLISHMENT OF PROGRAMS

"SEC. 432. (a) The Secretary of Labor (hereinafter in this part referred to as the Secretary) shall, in accordance with the provisions of this part, establish work incentive programs (as provided for in subsection (b)) in each State and in each political subdivision of a State in which he determines there is a significant number of individuals who have attained age 16 and are receiving aid to families with dependent children. In other political subdivisions, he shall use his best efforts to provide such programs either within such subdivisions or through the provision of transportation for such persons to political subdivisions of the State in which such programs are established.

"(b) Such programs shall include, but shall not be limited to, (1) a program placing as many individuals as is possible in employment, and utilizing on-the-job training positions for others, (2) a program of institutional and work experience training for those individuals for whom such training is likely to lead to regular employment, and (3) a program of special work projects for individuals for whom a job in the regular economy cannot be found.

"(c) In carrying out the purposes of this part the Secretary may make grants to, or enter into agreements with, public or private agencies or organizations (including Indian tribes with respect to Indians on a reservation), except that no such grant or agreement shall be made to or with a private employer for profit or with a private nonprofit employer not organized for a public purpose for purposes of the work experience program established by clause (2) of subsection (b).

"(d) Using funds appropriated under this part, the Secretary, in order to carry out the purposes of this part, shall utilize his authority under the Manpower Development and Training Act of 1962, the Act of June 6, 1933, as amended (48 Stat. 113), and other Acts, to the extent such authority is not inconsistent with this Act.

"(e) The Secretary shall take appropriate steps to assure that the present level of manpower services available under the authority of other statutes to recipients of aid to families with dependent children is not reduced as a result of programs under this part.

"OPERATION OF PROGRAM

"SEC. 433. (a) The Secretary shall provide a program of testing and counseling for all persons referred to him by a State, pursuant to section 402, and shall select those persons whom he finds suitable for the programs established by clauses

(1) and (2) of section 432(b). Those not so selected shall be deemed suitable for the program established by clause (3) of such section 432(b) unless the Secretary finds that there is good cause for an individual not to participate in such program.

"(b) The Secretary shall develop an employability plan for each suitable person referred to him under section 402 which shall describe the education, training, work experience, and orientation which it is determined that each such person needs to complete in order to enable him to become self-supporting.

"(c) The Secretary shall make maximum use of services available from other Federal and State agencies and, to the extent not otherwise available on a nonreimbursable basis, he may reimburse such agencies for services rendered to persons under this part.

"(d) To the extent practicable and where necessary, work incentive programs established by this part shall include, in addition to the regular counseling, testing, and referral available through the Federal-State Employment Service System, program orientation, basic education, training in communications and employability skills, work experience, institutional training, on-the-job training, job development, and special job placement and followup services, required

to assist participants in securing and retaining employment and securing possibilities for advancement.

"(e)(1) In order to develop special work projects under the program established by section 432(b)(3), the Secretary shall enter into agreements with (A) public agencies, (B) private nonprofit organizations established to serve a public purpose, and (C) Indian tribes with respect to Indians on a reservation, under which individuals deemed suitable for participation in such a program will be provided work which serves a useful public purpose and which would not otherwise be performed by regular employees.

"(2) Such agreements shall provide—

"(A) for the payment by the Secretary to each employer a portion of the wages to be paid by the employer to the individuals for the work performed;

"(B) the hourly wage rate and the number of hours per week individuals will be scheduled to work on special work projects of such employer;

"(C) that the Secretary will have such access to the premises of the employer as he finds necessary to determine whether such employer is carrying out his obligations under the agreement and this part; and

"(D) that the Secretary may terminate any agreement under this subsection at any time.

"(3) The Secretary shall establish one or more accounts

in each State with respect to the special work projects established and maintained pursuant to this subsection and place into such accounts the amounts paid to him by the State agency pursuant to section 402(a)(19)(E). The amounts in such accounts shall be available for the payments specified in subparagraph (A) of paragraph (2). At the end of each fiscal year and for such period of time as he may establish, the Secretary shall determine how much of the amounts paid to him by the State agency pursuant to section 402(a)(19)(E) were not expended as provided by the preceding sentence of this paragraph and shall return such unexpended amounts to the State, which amounts shall be regarded as overpayments for purposes of section 403(b)(2).

"(4) No wage rates provided under any agreement entered into under this subsection shall be lower than the applicable minimum wage for the particular work concerned.

"(f) Before entering into a project under any of the programs established by this part, the Secretary shall have reasonable assurances that—

"(1) appropriate standards for the health, safety, and other conditions applicable to the performance of work and training on such project are established and will be maintained,

"(2) such project will not result in the displacement of employed workers,

"(3) with respect to such project the conditions of work, training, education, and employment are reasonable in the light of such factors as the type of work, geographical region, and proficiency of the participant,

"(4) appropriate workmen's compensation protection is provided to all participants.

"(g) Where an individual, referred to the Secretary of Labor pursuant to section 402(a)(19)(A)(i) and (ii) refuses without good cause to accept employment or participate in a project under a program established by this part, the Secretary of Labor shall (after providing opportunity for fair hearing) notify the State agency which referred such individual and submit such other information as he may have with respect to such refusal.

"(h) With respect to individuals who are participants in special work projects under the program established by section 432(b)(3), the Secretary shall periodically (but at least once every six months) review the employment record of each such individual while on such special work project and on the basis of such record and such other information as he may acquire determine whether it would be feasible to place such individual in regular employment or on any of the projects under the programs established by section 432 (b) (1) and (2).

"INCENTIVE PAYMENT

"SEC. 434. The Secretary is authorized to pay to any participant under a program established by section 432(b)(2) an incentive payment of not more than $20 per week.

"FEDERAL ASSISTANCE

"SEC. 435. (a) Federal assistance under this part shall not exceed 90 per centum of the costs of carrying out this part. Non-Federal contributions may be cash or in kind, fairly evaluated, including but not limited to plant, equipment, and services.

"(b) Costs of carrying out this part include costs of training, supervision, materials, administration, incentive payments, transportation, and other items as are authorized by the Secretary, but may not include any reimbursement for time spent by participants in work, training, or other participation in the program; except that with respect to special work projects under the program established by section 432(b)(3), the costs of carrying out this part shall include only the costs of administration.

"PERIOD OF ENROLLMENT

"SEC. 436. (a) The program established by section 432(b)(2) shall be designed by the Secretary so that the average period of enrollment under all projects under such

program throughout any area of the United States will not exceed one year.

"(b) Services provided under this part may continue to be provided to an individual for such period as the Secretary determines (in accordance with regulations prescribed by the Secretary after consultation with the Secretary of Health, Education, and Welfare) is necessary to qualify him fully for employment even though his earnings disqualify him from aid under a State plan approved under section 402.

"RELOCATION OF PARTICIPANTS

"SEC. 437. The Secretary may assist participants to relocate their place of residence when he determines such relocation is necessary in order to enable them to become permanently employable and self-supporting. Such assistance shall be given only to participants who concur in their relocation and who will be employed at their place of relocation at wage rates which will meet at least their full need as determined by the State to which they will be relocated. Assistance under this section shall not exceed the reasonable costs of transportation for participants, their dependents, and their household belongings plus such relocation allowance as the Secretary determines to be reasonable.

"PARTICIPANTS NOT FEDERAL EMPLOYEES

"SEC. 438. Participants in projects under programs established by this part shall be deemed not to be Federal em-

ployees and shall not be subject to the provisions of laws relating to Federal employment, including those relating to hours of work, rates of compensation, leave, unemployment compensation, and Federal employee benefits.

"RULES AND REGULATIONS

"SEC. 439. The Secretary may issue such rules and regulations as he finds necessary to carry out the purposes of this part: Provided, That in developing policies for programs established by this part the Secretary shall consult with the Secretary of Health, Education, and Welfare.

"ANNUAL REPORT

"SEC. 440. The Secretary shall annually report to the Congress (with the first such report being made on or before July 1, 1970) on the work incentive programs established by this part.

"EVALUATION AND RESEARCH

"SEC. 441. The Secretary shall (jointly with the Secretary of Health, Education, and Welfare) provide for the continuing evaluation of the work incentive programs established by this part, including their effectiveness in achieving stated goals and their impact on other related programs. He also may conduct research regarding ways to increase the effectiveness of such programs. He may, for this purpose, contract for independent evaluations of and research regarding

such programs or individual projects under such programs. For purposes of sections 435 and 443, the costs of carrying out this section shall not be regarded as costs of carrying out work incentive programs established by this part.

"REVIEW OF SPECIAL WORK PROJECTS BY A STATE PANEL

"SEC. 442. (a) The Secretary shall make an agreement with any State which is able and willing to do so under which the Governor of the State will create one or more panels to review applications tentatively approved by the Secretary for the special work projects in such State to be established by the Secretary under the program established by section 432(b)(3).

"(b) Each such panel shall consist of not more than five and not less than three members, appointed by the Governor. The members shall include one representative of employers and one representative of employees; the remainder shall be representatives of the general public. No special work project under such program developed by the Secretary pursuant to an agreement under section 433(e)(1) shall, in any State which has an agreement under this section, be established or maintained under such program unless such project has first been approved by a panel created pursuant to this section.

"COLLECTION OF STATE SHARE

"SEC. 443. If a non-Federal contribution of 10 per centum of the costs of the work incentive programs established by this part is not made in any State (as specified in section 402(a)), the Secretary of Health, Education, and Welfare may withhold any action under section 404 because of the State's failure to comply substantially with a provision required by section 402. If the Secretary of Health, Education, and Welfare does withhold such action, he shall, after reasonable notice and opportunity for hearing to the appropriate State agency or agencies, withhold any payments to be made to the State under sections 3(a), 403(a), 1003(a), 1403(a), 1603(a), and 1903(a) until the amount so withheld (including any amounts contributed by the State pursuant to the requirement in section 402(a)(19)(C)) equals 10 per centum of the costs of such work incentive programs. Such withholding shall remain in effect until such time as the Secretary has assurances from the State that such 10 per centum will be contributed as required by section 402. Amounts so withheld shall be deemed to have been paid to the State under such sections and shall be paid by the Secretary of Health, Education, and Welfare to the Secretary. Such payment shall be considered a non-Federal contribution for purposes of section 435.

"AGREEMENTS WITH OTHER AGENCIES PROVIDING ASSISTANCE TO FAMILIES OF UNEMPLOYED PARENTS

"SEC. 444. (a) The Secretary is authorized to enter into an agreement (in accordance with the succeeding provisions of this section) with any qualified State agency (as described in subsection (b)) under which the program established by the preceding sections of this part C will (except as otherwise provided in this section) be applicable to individuals referred by such State agency in the same manner, to the same extent, and under the same conditions as such program is applicable with respect to individuals referred to the Secretary by a State agency administering or supervising the administration of a State plan approved by the Secretary of Health, Education, and Welfare under part A of this title.

"(b) A qualified State agency referred to in subsection (a) is a State agency which is charged with the administration of a program—

"(1) the purpose of which is to provide aid or assistance to the families of unemployed parents,

"(2) which is not established pursuant to part A of title IV of the Social Security Act,

"(3) which is financed entirely from funds appropriated by the Congress, and

"(4) none of the financing of which is made avail-

able under any program established pursuant to title V of the Economic Opportunity Act.

"(c)(1) Any agreement under this section with a qualified State agency shall provide that such agency will, with respect to all individuals receiving aid or assistance under the program of aid or assistance to families of unemployed parents administered by such agency, comply with the requirements imposed by section 402(a)(15) and section 402(a)(19)(F) in the same manner and to the same extent as if (A) such qualified agency were the agency in such State administering or supervising the administration of a State plan approved under part A of this title, and (B) individuals receiving aid or assistance under the program administered by such qualified agency were recipients of aid under a State plan which is so approved.

"(2) Any agreement entered into under this section shall remain in effect for such period as may be specified in the agreement by the Secretary and the qualified State agency, except that, whenever the Secretary determines, after reasonable notice and opportunity for hearing to the qualified State agency, that such agency has failed substantially to comply with its obligations under such agreement, the Secretary may suspend operation of the agreement until such time as he is satisfied that the State agency will no longer fail substantially to comply with its obligations under such agreement.

"(3) Any such agreement shall further provide that the agreement will be inoperative for any calendar quarter if, for the preceding calendar quarter, the maximum amount of benefits payable under the program of aid or assistance to families of unemployed parents administered by the qualified State agency which is a party to such agreement is lower than the maximum amount of benefits payable under such program for the quarter which ended September 30, 1967.

"(d) The Secretary shall, at the request of any qualified State agency referred to in subsection (a) of this section and upon receipt from it of a list of the names of individuals re-referred to the Secretary, furnish to such agency the names of each individual on such list participating in a special work project under section 433(a)(3) whom the Secretary determines should continue to participate in such project. The Secretary shall not comply with any such request with respect to an individual on such list unless such individual has been referred to the Secretary by such agency under such section 402(a)(15) for a period of at least six months."

(b) Section 402(a) of such Act is amended by adding at the end thereof before the period the following:

"; (19) provide—

"(A) for the prompt referral to the Secretary of Labor or his representative for participation

under a work incentive program established by part C of—

"(i) each appropriate child and relative who has attained age sixteen and is receiving aid to families with dependent children,

"(ii) each appropriate individual (living in the same home as a relative and child receiving such aid) who has attained such age and whose needs are taken into account in making the determination under section 402(a)(7), and

"(iii) any other person claiming aid under the plan (not included in clauses (i) and (ii)), who, after being informed of the work incentive programs established by part C, requests such referral unless the State agency determines that participation in any of such programs would be inimical to the welfare of such person or the family;

except that the State agency shall not so refer a child, relative, or individual under clauses (i) and (ii) if such child, relative, or individual is—

"(iv) a person with illness, incapacity, advanced age, or

"(v) so remote from any of the projects

under the work incentive programs established by part C that he cannot effectively participate under any of such programs, or

"(vi) a child attending school full time, or

"(vii) a person whose presence in the home on a substantially continuous basis is required because of the illness or incapacity of another member of the household, or

"(viii) a mother or other person who is actually caring for one or more children of pre-school age, or a mother or other relative who is actually caring for one or more children under the age of 16 who are attending school, except where participation in such work program does not necessitate the absence of such mother or relative from the home during hours when the child or children are not attending school, or

"(ix) a person with respect to whom the State agency finds, in accordance with criteria established by the Secretary, that participation under the work incentive programs established by part C would be not in the best interests of such child, relative, or individual and inconsistent with the objectives of such programs;

"(B) that aid under the plan will not be denied

by reason of such referral or by reason of an individual's participation on a project under the program established by section 432(b) (2) or (3);

"(C) for arrangements to assure that there will be made a non-Federal contribution to the work incentive programs established by part C by appropriate agencies of the State or private organizations of 10 per centum of the cost of such programs, as specified in section 435(b);

"(D) that (i) training incentives authorized under section 434, and income derived from a special work project under the program established by section 432(b)(3) shall be disregarded in determining the needs of an individual under section 402(a)(7), and (ii) in determining such individual's needs the additional expenses attributable to his participation in a program established by section 432(b) (2) or (3) shall be taken into account;

"(E) that, with respect to any individual referred pursuant to subparagraph (A) who is participating in a special work project under the program established by section 432(b)(3), (i) the State agency, after proper notification by the Secretary of Labor, will pay to such Secretary (at such times and in such manner as the Secretary of Health,

Education, and Welfare prescribes) the money payments such State would otherwise make to or on behalf of such individual (including such money payments with respect to such individual's family), or 80 per centum of such individual's earnings under such program, whichever is lesser and (ii) the State agency will supplement any earnings received by such individual by payments to such individual (which payments shall be considered aid under the plan) to the extent that such payments when added to the individual's earnings from his participation in such special work project will be equal to the amount of the aid that would have been payable by the State agency with respect to such individual's family had he not participated in such special work project, plus 20 per centum of such individual's earnings from such special work project; and

"(F) that if and for so long as any child, relative, or individual (referred to the Secretary of Labor pursuant to subparagraph (A) (i) and (ii)) has been found by the Secretary of Labor under section 433(g) to have refused without good cause to participate under a work incentive program established by part C with respect to which the Secre-

tary of Labor has determined his participation is consistent with the purposes of such part C, or to have refused without good cause to accept employment in which he is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined, after notification by him, to be a bona fide offer of employment—

"(i) if the relative makes such refusal, such relative's needs shall not be taken into account in making the determination under clause (7), and aid for any dependent child in the family shall be continued;

"(ii) aid with respect to a dependent child will be denied if a child who is the only child receiving aid in the family makes such refusal;

"(iii) if there is more than one child receiving aid in the family, aid for any such child will be denied (and his needs will not be taken into account in making the determination under clause (7)) if that child makes such refusal; and

"(iv) if such individual makes such refusal, such indivdual's needs shall not be taken

into account in making the determination under clause (7);

except that the State agency shall, for a period of sixty days, make payments of the type described in section 406(b)(2) (without regard to clauses (A) through (E) thereof) on behalf of the relative specified in clause (i), or continue aid in the case of a child specified in clause (ii) or (iii), or take the individual's needs into account in the case of an individual specified in clause (iv), but only if during such period such child, relative, or individual accepts counseling or other services (which the State agency shall make available to such child, relative, or individual) aimed at persuading such relative, child, or individual, as the case may be, to participate in such program in accordance with the determination of the Secretary of Labor".

(c)(1) The amendment made by subsection (b) shall in the case of any State be effective on July 1, 1968, or if a statute of such State prevents it from complying with the requirements of such amendment on such date, such amendment shall with respect to such State be effective on July 1, 1969; except such amendment shall be effective earlier (in the case of any State) if a modification of the State plan

to comply with such amendment is approved on an earlier date.

(2) The provisions of section 409 of the Social Security Act shall not apply to any State with respect to any quarter beginning after the first full quarter in which such State is not prohibited by a State statute from complying with such amendment.

(d) During the fiscal year ending June 30, 1969, the Secretary of Labor may, notwithstanding the provisions of section 433(e)(2)(A) of the Social Security Act, pay all of the wages to be paid by the employer to the individuals for work performed for public agencies (including Indian tribes with respect to Indians on a reservation) under special work projects established under the program established by section 432(b)(3) of such Act and may transfer into accounts established pursuant to section 433(e)(3) of such Act such amounts as he finds necessary in addition to amounts paid into such accounts pursuant to section 402(a)(19)(E) of such Act.

(e) Section 402(a)(8) of the Social Security Act (as amended by section 202(b) of this Act) is further amended by striking out "; and" at the end of subparagraph (A) and inserting in lieu thereof: "(except that the provisions of this clause (ii) shall not apply to earned income derived from

participation on a project maintained under the programs established by section 432(b) (2) and (3)); and".

FEDERAL PARTICIPATION IN PAYMENTS FOR FOSTER CARE OF CERTAIN DEPENDENT CHILDREN

SEC. 205. (a) Section 402 (a) of the Social Security Act (as amended by the preceding provisions of this Act) is amended by inserting before the period at the end thereof the following new clause: "; (199) ~~and (23)~~ *(20)* effective July 1, 1969, provide for aid to families with dependent children in the form of foster care in accordance with section 408".

(b) Section 403 (a) (1) (B) of such Act is amended by striking out "as exceeds" and all that follows and inserting in lieu thereof the following: "as exceeds (i) the product of $32 multiplied by the total number of recipients of aid to families with dependent children (other than such aid in the form of foster care) for such month, plus (ii) the product of (200) ~~$100~~ *$50* multiplied by the total number of recipients of aid to families with dependent children in the form of foster care for such month; and".

(c) Section 408 (a) of such Act is amended by inserting "(A)" after "and (4) who", and by inserting before the semicolon at the end thereof the following: ", or (B) (i) would have received such aid in or for such month if application had been made therefor, or (ii) in the case of a

child who had been living with a relative specified in section 406(a) within 6 months prior to the month in which such proceedings were initiated, would have received such aid in or for such month if in such month he had been living with (and removed from the home of) such a relative and application had been made therefor".

(d) Sections 135(e) and 155(b) of the Public Welfare Amendments of 1962 are each amended by striking out ", and ending with the close of June 30, 1968".

(e) The amendments made by subsections (b) and (c) shall apply only with respect to foster care provided after (201)~~September 1967~~ *December 1967*.

EMERGENCY ASSISTANCE FOR CERTAIN NEEDY FAMILIES WITH (202)~~DEPENDENT~~ CHILDREN

SEC. 206. (a) Section 403(a) of the Social Security Act (as amended by section 201(e) of this Act) is amended by striking out the period at the end of paragraph (203)~~(3)~~ *(4)* and inserting in lieu thereof "; and", and by inserting after paragraph (204)~~(3)~~ *(4)* the following new paragraph:

"(205)~~(4)~~ *(5)* in the case of any State, an amount equal to the sum of—

"(A) 50 per centum of the total amount expended under the State plan during such quarter as emergency assistance to needy families with chil-

dren in the form of payments or care specified in paragraph (1) of section 406(e), and

"(B) 75 per centum of the total amount expended under the State plan during such quarter as emergency assistance to needy families with children in the form of services specified in paragraph (2) of section 406(e)."

(b) Section 406 of such Act (as amended by section 201(f) of this Act) is amended by adding at the end thereof the following new subsection:

"(e) (206)*(1)* The term 'emergency assistance to needy families with children' means any of the following, furnished for a period not in excess of (207)~~30~~ *60* days in any 12-month period, in the case of a needy child under the age of 21 who is (or, within such period as may be specified by the Secretary, has been) living with any of the relatives specified in subsection (a)(1) in a place of residence maintained by one or more of such relatives as his or their own home, (208)~~but only where such child is without available resources and the payments, care, or services involved are necessary to avoid destitution of such child or to provide suitable living arrangements in a home for such child~~—*but only where such child is without available resources, the payments, care, or services involved are necessary to avoid destitution of such child or to provide living arrangements in a home for such*

child, and such destitution or need for living arrangements did not arise because such child or relative refused without good cause to accept employment or training for employment—

"(209) ~~(1)~~ *(A)* money payments, payments in kind, or such other payments as the State agency may specify with respect to, or medical care or any other type of remedial care recognized under State law on behalf of, such child or any other member of the household in which he is living, and

"(210) ~~(2)~~ *(B)* such services as may be specified by the Secretary;

but only with respect to a State whose State plan approved under section 402 includes provision for such (211) ~~assistance."~~ *assistance.*

(212) *"(2) Emergency assistance as authorized under paragraph (1) may be provided under the conditions specified in such paragraph to migrant workers with families in the State or in such part or parts thereof as the State shall designate."*

PROTECTIVE PAYMENTS AND VENDOR PAYMENTS WITH RESPECT TO DEPENDENT CHILDREN

SEC. 207. (a) (1) Section 406 (b) (2) of the Social Security Act is amended by striking out all that follows "(2)" and precedes "but only", and inserting in lieu thereof the following: "payments with respect to any dependent

child (including payments to meet the needs of the relative, and the relative's spouse, with whom such child is living, and the needs of any other individual living in the same home if such needs are taken into account in making the determination under section 402 (a) (7)) which do not meet the preceding requirements of this subsection, but which would meet such requirements except that such payments are made to another individual who (as determined in accordance with standards prescribed by the Secretary) is interested in or concerned with the welfare of such child or relative, or are made on behalf of such child or relative directly to a person furnishing food, living accommodations, or other goods, services, or items to or for such child, relative, or other individual,".

(2) Section 406 (b) (2) of such Act is further amended by striking out clause (B), and redesignating clauses (C) through (F) as clauses (B) through (E), respectively.

~~(213) (3) Section 406 (b) of such Act is further amended by adding at the end thereof (after and below clause (E) (as redesignated by paragraph (2) of this subsection)) the following: "except that payments made under this clause (2) shall be included in aid to families with dependent children without regard to clauses (A) through (E) in the case of a refusal described in section 402 (a) (20);".~~

~~(b) Section 403 (a) of such Act (as amended by the~~

preceding provisions of this Act) is amended by striking out the sentence immediately following paragraph (4).

(b) Section 403(a) of such Act (as amended by the preceding provisions of this Act) is amended by striking out "5" in the sentence immediately following paragraph (4) and inserting in lieu thereof "10".

(c) Section 202 (e) of the Public Welfare Amendments of 1962 is amended by striking out ", and ending with the close of June 30, 1968".

(214) LIMITATION ON NUMBER OF CHILDREN WITH RESPECT TO WHOM FEDERAL PAYMENTS MAY BE MADE

SEC. 208. (a) Section 403(a) of the Social Security Act is amended by striking out "shall pay" in the matter preceding paragraph (1) and inserting in lieu thereof the following: "shall (subject to subsection (d)) pay".

(b) Section 403 of such Act is further amended by adding at the end thereof the following new subsection:

"(d) Notwithstanding any other provision of this Act, the number of dependent children who have been deprived of parental support or care by reason of the continued absence from the home of a parent with respect to whom payments under this section may be made to a State for any calendar quarter after 1967 shall not exceed the number which bears the same ratio to the total population of such

~~State under the age of 21 on the first day of the year in which such quarter falls as the number of such dependent children with respect to whom payments under this section were made to such State for the calendar quarter beginning January 1, 1967, bore to the total population of such State under the age of 21 on that date.~~"

FEDERAL (215)*PARTICIPATION IN* PAYMENTS FOR REPAIRS TO HOME OWNED BY RECIPIENT OF AID OR ASSISTANCE

SEC. (216)~~209~~ *208*. (a) Title XI of the Social Security Act is amended by adding at the end thereof the following new section:

"FEDERAL PARTICIPATION IN PAYMENTS FOR REPAIRS TO HOME OWNED BY RECIPIENT OF AID OR ASSISTANCE

"SEC. 1119. In the case of an expenditure for repairing the home owned by an individual who is receiving aid or assistance, other than medical assistance to the aged, under a State plan approved under title I, X, XIV, or (217)~~XVI,~~ *XVI, or part A of title IV* if—

"(1) the State agency or local agency administering the plan approved under such title has made a finding (prior to making such expenditure) that (A) such home is so defective that continued occupancy is

unwarranted, (B) unless repairs are made to such home, rental quarters will be necessary for such individual, and (C) the cost of rental quarters to take care of the needs of such individual (including his spouse living with him in such home and any other (218)~~person~~ *individual* whose needs were taken into account in determining the need of such individual) would exceed (over such time as the Secretary may specify) the cost of repairs needed to make such home habitable together with other costs attributable to continued occupancy of such home, and

"(2) no such expenditures were made for repairing such home pursuant to any prior finding under this section,

the amount paid to any such State for any quarter under section 3(a), (219)*403(a)*, 1003(a), 1403(a), or 1603(a) shall be increased by 50 per centum of such expenditures, except that the excess above $500 expended with respect to any one home shall not be included in determining such expenditures."

(b) The amendment made by subsection (a) shall apply with respect to expenditures made after (220)~~September 30,~~ *December 31*, 1967.

(221) *USE OF SUBPROFESSIONAL STAFF AND VOLUNTEERS IN PROVIDING SERVICES TO INDIVIDUALS APPLYING FOR AND RECEIVING ASSISTANCE*

SEC. 209. (a)(1) Section 2(a)(5) of the Social Security Act is amended by—

(A) striking out "provide" and inserting in lieu thereof "provide (A)"; and

(B) adding at the end thereof before the semicolon the following: ", and (B) for the training and effective use of paid subprofessional staff, with particular emphasis on the full-time or part-time employment of recipients and other persons of low income, as community service aides, in the administration of the plan and for the use of nonpaid or partially paid volunteers in a social service volunteer program in providing services to applicants and recipients and in assisting any advisory committees established by the State agency".

(2) Section 402(a)(5) of such Act is amended by—

(A) striking out "provide" and inserting in lieu thereof "provide (A)"; and

(B) adding at the end thereof before the semicolon the following: ", and (B) for the training and effective use of paid subprofessional staff, with particular emphasis on the full-time or part-time employment of recipients and other persons of low income, as community services aides,

in the administration of the plan and for the use of nonpaid or partially paid volunteers in a social service volunteer program in providing services to applicants and recipients and in assisting any advisory committees established by the State agency".

(3) Section 1002(a)(5) of such Act is amended by—

(A) striking out "provide" and inserting in lieu thereof "provide (A)"; and

(B) adding at the end thereof before the semicolon the following: ", and (B) for the training and effective use of paid subprofessional staff, with particular emphasis on the full-time or part-time employment of recipients and other persons of low-income, as community service aides, in the administration of the plan and for the use of nonpaid or partially paid volunteers in a social service volunteer program in providing services to applicants and recipients and in assisting any advisory committees established by the State agency".

(4) Section 1402(a)(5) of such Act is amended by—

(A) striking out "provide" and inserting in lieu thereof "provide (A)"; and

(B) adding at the end thereof before the semicolon the following: ", and (B) for the training and effective use of paid subprofessional staff, with particular emphasis on the full-time or part-time employment of

recipients and other persons of low income, as community service aides, in the administration of the plan and for the use of nonpaid or partially paid volunteers in a social service volunteer program in providing services to applicants and recipients and in assisting any advisory committees established by the State agency".

(5) Section 1602(a)(5) of such Act is amended by—

(A) striking out "provide" and inserting in lieu thereof "provide (A)"; and

(B) adding at the end thereof before the semicolon the following: ", and (B) for the training and effective use of paid subprofessional staff, with particular emphasis on the full-time or part-time employment of recipients and other persons of low income, as community service aides, in the administration of the plan and for the use of nonpaid or partially paid volunteers in a social service volunteer program in providing services to applicants and recipients and in assisting any advisory committees established by the State agency".

(6) Section 1902(a)(4) of such Act is amended by—

(A) striking out "provide" and inserting in lieu thereof "provide (A)"; and

(B) adding at the end thereof before the semicolon the following: ", and (B) for the training and effective

use of paid subprofessional staff, with particular emphasis on the full-time or part-time employment of recipients and other persons of low income, as community service aides, in the administration of the plan and for the use of nonpaid or partially paid volunteers in a social service volunteer program in providing services to applicants and recipients and in assisting any advisory committees established by the State agency".

(b) Each of the amendments made by subsection (a) shall become effective July 1, 1969, or, if earlier (with respect to a State's plan approved under title I, X, XIV, XVI, or XIX, or part A of title IV) on the date as of which the modification of the State plan to comply with such amendment is approved.

(222) *SIMPLICITY OF ADMINISTRATION*

SEC. 210. Effective July 1, 1969—

(a) Section 2(a)(5) of the Social Security Act (as amended by section 210 of this Act) is amended by—

(1) striking out "necessary" and inserting in lieu thereof "necessary (i)"; and

(2) adding at the end before the comma the following: "and (ii) to assure that eligibility for and the extent of assistance under the plan will be determined in a manner consistent with simplicity of administration and the best interests of the recipients";

(b) Section 402(a)(5) of such Act (as amended by section 210 of this Act) is amended by—

(1) striking out "necessary" and inserting in lieu thereof "necessary (i)"; and

(2) adding at the end before the comma the following: "and (ii) to assure that eligibility for and the extent of aid under the plan will be determined in a manner consistent with simplicity of administration and the best interests of the recipients";

(c) Section 1002(a)(5) of such Act (as amended by section 210 of this Act) is amended by—

(1) striking out "necessary" and inserting in lieu thereof "necessary (i)"; and

(2) adding at the end before the comma the following: "and (ii) to assure that eligibility for and the extent of aid under the plan will be determined in a manner consistent with simplicity of administration and the best interests of the recipients";

(d) Section 1402(a)(5) of such Act (as amended by section 210 of this Act) is amended by—

(1) striking out "necessary" and inserting in lieu thereof "necessary (i)"; and

(2) adding at the end before the comma the following: "and (ii) to assure that eligibility for and the extent of aid under the plan will be determined in a

manner consistent with simplicity of administration and the best interests of the recipients"; and

(e) Section 1602(a)(5) of such Act (as amended by section 210 of this Act) is amended by—

(1) striking out "necessary" and inserting in lieu thereof "necessary (i)"; and

(2) adding at the end before the comma the following: "and (ii) to assure that eligibility for and the extent of aid or assistance under the plan will be determined in a manner consistent with simplicity of administration and the best interests of the recipients".

(223) *LOCATION OF CERTAIN PARENTS WHO DESERT OR ABANDON DEPENDENT CHILDREN; ESTABLISHMENT AND COLLECTION OF LIABILITY TO UNITED STATES*

SEC. 211. (a) Effective January 1, 1969, section 402 (a) of the Social Security Act (as amended by the preceding sections of this Act) is further amended by inserting before the period at the end thereof the following new clauses: "; (21) provide that the State agency will report to the Secretary, at such times (not less often than once each calendar quarter) and in such manner as the Secretary may prescribe—

"(A) the name, and social security account number, if known, of each parent of a dependent child or children with respect to whom aid is being provided under the State plan—

"(i) against whom an order for the support and maintenance of such child or children has been issued by a court of competent jurisdiction but who is not making payments in compliance or partial compliance with such order, or against whom a petition for such an order has been filed in a court having jurisdiction to receive such petition, and

"(ii) whom it has been unable to locate after requesting and utilizing information included in the files of the Department of Health, Education, and Welfare maintained pursuant to section 205,

"(B) the last known address of such parent and any information it has with respect to the date on which such parent could last be located at such address, and

"(C) such other information as the Secretary may specify to assist in carrying out the provisions of section 410;

(22) provide that the State agency will, in accordance with standards prescribed by the Secretary, cooperate with the State agency administering or supervising the administration of the plan of another State under this part—

"(A) in locating a parent residing in such State (whether or not permanently) against whom a petition has been filed in a court of competent jurisdiction of such other State for the support and maintenance of a

child or children of such parent with respect to whom aid is being provided under the plan of such other State, and

"(B) in securing compliance or good faith partial compliance by a parent residing in such State (whether or not permanently) with an order issued by a court of competent jurisdiction against such parent for the support and maintenance of a child or children of such parent with respect to whom aid is being provided under the plan of such other State;

(23) provide that the State agency will report to the Secretary—

"(A) the name, the social security account number, if known, and the address (or last known address) of any parent (i) against whom an order has been issued by a court of competent jurisdiction for the support and maintenance of a child or children of such parent with respect to whom aid is being provided under the State plan, (ii) who is not making payments in compliance or good faith partial compliance with such order, and (iii) who is residing in another State (whether or not permanently),

"(B) the amount of aid with respect to the dependent child or children of such parent which has been

provided under the State plan after March 31, 1968, or after the date of such court order, whichever is later,

"(C) the amount of the payments for the support and maintenance of such child or children specified in such court order,

"(D) all information which it has been able to obtain concerning the ability of such parent to make payments in compliance with such order, and

"(E) such other information as the Secretary may from time to time specify to assist in carrying out the provisions of section 411".

(b) Title IV of such Act is amended by adding after section 409 the following new sections:

"ASSISTANCE BY INTERNAL REVENUE SERVICE IN LOCATING PARENTS

"SEC. 410. Upon receiving a report from a State agency made pursuant to section 402(a)(21), the Secretary shall furnish to the Secretary of the Treasury or his delegate the names and social security account numbers of the parents contained in such report, and the name of the State agency which submitted such report. The Secretary of the Treasury or his delegate shall endeavor to ascertain the address of each such parent from the master files of the Internal Revenue Service, and shall furnish any address so ascertained to the State agency which submitted such report.

"ESTABLISHMENT AND COLLECTION OF LIABILITY TO THE UNITED STATES

"SEC. 411. (a) If a State agency reports to the Secretary pursuant to section 402(a)(23) that a parent residing in another State is not making payments in compliance or good faith partial compliance with a court order for the support and maintenance of a child or children with respect to whom aid is being provided under the State plan, the Secretary shall determine, on the basis of the information reported by such State agency and such other information as the Secretary may obtain, whether such parent is able to make payments in compliance with such order or to make payments in partial compliance in amounts larger than he is making (taking into consideration the income of such parent, his current obligations, and such other factors as the Secretary considers proper).

"(b)(1) If the Secretary determines with respect to a parent under subsection (a) that such parent is able to make payments in compliance with the court order issued against him, or to make payments in partial compliance in amounts larger than he is making, such parent shall become liable to the United States, as provided in subsection (c)(3), for an amount not in excess of the lower of—

"(A) the Federal share of the amounts expended

as aid with respect to the child or children of such parent as computed (or recomputed) by the Secretary under paragraph (2), or

"(B) the amount of payments required in compliance with the court order issued against such parent for the period with respect to which the computation under paragraph (2) is made (not including any portion of such period during which such parent made payments in compliance or good faith partial compliance with such court order), reduced by the amount of payments made in partial compliance with such order by such parent for such period (not including any such portion of such period).

"(2) The Federal share referred to in paragraph (1) (A) with respect to any parent shall be an amount computed by the Secretary equal to the Federal share (as determined by the Secretary in accordance with standards prescribed by him) of the amounts expended as aid to families with dependent children with respect to the child or children of such parent during the period beginning on April 1, 1968, on the date of such court order, or on the first day after the close of any period for which a prior computation was made under this paragraph with respect to such parent, whichever is later, and ending with the close of the calendar quarter preceding the day on which such computation is made (not including

any portion of such period during which such parent made payments in compliance or good faith partial compliance with such court order). If at any time after the close of such period such parent makes any payments attributable to such period, the Secretary shall recompute the amount under this paragraph.

"(c) (1) The Secretary shall from time to time (but not more often than quarterly) determine with respect to each parent with respect to whom he had made a determination under subsection (b) (1), on the basis of information furnished by the State agency which submitted the report under subsection (a) with respect to such parent and such other information as he may obtain, the portion of the applicable amount described in subsection (b) (1) (A) or (B) with respect to such parent which, in his judgment, such parent is able to pay (taking into consideration the income of such parent, his current obligations, and such other factors as the Secretary considers proper). The Secretary shall certify the amount so determined to the Secretary of the Treasury or his delegate, together with the social security account number, if known, of such parent, the address (or last known address) of such parent, and such other information as the Secretary of the Treasury or his delegate considers necessary to assist him in collecting such amount.

"(2) The Secretary shall not make a certification under paragraph (1) with respect to any parent—

"(A) who is making payments in compliance or good faith partial compliance with the court order issued against him, or

"(B) after the obligation of such parent to make payments under such court order terminates.

"(3) Upon certification by the Secretary with respect to a parent under paragraph (1), such parent shall become liable to the United States for the amount certified.

"(d) Upon receiving a certification from the Secretary under subsection (c) with respect to any parent, the Secretary of the Treasury or his delegate shall assess and collect the amount certified by the Secretary, in the same manner, with the same powers, and subject to the same limitations and restrictions as if such amount were a tax imposed by subtitle C of the Internal Revenue Code of 1954 (except that no interest or penalties shall be assessed or collected).

"(e)(1) There are hereby authorized to be appropriated such sums as may be necessary to carry out the purposes of this section and section 410.

"(2) The Secretary shall transfer to the Secretary of

the Treasury from time to time sufficient amounts out of the monies appropriated pursuant to paragraph (1) to enable him to perform his functions and duties under this section and section 410."

(c)(1) Subchapter A of chapter 64 of the Internal Revenue Code of 1954 (relating to collection of taxes) is amended by adding at the end thereof the following new section:

"SEC. 6305. COLLECTION OF CERTAIN LIABILITY TO THE UNITED STATES.

"Upon receiving a certification from the Secretary of Health, Education, and Welfare under section 411(c) of the Social Security Act with respect to any parent, the Secretary or his delegate shall assess and collect the amount certified by the Secretary of Health, Education, and Welfare, in the same manner, with the same powers, and subject to the same limitations and restrictions as if such amount were a tax imposed by subtitle C (except that no interest or penalties shall be assessed or collected)."

(2) The table of sections for such subchapter is amended by adding at the end thereof the following new item:

"Sec. 6305. Collection of certain liability to the United States."

(224) *PROVISION OF SERVICES BY OTHERS THAN A STATE*

PROVISION OF SERVICES BY OTHERS THAN A STATE

SEC. 212. (a) So much of section (3)(a)(4) of the Social Security Act as follows subparagraph (C) and precedes subparagraph (D) is amended by inserting after "shall" the following: ", except to the extent specified by the Secretary,".

(b) So much of section 1003(a)(3) of such Act as follows subparagraph (C) and precedes subparagraph (D) is amended by inserting after "shall" the following: ", except to the extent specified by the Secretary,".

(c) So much of section 1403(a)(3) of such Act as follows subparagraph (C) and precedes subparagraph (D) is amended by inserting after "shall" the following: ", except to the extent specified by the Secretary,".

(d) So much of section 1603(a)(4) of such Act as follows subparagraph (C) and precedes subparagraph (D) is amended by inserting after "shall" the following: ", except to the extent specified by the Secretary,".

(e) The amendments made by the preceding subsections of this section shall take effect January 1, 1968.

(225) *INCREASING INCOME OF RECIPIENTS OF PUBLIC ASSISTANCE*

SEC. 213. (a)(1) Section (2)(a)(10) of the Social Security Act is amended by adding at the end thereof the following subparagraph:

"(D) effective July 1, 1968, provide that the standards used for determining the need of applicants and recipients for and the extent of assistance under the plan, and any maximum on the amount of assistance, will be so modified that an increase in the amount of assistance and other income will be no less than $7.50 per month per individual (determined on an average per individual in accordance with standards prescribed by the Secretary) above such amount of assistance and other income available under the standards and maximum applicable under the plan on December 31, 1966 (as of June 30, 1966, if the State plan includes provisions for automatic cost-of-living adjustments in aid or assistance under such plan); and".

(2) Section 1002(a) of such Act is amended by—

(A) striking out "and" at the end of clause (12); and

(B) adding at the end before the period the following: "; and (14) effective July 1, 1968, provide that the standards used for determining the need of applicants and recipients for and the extent of aid under the plan, and any maximum on the amount of aid, will be so modified that an increase in the amount of aid and other income will be no less than $7.50 per month per individ-

ual (determined on an average per individual in accordance with standards prescribed by the Secretary) above such amount of aid and other income available under the standards and maximum applicable under the plan on December 31, 1966 (as of June 30, 1966, if the State plan includes provisions for automatic cost-of-living adjustments in aid or assistance under such plan)".

(3) Section 1402(a) of such Act is amended by—

(A) striking out "and" at the end of clause (11); and

(B) adding at the end before the period the following: "; and (13) effective July 1, 1968, provide that the standards used for determining the need of applicants and recipients for and the extent of aid under the plan, and any maximum on the amount of aid, will be so modified that an increase in the amount of aid and other income will be no less than $7.50 per month per individual (determined on an average per individual in accordance with standards prescribed by the Secretary) above such amount of aid and other income available under the standards and maximum applicable under the plan on December 31, 1966 (as of June 30, 1966, if the State plan includes provisions for automatic cost-of-living adjustments in aid or assistance under such plan)".

(4) Section 1602(a)(14) of such Act is amended by—

(A) striking out "and" at the end of subparagraph (C);

(B) inserting "and" at the end of subparagraph (D); and

(C) adding at the end the following new subparagraph:

"(E) effective July 1, 1968, provide that the standards used for determining the need of applicants and recipients for and the extent of aid under the plan, and any maximum on the amount of aid, will be so modified that an increase in the amount of aid and other income will be no less than $7.50 per month per individual (determined on an average per individual in accordance with standards prescribed by the Secretary) above such amount of aid and other income available under the standards and maximum applicable under the plan on December 31, 1966 (as of June 30, 1966, if the State plan includes provisions for automatic cost-of-living adjustments in aid or assistance under such plan)".

(5) Section 402(a) of such Act is amended by striking out "and" at the end of clause (22); and adding at the end before the period the following: "; and (24) provide that by July 1, 1969, and at least annually thereafter, the amounts used by the State to determine the needs of individuals will

be adjusted to reflect fully changes in living costs since such amounts were established, and that any maximums that the State imposes on the amount of aid paid to families will be proportionately adjusted".

(b)(1) The Secretary of Health, Education, and Welfare shall, in the case of any State, determine the expenditures made during the period beginning July 1, 1968, and ending with the close of June 30, 1970, under the plans of such State approved under title I, X, XIV, or XVI which are necessitated by compliance with the new requirements under such title imposed by this section.

(2) The Secretary is authorized to pay to any State the expenditures determined pursuant to paragraph (1).

PART 2—MEDICAL ASSISTANCE AMENDMENTS

(226) ~~LIMITATION ON FEDERAL PARTICIPATION IN MEDICAL ASSISTANCE~~

~~SEC. 220. (a) Section 1903 of the Social Security Act is amended by adding at the end thereof the following new subsection:~~

~~"(f) (1) (A) Payment under the preceding provisions of this section shall not be made with respect to any amount expended as medical assistance in a calendar quarter, in any State, for any member of a family the annual income of which exceeds the applicable income limitation determined under this paragraph.~~

"(B) (i) Except as provided in subparagraph (C) and in clause (ii) of this subparagraph, the applicable income limitation with respect to any family is the amount determined, in accordance with standards prescribed by the Secretary, to be equivalent to 133⅓ percent of the highest amount which would ordinarily be paid to a family of the same size without any income or resources, in the form of money payments, under the plan of the State approved under section 402 of this Act.

"(ii) If the Secretary finds that the operation of a uniform maximum limits payments to families of more than one size, he may adjust the amount otherwise determined under clause (i) to take account of families of different sizes.

"(C) If 133⅓ percent of the average per capita income of the State is lower, by any percentage, than the amount that would be determined under subparagraph (B) in the case of a family consisting of four individuals—

"(i) the applicable income limitation for such a family shall be 133⅓ percent of such average per capita income, and

"(ii) the applicable income limitation as otherwise determined under subparagraph (B) for a family of any other size shall be reduced by the same percentage.

"(D) The total amount of any applicable income limitation determined under subparagraph (B) or (C) shall, if it

is not a multiple of $100 or such other amount as the Secretary may prescribe, be rounded by the next higher multiple of $100 or such other amount, as the case may be.

"(2) In computing a family's income for purposes of paragraph (1), there shall be excluded any costs (whether in the form of insurance premiums or otherwise) incurred by such family for medical care or for any other type of remedial care recognized under State law.

"(3) For purposes of paragraph (1)(B), in the case of a family consisting of only one individual, the 'highest amount which would ordinarily be paid' to such family under the State's plan approved under section 402 of this Act shall be the amount determined by the State agency (on the basis of reasonable relationship to the amounts payable under such plan to families consisting of two or more persons) to be the amount of the aid which would ordinarily be payable under such plan to a family (without any income or resources) consisting of one person if such plan (without regard to section 408) provided for aid to such a family.

"(4) For purposes of paragraph (1)(C), the per capita income of each State shall be promulgated by the Secretary between July 1 and August 31 of each year, on the basis of the most recent calendar year for which satisfactory data are available from the Department of Commerce. Such promulgation shall be conclusive for each of the four quarters

in the calendar year next succeeding such promulgation: *Provided*, That the Secretary shall make the promulgation which is effective for quarters in the calendar year 1968 as soon as possible after the enactment of the Social Security Amendments of 1967."

(b) (1) In the case of any State whose plan under title XIX of the Social Security Act is approved by the Secretary of Health, Education, and Welfare under section 1902 after July 25, 1967, the amendment made by subsection (a) shall apply with respect to calendar quarters beginning after the date of enactment of this Act.

(2) In the case of any State whose plan under title XIX of the Social Security Act was approved by the Secretary of Health, Education, and Welfare under section 1902 of the Social Security Act prior to July 26, 1967, the amendments made by subsection (a) shall apply with respect to calendar quarters beginning after June 30, 1968, except that—

(A) with respect to the third and fourth calendar quarters of 1968, such subsection shall be applied by substituting in subsection (f) of section 1903 of the Social Security Act 150 percent for 133⅓ percent each time such latter figure appears in such subsection (f), and

(B) with respect to all calendar quarters during

~~1969, such subsection shall be applied by substituting in subsection (f) of section 1903 of such Act 140 percent for 133⅓ percent each time such latter figure appears in such subsection (f).~~

LIMITATION ON FEDERAL PARTICIPATION IN MEDICAL ASSISTANCE

SEC. 220. (a) Section 1903(a)(1) of the Social Security Act is amended by—

(1) inserting "(A)" immediately after "(1)",

(2) inserting after "under the State plan" the following: "for individuals who (i) are recipients of money payments under one of the approved State plans hereinafter referred to in this subparagraph, (ii) are not eligible to receive money payments under one of the approved State plans hereinafter referred to in this subparagraph, but would be eligible for such payments if they met the duration of residence requirements imposed as a condition of eligibility for such payments, (iii) are children under age 21 who are not but would be (except for age and school attendance requirements) eligible for aid under the State plan of such State approved under part A of title IV, or (iv) are in medical institutions and are not, but would be (if they were not in such institutions), eligible to receive money payments under one

of the State plans hereinafter referred to in this subparagraph", and

(3) inserting after and below the end thereof the following new subparagraph:

"(B) an amount equal to the square of the fraction which is equivalent to the Federal medical assistance percentage (as defined in section 1905 (b)) of the total amount expended during such quarter as medical assistance under the State plan for individuals who are not described in clause (i), (ii), (iii), or (iv) of subparagraph (A); plus".

(b) Section 1903 of such Act is amended by adding at the end thereof the following new subsection:

"(f)(1) Payments under the preceding provisions of this section shall not be made with respect to any expenditures for medical assistance in any State for individuals whose income exceeds the amount determined, in accordance with standards prescribed by the Secretary, to be equivalent to 150 percent of the amount, applicable in the State for determining need, for determining eligibility of an individual for aid or assistance in the form of money payments under the plan of such State approved under title I or XVI (as the case may be), or if there is more than one such individual living in the same home, the amount so determined for one

such individual plus such additional amounts for each of the other individuals living in the same home, as may be determined in accordance with such standards prescribed by the Secretary and the total so determined, if it is not a multiple of $100 or such other amount as the Secretry may prescribe, may be rounded by the next multiple of $100 or such other amount, as the case may be.

"(2) In computing an individual's (or family's) income for purposes of the preceding paragraph there shall be excluded any costs (whether in the form of insurance premiums or otherwise) incurred by him (or the family) for medical care or for any other type of remedial care recognized under State law."

(c) The amendment made by subsection (b) shall (except in the cases of Puerto Rico, Guam, and the Virgin Islands) apply with respect to calendar quarters beginning after June 30, 1968, and the amendment made by subsection (a) shall (except in the cases of Puerto Rico, Guam, and the Virgin Islands) apply with respect to calendar quarters beginning after June 30, 1969.

MAINTENANCE OF STATE EFFORT

SEC. 221. (a) Section 1117 (a) of the Social Security Act is amended by adding at the end thereof the following new sentence: "For any fiscal year ending on or after June 30, 1967, and before July 1, (227)~~1969,~~ *1968*, in lieu

of the substitution provided by paragraph (3) or (4), at the option of the State (i) paragraphs (1) and (2) of this subsection shall be applied on a fiscal year basis (rather than on a quarterly basis), and (ii) the base period fiscal year shall be either the fiscal year ending June 30, 1965, or the fiscal year ending June 30, 1964 (whichever is chosen by the State).

(b) Section 1117 of such Act is further amended by adding at the end thereof the following new subsection:

"(d) (1) In the case of the quarters in any fiscal year ending before July 1, ~~(228)1969,~~ *1968*, the reduction (if any) under this section shall, at the option of the State, be determined under paragraph (2), (3), or (4) of this subsection instead of under the preceding provisions of this section.

"(2) If the reduction determination is made under this paragraph for a State, then—

"(A) subsection (a) shall be applied by taking into account only money payments under plans of the State approved under titles I, X, XIV, and XVI, and part A of title IV,

"(B) subsection (b) shall be applied by eliminating each reference to title XIX, and

"(C) subsection (c) shall be applied by eliminating the reference to section 1903, and by substituting

a reference to this paragraph for the reference to subsections (a) and (b).

"(3) If the reduction determination is made under this paragraph for a State, then—

"(A) subsection (a) shall be applied by taking into account payments under section 523 and section 422,

"(B) subsection (b) shall be applied by adding a reference to section 523 and section 422 after each reference to title XIX, and

"(C) subsection (c) shall be applied by adding a reference to section 523 and section 422 after the reference to section 1903, and by substituting a reference to this paragraph for the reference to subsections (a) and (b).

"(4) If the reduction determination is made under this paragraph for a State, then—

"(A) subsection (a) shall be applied by taking into account only (i) money payments under plans of the State approved under titles I, X, XIV, and XVI, and part A of title IV, and (ii) payments under section 523 and section 422,

"(B) subsection (b) shall be applied by eliminating each reference to title XIX and substituting a reference to section 523 and section 422, and

"(C) subsection (c) shall be applied by eliminating the reference to section 1903 and substituting a reference to section 523 and section 422, and by substituting a reference to this paragraph for the reference to subsections (a) and (b)."

(229) *(c) Section 1117(a) of such Act is further amended by striking out "December 31, 1965" and inserting in lieu thereof "June 30, 1966".*

(230) *(d) Effective July 1, 1968, section 1117 of the Social Security Act is repealed.*

COORDINATION OF TITLE XIX AND THE SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

SEC. 222. (a) Section 1843 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(h) (1) The Secretary shall, at the request of a State made before January 1, 1970, enter into a modification of an agreement entered into with such State pursuant to subsection (a) under which the coverage group described in subsection (b) and specified in such agreement is broadened to include individuals who are eligible to receive medical assistance under the plan of such State approved under title XIX.

"(2) For purposes of this section, an individual shall

be treated as eligible to receive medical assistance under the plan of the State approved under title XIX if, for the month in which the modification is entered into under this subsection or for any month thereafter, he has been determined to be eligible to receive medical assistance under such plan. In the case of any individual who would (but for this subsection) be excluded from the agreement, subsections (c) and (d) (2) shall be applied as if they referred to the modification under this subsection (in lieu of the agreement under subsection (a)), and subsection (d) (2) (C) shall be applied by substituting 'second month following the first month' for 'first month'."

(b) (1) Section 1843 (d) (3) (A) of such Act is amended by striking out "ineligible for money payments of a kind specified in the agreement" and inserting in lieu thereof the following: "ineligible both for money payments of a kind specified in the agreement and (if there is in effect a modification entered into under subsection (h)) for medical assistance".

(2) Section 1843 (f) of such Act is amended—

(A) by inserting after "or XVI" the following: "or eligible to receive medical assistance under the plan of such State approved under title XIX"; and

(B) by inserting after "and XVI" the following:

"and individuals eligible to receive medical assistance under the plan of the State approved under title XIX".

(231) *(3) Section 1843(g)(1) of such Act is amended by striking out "1968" and inserting in lieu thereof "1970".*

(232) ~~(3)~~ *(4)* The heading of section 1843 of such Act is amended by adding at the end thereof the following: "(OR ARE ELIGIBLE FOR MEDICAL ASSISTANCE)".

(c) Section 1903 (b) of such Act is amended by inserting "(1)" after "(b)", and by adding at the end thereof the following new paragraph:

"(2) Notwithstanding the preceding provisions of this section, the amount determined under subsection (a) (1) for any State for any quarter beginning after December 31, 1967, shall not take into account any amounts expended as medical assistance with respect to individuals aged 65 or over which would not have been so expended if the individuals involved had been enrolled in the insurance program established by part B of title XVIII."

(d) Effective with respect to calendar quarters beginning after December 31, 1967, section 1903 (a) (1) of such Act is amended by striking out "and other insurance premiums" and inserting in lieu thereof "and, except in the case of individuals sixty-five years of age or older who are not

enrolled under part B of title XVIII, other insurance premiums".

(e) (1) Section 1843 (a) of such Act is amended by striking out "1968" and inserting in lieu thereof **"1970".**

(2) Section 1843 (c) of such Act is amended—

(A) by striking out "and before **January 1, 1968**"; and

(B) by striking out "thereafter before January 1968"; and inserting in lieu thereof "thereafter".

(3) Section 1843 (d) (2) (D) of such Act is amended by striking out "(not later than January 1, 1968)".

MODIFICATION OF COMPARABILITY PROVISIONS

SEC. 223. (a) Section 1902 (a) (10) of the Social Security Act is amended—

(1) by inserting "(I)" after "except that" in the matter following subparagraph (B), and

(2) by inserting before the semicolon at the end the following: ", and (II) the making available of supplementary medical insurance benefits under part B of title XVIII to individuals eligible therefor (either pursuant to an agreement entered into under section 1843 or by reason of the payment of premiums under such

title by the State agency on behalf of such individuals), or provision for meeting part or all of the cost of the deductibles, cost sharing, or similar charges under part B of title XVIII for individuals eligible for benefits under such part, shall not, by reason of this paragraph (10), require the making available of any such benefits, or the making available of services of the same amount, duration, and scope, to any other individuals".

(b) The amendments made by subsection (a) shall apply with respect to calendar quarters beginning after June 30, 1967.

~~(233) REQUIRED SERVICES UNDER STATE MEDICAL ASSISTANCE PLAN~~

~~SEC. 224. Section 1902(a)(13) of the Social Security Act is amended by striking out "provide (A) for inclusion of at least the care and services listed in clauses (1) through (5) of section 1905(a), and (B)" and inserting in lieu thereof the following: "provide (A) for inclusion of at least—~~

~~"(i) the care and services listed in clauses (1) through (5) of section 1905(a), or~~

~~"(ii) the care and services listed in any seven~~

~~of the clauses numbered (1) through (14) of such section,~~

~~and (B)".~~

REQUIRED SERVICES UNDER STATE MEDICAL ASSISTANCE PLAN

SEC. 224. (a) Section 1902(a)(13) of the Social Security Act is amended to read as follows:

"(13) provide—

"(A) for inclusion of some institutional and some noninstitutional care and services, and

"(B) in the case of individuals receiving aid or assistance under the State's plan approved under title I, X, XIV, or XVI, or part A of title IV, for the inclusion of at least the care and services listed in clauses (1) through (5) of section 1905(a), and

"(C) in the case of individuals not included under subparagraph (B), for the inclusion of at least—

(i) the care and services listed in clauses (1) through (5) of section 1905(a) or

(ii)(I) the care and services listed in any 7 of the clauses numbered (1) through (14) of such section and (II) in the event the care and services provided under the State plan include hospital or skilled nursing home services,

physicians' services to an individual in a hospital or skilled nursing home during any period he is receiving hospital services from such hospital or skilled nursing home services from such home, and

"(D) for payment of the reasonable cost (under section 1861(v)(1)) of inpatient hospital services, and, effective July 1, 1970, extended care (skilled nursing home and intermediate care facility) services, and home health care services provided under the plan;".

(b) The amendment made by subsection (a) shall apply with respect to calendar quarters beginning after December 31, 1967.

(c)(1) Section 1902(a)(13)(A) of the Social Security Act (as amended by subsection (a) of this section) is further amended to read as follows:

"(A)(i) for the inclusion of some institutional and some non-institutional care and services, and

"(ii) for the inclusion of home health services for any individual who, under the State plan, is entitled to skilled nursing home services, and".

(2) The amendment made by paragraph (1) of this subsection shall apply with respect to calendar quarters beginning after June 30, 1970.

EXTENT OF FEDERAL FINANCIAL PARTICIPATION IN CERTAIN ADMINISTRATIVE EXPENSES

SEC. 225. (a) Section 1903 (a) (2) of the Social Security Act is amended by striking out "of the State agency (or of the local agency administering the State plan in the political subdivision)" and inserting in lieu thereof "of the State agency or any other public agency".

(b) The amendment made by subsection (a) shall apply with respect to expenditures made after December 31, 1967.

ADVISORY COUNCIL ON MEDICAL ASSISTANCE

SEC. 226. Title XIX of the Social Security Act is amended by adding at the end thereof the following new section:

"ADVISORY COUNCIL ON MEDICAL ASSISTANCE

"SEC. 1906. For the purpose of advising the Secretary on matters of general policy in the administration of this title (including the relationship of this title and title XVIII) and making recommendations for improvements in such administration, there is hereby created a Medical Assistance Advisory Council which shall consist of twenty-one persons, not otherwise in the employ of the United States, appointed by the Secretary without regard to the provisions of title 5, United States Code, governing appointments in the competitive service. The Secretary shall from time to time appoint

one of the members to serve as Chairman. The members shall include representatives of State and local agencies and non-governmental organizations and groups concerned with health, and of consumers of health services, and a majority of the membership of the Advisory Council shall consist of representatives of consumers of health services. Each member shall hold office for a term of four years, except that any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term, and except that the terms of office of the members first taking office shall expire, as designated by the Secretary at the time of appointment, five at the end of the first year, five at the end of the second year, five at the end of the third year, and six at the end of the fourth year after the date of appointment. A member shall not be eligible to serve continuously for more than two terms. The Secretary may, at the request of the Council or otherwise, appoint such special advisory professional or technical committees as may be useful in carrying out this title. Members of the Advisory Council and members of any such advisory or technical committee, while attending meetings or conferences thereof or otherwise serving on business of the Advisory Council or of such committee, shall be entitled to receive compensation at rates fixed by the Secretary, but not exceeding $100 per day, including

travel time, and while so serving away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently. The Advisory Council shall meet as frequently as the Secretary deems necessary. Upon request of five or more members, it shall be the duty of the Secretary to call a meeting of the Advisory Council."

FREE CHOICE BY INDIVIDUALS ELIGIBLE FOR MEDICAL ASSISTANCE

SEC. 227. (a) Section 1902 (a) of the Social Security Act is amended—

(1) by striking out "and" at the end of paragraph (21);

(2) by striking out the period at the end of paragraph (22) and inserting in lieu thereof "; and "; and

(3) by adding after paragraph (22) the following new paragraph:

"(23) provide that any individual eligible for medical assistance (234)*(including drugs)* may obtain such assistance from any institution, agency, (235)*community pharmacy*, or person, qualified to perform the service or services required (including an organization which provides such services, or arranges for their availability,

on a prepayment basis), who undertakes to provide him such services."

(b) The amendments made by this section shall apply with respect to calendar quarters beginning after June 30, 1969; except that such amendments shall apply in the case of Puerto Rico, the Virgin Islands, and Guam only with respect to calendar quarters beginning after June 30, 1972.

UTILIZATION OF STATE FACILITIES TO PROVIDE CONSULTATIVE SERVICES TO INSTITUTIONS FURNISHING MEDICAL CARE

SEC. 228. (a) Section 1902(a) of the Social Security Act (as amended by section 227 of this Act) is amended—

(1) by striking out "and" at the end of paragraph (22);

(2) by striking out the period at the end of paragraph (23) and inserting in lieu thereof "; and"; and

(3) by inserting after paragraph (23) the following new paragraph:

"(24) effective July 1, 1969, provide for consultative services by health agencies and other appropriate agencies of the State to hospitals, nursing homes, home health agencies, clinics, laboratories, and such other institutions as the Secretary may specify in order to assist them (A) to qualify for payments under this Act, (B) to establish and maintain such fiscal records as may

be necessary for the proper and efficient administration of this Act, and (C) to provide information needed to determine payments due under this Act on account of care and services furnished to individuals."

(b) Effective July 1, 1969, the last sentence of section 1864 (a) of such Act is repealed.

PAYMENTS FOR SERVICES AND CARE BY A THIRD PARTY

SEC. 229. (a) Section 1902 (a) of the Social Security Act (as amended by section 228 of this Act) is amended—

(1) by striking out "and" at the end of paragraph (23);

(2) by striking out the period at the end of paragraph (24) and inserting in lieu thereof "; and"; and

(3) by inserting after paragraph (24) the following new paragraph:

"(25) provide (A) that the State or local agency administering such plan will take all reasonable measures to ascertain the legal liability of third parties to pay for care and services (available under the plan) arising out of injury, disease, or disability, (B) that where the State or local agency knows that a third party has such a legal liability such agency will treat such legal liability as a resource of the individual on whose behalf the care and services are made available for purposes of paragraph (17) (B), and (C) that in any case where such

a legal liability is found to exist after medical assistance has been made available on behalf of the individual, the State or local agency will seek reimbursement for such assistance to the extent of such legal liability."

(b) The amendment made by subsection (a) shall apply with respect to legal liabilities of third parties arising after March 31, 1968.

(c) Section 1903 (d) (2) of such Act is amended by adding at the end thereof the following new sentence: "Expenditures for which payments were made to the State under subsection (a) shall be treated as an overpayment to the extent that the State or local agency administering such plan has been reimbursed for such expenditures by a third party pursuant to the provisions of its plan in compliance with section 1902 (a) (25)."

DIRECT PAYMENTS TO CERTAIN RECIPIENTS OF MEDICAL ASSISTANCE

SEC. 230. Section 1905 (a) of the Social Security Act is amended by inserting after "for individuals" in the matter preceding clause (i) the following: ", and, with respect to physicians' ~~(236)services, at the option of the State, to individuals not receiving aid or assistance under the State's plan approved under title I, X, XIV, or XVI, or part (A) of title IV.".~~ *or dentists' services, at the option of the State (and under such safeguards as the Secretary may prescribe*

to assure the quality thereof and the reasonableness of any charge therefor), to individuals,".

DATE ON WHICH STATE PLANS UNDER TITLE XIX MUST MEET CERTAIN FINANCIAL PARTICIPATION REQUIREMENTS

SEC. 231. Section 1902 (a) (2) of the Social Security Act is amended by striking out "July 1, 1970" and inserting in lieu thereof "July 1, 1969".

(237) *OBSERVANCE OF RELIGIOUS BELIEFS*

SEC. 232. Title XIX of the Social Security Act (as amended by section 226 of this Act) is further amended by adding at the end thereof the following new section:

"OBSERVANCE OF RELIGIOUS BELIEFS

"SEC. 1907. Nothing in this title shall be construed to require any State which has a plan approved under this title to compel any person to undergo any medical screening, examination, diagnosis, or treatment or to accept any other health care or services provided under such plan for any purpose (other than for the purpose of discovering and preventing the spread of infection or contagious disease or for the purpose of protecting environmental health), if such person objects (or, in case such person is a child, his parent or guardian objects) thereto on religious grounds."

(238) *COVERAGE UNDER TITLE XIX OF CERTAIN SPOUSES OF INDIVIDUALS RECEIVING CASH WELFARE AID OR ASSISTANCE*

SEC. 233. (a) Section 1905(a) of the Social Security Act is amended (1) by striking out "or" at the end of clause (iv), (2) by inserting "or" at the end of clause (v), and (3) by inserting immediately below clause (v) the following new clause:

"(vi) persons essential (as described in the second sentence of this subsection) to individuals receiving aid or assistance under State plans approved under title I, X, XIV, or XVI,".

(b) Section 1905(a) of such Act is further amended by adding at the end thereof the following new sentence: "For purposes of clauses (vi) of the preceding sentence, a person shall be considered essential to another individual if such person is the spouse of and is living with such individual, the needs of such person are taken into account in determining the amount of aid or assistance furnished to such individual (under a State plan approved under title I, X, XIV, or XVI), and such person is determined, under such a State plan, to be essential to the well being of such individual."

(239) *INSPECTION OF RECORDS AND PREMISES OF PROVIDERS OF CARE AND SERVICES UNDER PUBLIC ASSISTANCE AND MEDICAL ASSISTANCE*

SEC. 234. (a) Effective July 1, 1968, section 2(a)(6) of the Social Security Act is amended by—

(1) striking out "provide" and inserting in lieu thereof "provide (A)"; and

(2) adding at the end before the semicolon the following: "and (B) for having in effect agreements or other arrangements with institutions and (to the extent prescribed by the Secretary) persons furnishing medical or remedial care and services under the plan under which the Secretary and the General Accounting Office will be afforded such access to the records and premises of such institution and persons as may be necessary to assure that proper payments are being made under the plan and otherwise to carry out the purposes of this title, except that such agreements or arrangements may limit such access to audits on a sample or similar basis with respect to the institutions and persons whose records and premises may be selected for inspection and to situations in which the Secretary or General Accounting Office has reason to believe that payments under the plan to such an institution or person are erroneous as a result of fraud".

(b) Effective July 1, 1968, section 402(a)(6) of such Act is amended by—

(1) striking out "provide" and inserting in lieu thereof "provide (A)"; and

(2) adding at the end before the semicolon the following: "and (B) for having in effect agreements or other arrangements with institutions and (to the extent prescribed by the Secretary) persons furnishing medical or remedial care and services under the plan under which the Secretary and the General Accounting Office will be afforded such access to the records and premises of such institutions and persons as may be necessary to assure that proper payments are being made under the plan and otherwise to carry out the purposes of part A of this title, except that such agreements or arrangements may limit such access to audits on a sample or similar basis with respect to the institutions and persons whose records and premises may be selected for inspection and to situations in which the Secretary or General Accounting Office has reason to believe that payments under the plan to such an institution or person are erroneous as a result of fraud".

(c) Effective July 1, 1968, section 1002(a)(6) of such Act is amended by—

(1) striking out "provide" and inserting in lieu thereof "provide (A)"; and

(2) striking out "; and" at the end and inserting in lieu thereof: "and (B) for having in effect agreements or other arrangements with institutions and (to the extent prescribed by the Secretary) persons furnishing medical or remedial care and services under the plan under which the Secretary and the General Accounting Office will be afforded such access to the records and premises of such institutions and persons as may be necessary to assure that proper payments are being made under the plan and otherwise to carry out the purposes of this title, except that such agreements or arrangements may limit such access to audits on a sample or similar basis with respect to the institutions and persons whose records and premises may be selected for inspection and to situations in which the Secretary or General Accounting Office has reason to believe that payments under the plan to such an institution or person are erroneous as a result of fraud;".

(d) Effective July 1, 1968, section 1402(a)(6) of such Act is amended by—

(1) striking out "provide" and inserting in lieu thereof "provide (A)"; and

(2) adding at the end before the semicolon the fol-

lowing: "and (B) for having in effect agreements or other arrangements with institutions and (to the extent prescribed by the Secretary) persons furnishing medical or remedial care and services under the plan under which the Secretary and the General Accounting Office will be afforded such access to the records and premises of such institution and persons as may be necessary to assure that proper payments are being made under the plan and otherwise to carry out the purposes of this title, except that such agreements or arrangements may limit such access to audits on a sample or similar basis with respect to the institutions and persons whose records and premises may be selected for inspection and to situations in which the Secretary or General Accounting Office has reason to believe that payments under the plan to such an institution or person are erroneous as a result of fraud".

(e) Effective July 1, 1968, section 1602(a)(6) of such Act is amended by—

(1) striking out "provide" and inserting in lieu thereof "provide (A)"; and

(2) adding at the end before the semicolon the following: "and (B) for having in effect agreements or other arrangements with institutions and (to the extent prescribed by the Secretary) persons furnishing medical

or remedial care and services under the plan under which the Secretary and the General Accounting Office will be afforded such access to the records and premises of such institution and persons as may be necessary to assure that proper payments are being made under the plan and otherwise to carry out the purposes of this title, except that such agreements or arrangements may limit such access to audits on a sample or similar basis with respect to the institutions and persons whose records and premises may be selected for inspection and to situations in which the Secretary or General Accounting Office has reason to believe that payments under the plan to such an institution or person are erroneous as a result of fraud".

(f) Effective July 1, 1968, section 1902(a)(6) of such Act is amended by—

(1) striking out "provide" and inserting in lieu thereof "provide (A)"; and

(2) adding at the end before the semicolon the following: "and (B) for having in effect agreements or other arrangements with institutions and (to the extent prescribed by the Secretary) persons furnishing medical or remedial care and services under the plan under which the Secretary and the General Accounting Office will be afforded such access to the records and premises

of such institution and persons as may be necessary to assure that proper payments are being made under the plan and otherwise to carry out the purposes of this title, except that such agreements or arrangements may limit such access to audits on a sample or similar basis with respect to the institutions and persons whose records and premises may be selected for inspection and to situations in which the Secretary or General Accounting Office has reason to believe that payments under the plan to such an institution or person are erroneous as a result of fraud".

(240) *STANDARDS FOR SKILLED NURSING HOMES FURNISHING SERVICES UNDER STATE PLANS APPROVED UNDER TITLE XIX*

SEC. 234a. (a) Section 1902(a) of the Social Security Act (as amended by the preceding sections of this Act) is further amended (1) by striking out "and" at the end of paragraph (24), (2) by striking out the period at the end of paragraph (25) and inserting in lieu of such period a semicolon, and (3) by adding at the end thereof the following new paragraphs:

(26) effective July 1, 1969, provide (A) for a regular program of medical review (including medical evaluation of each patient's need for skilled nursing home

care) or (in the case of individuals who are eligible therefor under the State plan) need for care in a mental hospital, a written plan of care, and, where applicable, a plan of rehabilitation prior to admission to a skilled nursing home; (B) periodic inspections to be made in all skilled nursing homes and mental institutions (if the State plan includes care in such institutions) within the State by one or more medical review teams (composed of physicians and other appropriate health and social service personnel) of (i) the care being provided in such nursing homes (and mental institutions, if care therein is provided under the State plan) to persons receiving assistance under the State plan, (ii) with respect to each of the patients receiving such care, the adequacy of the services available in particular nursing homes (or institutions) to meet the current health needs and promote the maximum physical well-being of patients receiving care in such homes (or institutions), (iii) the necessity and desirability of the continued placement of such patients in such nursing homes (or institutions), and (iv) the feasibility of meeting their health care needs through alternative institutional or noninstitutional services; and (C) for the making by such team or teams of full and complete reports of the findings resulting from such inspections together with any recommendations to the

State agency administering or supervising the administration of the State plan;

"(27) provide for agreements with every person or institution providing services under the State plan under which such person or institution agrees (A) to keep such records as are necessary fully to disclose the extent of the services provided to individuals receiving assistance under the State plan, and (B) to furnish the State agency with such information, regarding any payments claimed by such person or institution for providing services under the State plan, as the State agency may from time to time request;

"(28) provide that any skilled nursing home receiving payments under such plan must—

"(A) supply to the licensing agency of the State full and complete information as to the identity (i) of each person having (directly or indirectly) an ownership interest of 10 per centum or more in such nursing home, (ii) in case a nursing home is organized as a corporation, of each officer and director of the corporation, and (iii) in case a nursing home is organized as a partnership, of each partner; and promptly report any changes which would affect the current accuracy of the information so required to be supplied;

"(B) have and maintain an organized nursing service for its patients, which is under the direction of a professional registered nurse who is employed full-time by such nursing home, and which is composed of sufficient nursing and auxiliary personnel to provide adequate and properly supervised nursing services for such patients during all hours of each day and all days of each week;

"(C) make satisfactory arrangements for professional planning and supervision of menus and meal service for patients for whom special diets or dietary restrictions are medically prescribed;

"(D) have satisfactory policies and procedures relating to the maintenance of medical records on each patient of the nursing home, dispensing and administering of drugs and biologicals, and assuring that each patient is under the care of a physician and that adequate provisions is made for medical attention to any patient during emergencies;

"(E) have arrangements with one or more general hospitals under which such hospital or hospitals will provide needed diagnostic and other services to patients of such nursing home, and under which such hospital or hospitals agree to timely acceptance, as patients thereof, of acutely ill patients

of such nursing home who are in need of hospital care; except that the State agency may waive this requirement wholly or in part with respect to any nursing home meeting all the other requirements and which, by reason of remote location or other good and sufficient reason, is unable to effect such an arrangement with a hospital; and

"(F)(i) meet (after December 31, 1969) such provisions of the Life Safety Code of the National Fire Protection Association (21st Edition, 1967) as are applicable to nursing homes; except that the State agency may waive in accordance with regulations of the Secretary, for such periods as it deems appropriate, specific provisions of such code which, if rigidly applied, would result in unreasonable hardship upon a nursing home, but only if such agency makes a determination (and keeps a written record setting forth the basis of such determination) that such waiver will not adversely affect the health and safety of the patients of such skilled nursing home; and except that the requirements set forth in the preceding provisions of this subclause (i) shall not apply in any State if the Secretary finds that in such State there is in effect a fire and safety code, imposed by State law, which adequately protects patients in

nursing homes; and (ii) meet conditions relating to environment and sanitation applicable to extended care facilities under title XVIII; except that the State agency may waive in accordance with regulations of the Secretary, for such periods as it deems appropriate, any requirement imposed by the preceding provisions of this subclause (ii) if such agency finds that such requirement, if rigidly applied, would result in unreasonable hardship upon a nursing home, but only if such agency makes a determination (and keeps a written record setting forth the basis of such determination) that such waiver will not adversely affect the health and safety of the patients of such nursing home."

(b) The amendments made by subsection (a) of this section (unless otherwise specified in the body of such amendments) shall take effect on January 1, 1969.

(c) Notwithstanding any other provision of law, after June 30, 1968, no Federal funds shall be paid to any State as Federal matching under title I, X, XIV, XVI, or XIX of the Social Security Act for payments made to any nursing home for or on account of any nursing home services provided by such nursing home for any period during which such nursing home is determined not to meet fully all requirements of the State for licensure as a nursing home, except that

the Secretary may prescribe a reasonable period or periods of time during which a nursing home which has formerly met such requirements will be eligible for payments which include Federal participation if during such period or periods such home promptly takes all necessary steps to again meet such requirements.

(241) *COST SHARING AND SIMILAR CHARGES WITH RESPECT TO INPATIENT HOSPITAL SERVICES FURNISHED UNDER TITLE XIX*

SEC. 234b. (a)(1) Section 1902(a)(14)(A) of the Social Security Act is amended by striking out "no" and inserting in lieu thereof the following: "in the case of individuals receiving aid or assistance under State plans approved under titles I, X, XIV, XVI, and part A of title IV, X, no".

(2) Section 1902(a)(14)(B) of such Act is amended (A) by inserting "inpatient hospital services or" after "respect to", and (B) by striking out "him" and inserting in lieu thereof "to an individual".

(3) Section 1902(a)(15) of the Social Security Act is amended to read as follows:

"(15) in the case of eligible individuals 65 years of age or older who are covered by either or both of the insurance programs established by title XVIII, provide

where, under the plan, all of any deductible, cost sharing, or similar charge imposed with respect to such individual under the insurance program established by such title is not met, the portion thereof which is met shall be determined on a basis reasonably related (as determined in accordance with standards approved by the Secretary and included in the plan) to such individual's income or his income and resources;".

(b) The amendments made by subsection (a) shall be effective in the case of calendar quarters beginning after December 31, 1967.

(242) *STATE PLAN REQUIREMENTS REGARDING LICENSING OF ADMINISTRATORS OF SKILLED NURSING HOMES FURNISHING SERVICES UNDER STATE PLANS APPROVED UNDER TITLE XIX*

SEC. 234c. (a) Section 1902 (a) of the Social Security Act (as amended by the preceding sections of this Act) is further amended (1) by striking out the period at the end of paragraph (28) and inserting in lieu thereof "; and" and (2) by adding at the end of such section 1902(a) the following new paragraph:

"(29) include a State program which meets the requirements set forth in section 1907, for the licensing of administrators of nursing homes."

(b) Title XIX of the Social Security Act (as amended

by section 226 of this Act) is further amended by adding at the end thereof the following:

"STATE PROGRAMS FOR LICENSING OF ADMINISTRATORS OF NURSING HOMES

"SEC. 1907. (a) For purposes of section 1902(a)(29), a 'State program for the licensing of administrators of nursing homes' is a program which provides that no nursing home within the State may operate except under the supervision of an administrator licensed in the manner provided in this section.

"(b) Licensing of nursing home administrators shall be carried out by the agency of the State responsible for licensing under the healing arts licensing act of the State, or, in the absence of such act or such an agency, a board representative of the professions and institutions concerned with care of chronically ill and infirm aged patients and established to carry out the purposes of this section.

"(c) It shall be the function and duty of such agency or board to—

"(1) develop, impose, and enforce standards which must be met by individuals in order to receive a license as a nursing home administrator, which standards shall be designed to insure that nursing home administrators will be individuals who are of good character and are otherwise suitable, and who, by training or experience in

the field of institutional administration, are qualified to serve as nursing home administrators;

"(2) develop and apply appropriate techniques, including examinations and investigations, for determining whether an individual meets such standards;

"(3) issue licenses to individuals determined, after the application of such techniques, to meet such standards, and revoke or suspend licenses previously issued by the board in any case where the individual holding any such license is determined substantially to have failed to conform to the requirements of such standards;

"(4) establish and carry out procedures designed to insure that individuals licensed as nursing home administrators will, during any period that they serve as such, comply with the requirements of such standards;

"(5) receive, investigate, and take appropriate action with respect to, any charge or complaint filed with the board to the effect that any individual licensed as a nursing home administrator has failed to comply with the requirements of such standards; and

"(6) conduct a continuing study and investigation of nursing homes and administrators of nursing homes within the State with a view to the improvement of the standards imposed for the licensing of such administrators and of procedures and methods for the enforcement of

such standards with respect to administrators of nursing homes who have been licensed as such.

"(d) No State shall be considered to have failed to comply with the provisions of section 1902(a)(29) because the agency or board of such State (established pursuant to subsection (b)) shall have granted any waiver, with respect to any individual who during all of the calendar year immediately preceding the calendar year in which the requirements prescribed in section 1902(a)(29) are first met by the State, has served as a nursing home administrator, of any of the standards developed, imposed, and enforced by such board pursuant to subsection (b)(1) other than such standards as relate to good character or suitability if—

"(1) such waiver is for a period which ends after being in effect for two years or on June 30, 1972, whichever is earlier, and

"(2) there is provided in the State (during all of the period for which waiver is in effect), a program of training and instruction designed to enable all individuals, with respect to whom any such waiver is granted, to attain the qualifications necessary in order to meet such standards.

"(e)(1) There are hereby authorized to be appropriated for fiscal year 1968 and the four succeeding fiscal years such sums as may be necessary to enable the Secretary to

make grants to States for the purpose of assisting them in instituting and conducting programs of training and instruction of the type referred to in subsection (d)(2).

"(2) No grant with respect to any such program shall exceed 75 per centum of the reasonable and necessary cost, as determined by the Secretary, of instituting and conducting such program.

"(f)(1) For the purpose of advising the Secretary and the States in carrying out the provisions of this section, there is hereby created a National Advisory Council on Nursing Home Administration which shall consist of nine persons, not otherwise in the employ of the United States, appointed by the Secretary without regard to the provisions of title 5, United States Code, governing appointments in the competitive service. The Secretary shall from time to time appoint one of the members to serve as Chairman. The members shall include, but not be limited to, representatives of State health officers, State welfare directors, nursing home administrators, and university programs in public health or medical care administration.

"(2) In addition to the function stated in paragraph (1) of this subsection, it shall be the function and duty of the Council (A) to study and identify the core of knowledge that should constitute minimally the training in the field of institutional administration which should qualify an individ-

ual to serve as a nursing home administrator; (B) to study and identify the experience in the field of institutional administration that a nursing home administrator should be required to possess; (C) to study and develop model techniques for determining whether an individual possesses such qualifications; (D) to study and develop model criteria for granting waivers under the provisions of subsection (d); (E) to study and develop suggested programs of training referred to in subsection (d); (F) to study, develop, and recommend programs of training and instruction for those desiring to pursue a career in nursing home administration; (G) to complete the functions in (A) through (E) above by July 1, 1969, and submit a written report to the Secretary which report shall be submitted to the States to assist them in carrying out the provisions of this section.

"(3) Members of the Council, while attending meetings or conferences thereof or otherwise serving on business of the Council shall be entitled to receive compensation at rates fixed by the Secretary, but not exceeding $100 per day, including travel time, and while so serving away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

"(4) The Secretary may at the request of the Council

engage such technical assistance as may be required to carry out its functions; and the Secretary shall, in addition, make available to the Council such secretarial, clerical, and other assistance and such pertinent data obtained and prepared by the Department of Health, Education, and Welfare as the Council may require to carry out its functions.

"(5) The Council shall be appointed by the Secretary prior to July 1, 1968, and shall cease to exist as of December 31, 1971.

"(g) As used in this section, the term—

"(1) 'nursing home' means any institution or facility defined as such for licensing purposes under State law, or, if State law does not employ the term nursing home, the equivalent term or terms as determined by the Secretary; and

"(2) 'nursing home administrator' means any individual who is charged with the general administration of a nursing home whether or not such individual has an ownership interest in such home and whether or not his functions and duties are shared with one or more other individuals."

(c) Except as otherwise specified in the text thereof, the amendments made by this section shall take effect on July 1, 1970.

(243) *UTILIZATION OF CARE AND SERVICES FURNISHED UNDER TITLE XIX*

SEC. 234d. Effective April 1, 1968, section 1902(a) of the Social Security Act (as amended by the preceding sections of this Act) is further amended by—

(a) striking out the period at the end and inserting in lieu thereof the following "; and"; and

(b) inserting after paragraph (28) (added to the Social Security Act by section 234c of this Act) the following paragraph:

"(29) provide such methods and procedures relating to the utilization of, and the payment for, care and services available under the plan as may be necessary to safeguard against unneccessary utilization of such care and services."

(244) *DIFFERENCES IN STANDARDS WITH RESPECT TO INCOME ELIGIBILITY UNDER TITLE XIX*

SEC. 234e. Effective July 1, 1969, section 1902(a)(17) of the Social Security Act is amended by—

(a) striking out "(17)" and inserting in lieu thereof "(17)(A)";

(b) redesignating clauses (A), (B), (C), and (D) as clauses (i), (ii), (iii), and (iv), respectively;

(c) striking out "; and provide" and inserting in lieu thereof ", and (B) provide";

(d) striking out "income by" and inserting in lieu thereof "income (i) by"; and

(e) adding at the end thereof before the semicolon the following: ", and (ii) by establishing, in accordance with standards prescribed by the Secretary, differences in income levels (but only in the case of applicants or recipients of assistance under the plan who are not receiving aid or assistance under the State's plan approved under title I, X, XIV, or XVI, or part A of title IV) which take into account the variations in shelter costs as between such costs in urban areas and such costs in rural areas".

PART 3—CHILD-WELFARE SERVICES AMENDMENTS

INCLUSION OF CHILD-WELFARE SERVICES IN TITLE IV

SEC. 235. (a) The heading of title IV of the Social Security Act is amended to read as follows:

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

(b) Title IV of such Act is further amended by inserting immediately after the heading of the title the following:

"PART A—AID TO FAMILIES WITH DEPENDENT CHILDREN"

(c) Title IV of such Act is further amended by adding at the end thereof the following new part:

"PART B—CHILD-WELFARE SERVICES

"APPROPRIATION

"SEC. 420. For the purpose of enabling the United States, through the Secretary, to cooperate with State public welfare agencies in establishing, extending, and strengthening child-welfare services, the following sums are hereby authorized to be appropriated: $55,000,000 for the fiscal year ending June 30, 1968, (245)~~$100,000,000~~ *$125,000,000* for the fiscal year ending June 30, 1968, and (246)~~$110,000,000~~ *$160,000,000* for each fiscal year thereafter.

"ALLOTMENTS TO STATES

"SEC. 421. The sum appropriated pursuant to section 420 for each fiscal year shall be allotted by the Secretary for use by cooperating State public welfare agencies which have plans developed jointly by the State agency and the Secretary, as follows: He shall allot $70,000 to each State, and shall allot to each State an amount which bears the same ratio to the remainder of the sum so appropriated for such year as the product of (1) the population of such State under

the age of 21 and (2) the allotment percentage of such State (as determined under section 423) bears to the sum of the corresponding products of all the States.

"PAYMENT TO STATES

"SEC. 422. (a) From the sums appropriated therefor and the allotment available under this part, the Secretary shall from time to time pay to each State—

"(1) that has a plan for child-welfare services which has been developed as provided in this part and which—

"(A) provides for coordination between the services provided under such plan and the services provided for dependent children under the State plan approved under part A of this title, with a view to provision of welfare and related services which will best promote the welfare of such children and their families, and

"(B) provides, with respect to day care services (including the provision of such care) provided under (247)~~the plan~~ *this title*—

"(i) for cooperative arrangements with the State health authority and the State agency primarily responsible for State supervision of public schools to assure maximum utilization of such agencies in the provision of necessary

health services and education for children receiving day care,

"(ii) for an advisory committee, to advise the State public welfare agency on the general policy involved in the provision of day care services under the plan, which shall include among its members representatives of other State agencies concerned with day care or services related thereto and persons representative of professional or civic or other public or nonprofit private agencies, organizations, or groups concerned with the provision of day care,

"(iii) for such safeguards as may be necessary to assure provision of day care under the plan only in cases in which it is in the best interest of the child and the mother and only in cases in which it is determined, under criteria established by the State, that a need for such care exists; and, in cases in which the family is able to pay part or all of the costs of such care, for payment of such fees as may be reasonable in the light of such ability,

"(iv) for giving priority, in determining the existence of need for such day care, to mem-

bers of low-income or other groups in the population, and to geographical areas, which have the greatest relative need for extension of such day care, and

"(v) that day care provided under the plan will be provided only in facilities (including private homes) which are licensed by the State, or approved (as meeting the standards established for such licensing) by the State agency responsible for licensing facilities of this type, and

(248)"*(vi) for the development and implementation of arrangements for the more effective involvement of the parent or parents in the appropriate care of the child and the improvement of the health and development of the child, and*".

"(2) that makes a satisfactory showing that the State is extending the provision of child-welfare services in the State, with priority being given to communities with the greatest need for such services after giving consideration to their relative financial need, and with a view to making available by July 1, 1975, in all political subdivisions of the State, for all children in need thereof,

child-welfare services provided by the staff (which shall to the extent feasible be composed of trained child-welfare personnel) of the State public welfare agency or of the local agency participating in the administration of the plan in the political subdivision, (249)*except that (effective July 1, 1969, or, if earlier, on the date as of which the modification of the State plan to comply with this requirement with respect to subprofessional staff is approved) such plan shall provide for the training and effective use of paid subprofessional staff with particular emphasis on the full-time or part-time employment of persons of low income, as community service aids, in the administration of the plan and for the use of non-paid or partially paid volunteers in providing services and in assisting any advisory committees established by the State agency,*

an amount equal to the Federal share (as determined under section 423) of the total sum expended under such plan (including the cost of administration of the plan) in meeting the costs of State, district, county, or other local child-welfare services, in developing State services for the encouragement and assistance of adequate methods of community child-welfare organization, in paying the costs of returning any runaway child who has not attained the age of eighteen to his own community in another State, and of maintaining such

child until such return (for a period not exceeding fifteen days), in cases in which such costs cannot be met by the parents of such child or by any person, agency, or institution legally responsible for the support of such child. In developing such services for children, the facilities and experience of voluntary agencies shall be utilized in accordance with child-care programs and arrangements in the State and local communities as may be authorized by the State.

"(b) The method of computing and paying such amounts shall be as follows:

"(1) The Secretary shall, prior to the beginning of each period for which a payment is to be made, estimate the amount to be paid to the State for such period under the provisions of subsection (a).

"(2) From the allotment available therefor, the Secretary shall pay the amount so estimated, reduced or increased, as the case may be, by any sum (not previously adjusted under this section) by which he finds that his estimate of the amount to be paid the State for any prior period under this section was greater or less than the amount which should have been paid to the State for such prior period under this section.

"ALLOTMENT PERCENTAGE AND FEDERAL SHARE

"SEC. 423. (a) The 'allotment percentage' for any State shall be 100 per centum less the State percentage;

and the State percentage shall be that percentage which bears the same ratio to 50 per centum as the per capita income of such State bears to the per capita income of the United States; except that (1) the allotment percentage shall in no case be less than 30 per centum or more than 70 per centum, and (2) the allotment percentage shall be 70 per centum in the case of Puerto Rico, the Virgin Islands, and Guam.

"(b) The 'Federal share' for any State for any fiscal year shall be 100 per centum less that percentage which bears the same ratio to 50 per centum as the per capita income of such State bears to the per capita income of the United States, except that (1) in no case shall the Federal share be less than $33\frac{1}{3}$ per centum or more than $66\frac{2}{3}$ per centum, and (2) the Federal share shall be $66\frac{2}{3}$ per centum in the case of Puerto Rico, the Virgin Islands, and Guam.

"(c) The Federal share and the allotment percentage for each State shall be promulgated by the Secretary between July 1 and August 31 of each even-numbered year, on the basis of the average per capita income of each State and of the United States for the three most recent calendar years for which satisfactory data are available from the Department of Commerce. Such promulgation shall be conclusive for each of the two fiscal years in the period beginning July 1 next succeeding such promulgation: *Provided,*

That the Federal shares and allotment percentages promulgated under section 524(c) of the Social Security Act in 1966 shall be effective for purposes of this section for the fiscal years ending June 30, 1968, and June 30, 1969.

"(d) For purposes of this section, the term 'United States' means the fifty States and the District of Columbia.

"REALLOTMENT

"SEC. 424. The amount of any allotment to a State under section 421 for any fiscal year which the State certifies to the Secretary will not be required for carrying out the State plan developed as provided in such section shall be available for reallotment from time to time, on such dates as the Secretary may fix, to other States which the Secretary determines (1) have need in carrying out their State plans so developed for sums in excess of those previously allotted to them under that section and (2) will be able to use such excess amounts during such fiscal year. Such reallotments shall be made on the basis of the State plans so developed, after taking into consideration the population under the age of twenty-one, and the per capita income of each such State as compared with the population under the age of twenty-one, and the per capita income of all such States with respect to which such a determination by the Secretary has been made. Any amount so reallotted to a State shall be deemed part of its allotment under section 421.

"DEFINITION

"SEC. 425. For purposes of this title, the term 'child-welfare services' means public social services which supplement, or substitute for, parental care and supervision for the purpose of (1) preventing or remedying, or assisting in the solution of problems which may result in, the neglect, abuse, exploitation, or delinquency of children, (2) protecting and caring for homeless, dependent, or neglected children, (3) protecting and promoting the welfare of children of working mothers, and (4) otherwise protecting and promoting the welfare of children, including the strengthening of their own homes where possible or, where needed, the provision of adequate care of children away from their homes in foster family homes or day-care or other child-care facilities.

"RESEARCH, TRAINING, OR DEMONSTRATION PROJECTS

"SEC. 426. (a) There are hereby authorized to be appropriated for each fiscal year such sums as the Congress may determine—

"(1) for grants by the Secretary—

"(A) to public or other nonprofit institutions of higher learning, and to public or other nonprofit agencies and organizations engaged in research or child-welfare activities, for special research or demonstration projects in the field of child welfare which

are of regional or national significance and for special projects for the demonstration of new methods or facilities which show promise of substantial contribution to the advancement of child welfare;

"(B) to State or local public agencies responsible for administering, or supervising the administration of, the plan under this part, for projects for the demonstration of the utilization of research (including findings resulting therefrom) in the field of child welfare in order to encourage experimental and special types of welfare services; and

"(C) to public or other nonprofit institutions of higher learning for special projects for training personnel for work in the field of child welfare, including traineeships with such stipends and allowances as may be permitted by the Secretary; and

"(2) for contracts or jointly financed cooperative arrangements with States and public and other organizations and agencies for the conduct of research, special projects, or demonstration projects relating to such matters.

"(b) Payments of grants or under contracts or cooperative arrangements under this section may be made in advance or by way of reimbursement, and in such installments, as the Secretary may determine; and shall be made

on such conditions as the Secretary finds necessary to carry out the purposes of the grants, contracts, or other arrangements."

(d) (1) Subparagraphs (A) and (B) of section 422 (a) (1) of the Social Security Act (as added by subsection (c) of this section) are redesignated as (B) and (C).

(2) So much of paragraph (1) of section 422 (a) of such Act (as added by subsection (c) of this section) as precedes subparagraph (B) (as redesignated) is amended to read as follows:

"(1) that has a plan for child-welfare services which has been developed as provided in this part and which—

"(A) provides that (i) the State agency designated pursuant to section 402 (a) (3) to administer or supervise the administration of the plan of the State approved under part A of this title will administer or supervise the administration of such plan for child-welfare services and (ii) to the extent that child-welfare services are furnished by the staff of the State agency (250) ~~or local agency~~ administering such plan for child-welfare services, the organizational unit in such (251) ~~or local~~ agency established pursuant to section 402 (a) (15) will

be responsible for furnishing such child-welfare services,".

(e) (1) Part 3 of title V of the Social Security Act is repealed on the date this Act is enacted.

(2) Part B of title IV of the Social Security Act (as added by subsection (c) of this section), and the amendments made by subsections (a) and (b) of this section, shall become effective on the date this Act is enacted.

(3) The amendments made by (252)*paragraphs (1) and (2) of* subsection (d) shall become effective July 1, (253)~~1969.~~ *1969, except that if on the date of the enactment of this Act the agency of a State administering its plan for child-welfare services developed under part 3 of title V of the Social Security Act is different from the agency of the State designated pursuant to section 402(a)(3) of such Act, so much of paragraph (1) of section 422(a) of such Act as precedes subparagraph (B) (as added by paragraph (2) of such subsection (d)) shall not apply with respect to such State but only so long as such agencies of the State are different.*

(f) In the case of any State which has a plan developed as provided in part 3 of title V of the Social Security Act as in effect prior to the enactment of this Act—

(1) such plan shall be treated as a plan developed, as provided in part B of title IV of such Act, on the date this Act is enacted;

(2) any sums appropriated, allotted, or reallotted pursuant to part 3 of title V for the fiscal year ending June 30, 1968, shall be deemed appropriated, allotted, or reallotted (as the case may be) under part B of title IV of such Act for such fiscal year; and

(3) any overpayment or underpayment which the Secretary determines was made to the State under section 523 of the Social Security Act and with respect to which adjustment has not then already been made under subsection (b) of such section shall, for purposes of section 422 of such Act, be considered an overpayment or underpayment (as the case may be) made under section 422 of such Act.

(g) Any sums appropriated or grants made pursuant to section 526 of the Social Security Act (as in effect prior to the enactment of this Act) shall be deemed to have been appropriated or made (as the case may be) under section 426 of the Social Security Act (as added by subsection (c) of this section).

(h) Each State plan approved under title IV of the Social Security Act as in effect on the day preceding the date of the enactment of this Act shall be deemed, without the necessity of any change in such plan, to have been conformed with the amendments made by subsections (a) and (b) of this section.

CONFORMING AMENDMENTS

SEC. 236. (a) Section 228(d)(1) of the Social Security Act is amended by striking out "IV,", and by inserting after "XVI," the following: "or part A of title IV,".

(b)(1) The first sentence of section 401 of the Social Security Act is amended by striking out "title" and inserting in lieu thereof "part".

(2) The proviso in section 403(a)(3)(D) of such Act is amended by striking out "title" and inserting in lieu thereof "part".

(3) The last sentence of section 403(c)(2) of such Act is amended by striking out "title" and inserting in lieu thereof "part".

(4) Section 404(b) of such Act is amended by striking out "title" and inserting in lieu thereof "part".

(5) Section 406 of such Act is amended by striking out "title" in the matter preceding subsection (a) and inserting in lieu thereof "part".

(c)(1) Section 1106(c)(1) of such Act is amended by striking out "IV,", and by inserting after "XIX," the following: "or part A of title IV,".

(2) Section 1109 of such Act is amended by striking out "IV,", and by inserting after "XIX" the following: ", or part A of title IV,".

(3) Section 1111 of such Act is amended by striking out "IV,", and by inserting after "XVI," the following: "and part A of title IV,".

(4) Section 1115 of such Act is amended by striking out "IV,", and by inserting after "XIX" the following: ", or part A of title IV,".

(5) Section 1116 of such Act is amended—

(A) by striking out "IV," in subsection (a) (1), and by inserting after "XIX," in such subsection the following: "or part A of title IV,"; and

(B) by striking out "IV," in subsections (b) and (d), and by inserting after "XIX" in such subsections the following: ", or part A of title IV,".

(6) Section 1117 of such Act is amended—

(A) by striking out "IV," in clause (A) of subsection (a) (2), and by inserting after "XIX" in such clause the following: ", and part A of title IV,";

(B) by striking out "IV," each place it appears in subsection (b);

(C) by inserting after "and XIX" in subsection (b) the following: ", and part A of title IV,";

(D) by inserting after "or XIX" in subsection (b) the following: ", or part A of title IV".

(7) Section 1118 of such Act is amended by striking out "IV,", and by inserting after "XVI," the following: "and part A of title IV,".

(d) Section 1602 (a) (11) of such Act is amended by striking out "title IV, X, or XIV" and inserting in lieu thereof "part A of title IV or under title X or XIV".

(e) (1) Section 1843 (b) (2) of such Act is amended by striking out "IV,", and by inserting after "XVI" the following: ", and part A of title IV".

(2) Section 1843 (f) of such Act is amended—

(A) by striking out "IV," in the first sentence, and by inserting after "XVI," the first place it appears in such sentence the following: "or part A of title IV,", and

(B) by striking out "IV," in the second sentence, and by inserting after "XVI" in such sentence the following: ", and part A of title IV".

(f) (1) Section 1902 (a) (10) of such Act is amended by striking out "IV,", and by inserting after "XVI" the following: ", and part A of title IV".

(2) Section 1902 (a) (17) of such Act is amended by striking out "IV,", and by inserting after "XVI" the following: ", or part A of title IV".

(3) Section 1902 (b) (2) of such Act is amended by

striking out "title IV" and inserting in lieu thereof "part A of title IV".

(4) Section 1902(c) of such Act is amended by striking out "IV,", and by inserting after "XVI" the following: ", or part A of title IV".

(5) Section 1903(a)(1) of such Act is amended by striking out "IV,", and by inserting after "XVI," the following: "or part A of title IV,".

(6) Section 1905(a)(ii) of such Act is amended by striking out "title IV" and inserting in lieu thereof "part A of title IV".

PART 4—MISCELLANEOUS AND TECHNICAL AMENDMENTS

PARTIAL PAYMENTS TO STATES

SEC. 245. Sections 4, 404(a), 1004, and 1404 of the Social Security Act are each amended—

(1) by striking out "further payments will not be made to the State" and inserting in lieu thereof "further payments will not be made to the State (or, in his discretion, that payments will be limited to categories under or parts of the State plan not affected by such failure)"; and

(2) by striking out the last sentence and inserting in lieu thereof the following: "Until he is so satisfied he shall make no further payments to such State (or

shall limit payments to categories under or parts of the State plan not affected by such failure)."

(254) ~~CONTRACTS FOR COOPERATIVE RESEARCH OR DEMONSTRATION PROJECTS~~

~~SEC. 246. Section 1110(a)(2) of the Social Security Act is amended by striking out "nonprofit".~~

COOPERATIVE RESEARCH OR DEMONSTRATION PROJECTS

SEC. 246. Section 1110 of the Social Security Act is amended by—

(a) striking out, in subsection (a)(1), "for paying part of" and inserting in lieu thereof "for (A) paying part of";

(b) inserting, in subsection (a)(1), "the Federal-State" after "administration and effectiveness of";

(c) inserting, in subsection (a)(1), immediately after "programs related thereto, and" the following: "(B) projects such as those relating to the causes of economic insecurity, methods of meeting risks to family income, costs of health care, and improvements in the administration and effectiveness of the social security program and related programs, and"; and

(d) striking out, in subsection (a)(2), "nonprofit".

PERMANENT AUTHORITY TO SUPPORT DEMONSTRATION PROJECTS

SEC. 247. Section 1115 of the Social Security Act is amended—

(1) by striking out "$2,000,000" and inserting in lieu thereof (255) ~~"$4,000,000"~~ *"$10,000,000"*; and

(2) by striking out "ending prior to July 1, 1968" and inserting in lieu thereof "beginning after June 30, 1967".

SPECIAL PROVISIONS RELATING TO PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM

SEC. 248. (a) (1) Section 1108 of the Social Security Act is amended to read as follows:

"LIMITATION ON PAYMENTS TO PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM

"SEC. 1108. (a) The total amount certified by the Secretary of Health, Education, and Welfare under title I, X, XIV, and XVI, and under part A of title IV (exclusive of any amounts on account of services and items to which subsection (b) applies)—

"(1) for payment to Puerto Rico shall not exceed—

"(A) $12,500,000 with respect to the fiscal year 1968,

"(B) $15,000,000 with respect to the fiscal year 1969,

"(C) $18,000,000 with respect to the fiscal year 1970,

"(D) $21,000,000 with respect to the fiscal year 1971, or

"(E) $24,000,000 with respect to the fiscal year 1972 and each fiscal year thereafter;

"(2) for payment to the Virgin Islands shall not exceed—

"(A) $425,000 with respect to the fiscal year 1968,

"(B) $500,000 with respect to the fiscal year 1969.

"(C) $600,000 with respect to the fiscal year 1970,

"(D) $700,000 with respect to the fiscal year 1971, or

"(E) $800,000 with respect to the fiscal year 1972 and each fiscal year thereafter; and

"(3) for payment to Guam shall not exceed—

"(A) $575,000 with respect to the fiscal year 1968,

"(B) $690,000 with respect to the fiscal year 1969,

"(C) $825,000 with respect to the fiscal year 1970,

"(D) $960,000 with respect to the fiscal year 1971, or

"(E) $1,100,000 with respect to the fiscal year 1972 and each fiscal year thereafter.

"(b) The total amount certified by the Secretary under part A of title IV, on account of family planning services and services (256)~~and items referred to in sections 403(a)(3)(B) and 304(2)~~ *provided under section 402(a)(19)* with respect to any fiscal year—

"(1) for payment to Puerto Rico shall not exceed $2,000,000,

"(2) for payment to the Virgin Islands shall not exceed $65,000, and

"(3) for payment to Guam shall not exceed $90,000.

"(c) The total amount certified by the Secretary under title XIX with respect to any fiscal year—

"(1) for payment to Puerto Rico shall not exceed $20,000,000.

"(2) for payment to the Virgin Islands shall not exceed $650,000, and

"(3) for payment to Guam shall not exceed $900,000.

"(d) Notwithstanding the provisions of sections 502 (a) and 512 (a) of this Act, and the provisions of sections 421, 503 (1), and 504 (1) of this Act as amended by the Social Security Amendments of 1967, and until such time as the Congress may by appropriation or other law otherwise provide, the Secretary shall, in lieu of the initial allotment specified in such sections, allot such smaller amounts to Guam as he may deem appropriate."

(2) The amendment made by paragraph (1) shall apply with respect to fiscal years beginning after June 30, 1967.

(b) Notwithstanding subparagraphs (A) and (B) of section 403 (a) (3) of such Act (as amended by this Act), the rate specified in such subparagraphs in the case of Puerto Rico, the Virgin Islands, and Guam shall be 60 per centum (rather than 75 or 85 per centum).

(c) Effective July 1, 1969, neither the provisions of clauses (A) through (C) of section 402 (a) (7) of such Act as in effect before the enactment of this Act nor the provisions of section 402 (a) (8) of such Act as amended by section 202 (b) of this Act shall apply in the case of Puerto Rico, the Virgin Islands, or Guam. Effective no later than July 1, 1972, the State plans of Puerto Rico,

the Virgin Islands, and Guam approved under section 402 of such Act shall provide for the disregarding of income in making the determination under section 402(a)(7) of such Act in amounts (agreed to between the Secretary and the State agencies involved) sufficiently lower than the amounts specified in section 402(a)(8) of such Act to reflect appropriately the applicable differences in income levels.

(d) The amendment made by section 220(a) of this Act shall not apply in the case of Puerto Rico, the Virgin Islands, or Guam.

(e) Effective with respect to quarters after 1967, section 1905(b) of such Act is amended by striking out "55 per centum" and inserting in lieu thereof "50 per centum".

APPROVAL OF CERTAIN PROJECTS

SEC. 249. Title XI of the Social Security Act is amended by adding at the end thereof (after the new section added by section 209 of this Act) the following new section:

"APPROVAL OF CERTAIN PROJECTS

"SEC. 1120. (a) No payment shall be made under this Act with respect to any experimental, pilot, demonstration, or other project all or any part of which is wholly financed with Federal funds made available under this Act (without any State, local, or other non-Federal financial participation) unless such project shall have been personally approved by

the Secretary or Under Secretary of Health, Education, and Welfare.

"(b) As soon as possible after the approval of any project under subsection (a), the Secretary shall submit to the Congress a description of such project including a statement of its purpose, probable cost, and expected duration."

(257) *STUDY TO DETERMINE WAYS OF ASSISTING RECIPIENTS OF AID OR ASSISTANCE IN SECURING PROTECTION OF CERTAIN LAWS*

SEC. 250. The Secretary of Health, Education, and Welfare shall make a study of and recommendations concerning the means by which and the extent to which the staff of State public welfare agencies may better serve, advise, and assist applicants for or recipients of aid or assistance in securing the full protection of local, State, and Federal health, housing, and related laws and in helping them make most effective use of public assistance and other programs in the community and the extent to which the State public assistance, medical assistance or related programs may be used as a means of enforcing local, State, and Federal health, housing, and related laws. The Secretary shall report the results of such study and make recommendations, including the necessary changes in the Social Security Act, to the Congress no later than July 1, 1969.

(258) *ASSISTANCE IN THE FORM OF INSTITUTIONAL SERVICES IN INTERMEDIATE CARE FACILITIES*

SEC. 251. (a) Title XI of the Social Security Act (as amended by sections 209 and 249 of this Act) is further amended by adding at the end thereof the following new section:

"ASSISTANCE IN THE FORM OF INSTITUTIONAL SERVICES IN INTERMEDIATE CARE FACILITIES

"SEC. 1121. (a) Any State which has in effect a plan for old-age assistance, approved under title I, a plan for aid to the blind, approved under title X, a plan for aid to the permanently and totally disabled, approved under title XIV, or a plan for aid to the aged, blind, or disabled, approved under title XVI, may, on or after January 1, 1968, modify such plan to include therein benefits in the form of institutional services in intermediate care facilities for individuals who are entitled (or would, if not receiving institutional services in intermediate care facilities, be entitled) to assistance, under such plan, in the form of money payments.

"(b) Any modification pursuant to subsection (a) shall provide that benefits in the form of institutional services in intermediate care facilities will be provided only to individuals who—

"(1) are entitled (or would, if not receiving institutional services in intermediate care facilities, be en-

titled) to receive aid or assistance, under the State plan, in the form of money payments;

"(2) because of their physical or mental condition (or both), require living accommodations and care which, as a practical matter, can be made available to them only through institutional facilities; and

"(3) do not have such an illness, disease, injury, or other condition as to require the degree of care and treatment which a hospital or skilled nursing home (as that term is employed in title XIX) is designed to provide.

"(c) Payments to any State which modifies its approved State plan (referred to in subsection (a)) to provide, to the recipients of aid or assistance thereunder, benefits in the form of institutional services in intermediate care facilities shall be made in the same manner and from the same appropriation as payments made with respect to expenditures under the State plan so modified, except that, with respect to expenditures made by the State in paying the cost of benefits in the form of institutional services in intermediate care facilities for any quarter, the Secretary shall, if the State so elects, pay to each State an amount equal to the Federal medical assistance percentage (as defined in section 1905(b)).

"(d) Except when inconsistent with the purposes of this

section or contrary to any provision of this section, any modification, pursuant to this section, of an approved State plan shall be subject to the same conditions, limitations, rights, and obligations as obtain with respect to such approved State plan.

"(e) For purposes of this section, the term 'intermediate care facility' means an institution or distinct part thereof which (1) is licensed, under State law, to provide the patients or residents thereof, on a regular basis, the range or level of care and services which is suitable to the needs of individuals described in subsection (b) (2) and (3), but which does not provide the degree of care required to be provided by a skilled nursing home furnishing services under a State plan approved under title XIX, and (2) meets such standards of safety and sanitation as are applicable under State law; except that in no case shall such term include an institution which does not regularly provide a level of care and service beyond room and board."

TITLE III—IMPROVEMENT OF CHILD HEALTH

CONSOLIDATION OF SEPARATE PROGRAMS UNDER TITLE V OF THE SOCIAL SECURITY ACT

SEC. 301. Effective with respect to fiscal years beginning after June 30, 1968, title V of the Social Security Act (as otherwise amended by this Act) is amended to read as follows:

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

"AUTHORIZATION OF APPROPRIATIONS

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

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

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

there are authorized to be appropriated $250,000,000 for the fiscal year ending June 30, 1969, (259)~~$275,000,000~~ *$305,000,000* for the fiscal year ending June 30, 1970, (260)~~$300,000,000~~ *$360,000,000* for the fiscal year ending June 30, 1971, (261)~~$325,000,000~~ *$385,000,000* for the fiscal year ending June 30, 1972, and (262)~~$350,000,000~~ *$410,000,000* for the fiscal year ending June 30, 1973, and each fiscal year thereafter.

"PURPOSES FOR WHICH FUNDS ARE AVAILABLE

"SEC. 502. (a) Appropriations pursuant to section 501 shall be available for the following purposes in the following proportions:

"(1) In the case of the fiscal year ending June 30, 1969, and each of the next 3 fiscal years, (A) 50 percent of the appropriation for such year shall be for allotments pursuant to sections 503 and 504; (B) 40 percent thereof shall be for grants pursuant to sections 508, 509, and 510; and (C) 10 percent thereof shall be for grants, contracts, or other arrangements pursuant to sections 511 and 512.

"(2) In the case of the fiscal year ending June 30, 1973, and each fiscal year thereafter, (A) 90 percent of the appropriation for such year shall be for allotments pursuant to sections 503 and 504; and (B) 10 percent thereof shall be for grants, contracts, or other arrangements pursuant to sections 511 and 512.

Not to exceed 5 percent of the appropriation for any fiscal year under this section shall be transferred, at the request of the Secretary, from one of the purposes specified in paragraph (1) or (2) to another purpose of purposes so specified. For each fiscal year, the Secretary shall determine the

portion of the appropriation, within the percentage determined above to be available for sections 503 and 504, which shall be available for allotment pursuant to section 503 and the portion thereof which shall be available for allotment pursuant to section 504. (263)*Notwithstanding the preceding provisions of this section, of the amount appropriated for any fiscal year pursuant to section 501, not less than 6 percent of the amount appropriated in the case of the fiscal year ending June 30, 1969, 15 percent of the amount appropriated in the case of the fiscal year ending June 30, 1970, and 20 percent of the amount appropriated in the case of each fiscal year thereafter, shall be available for family planning services from allotments under section 503 and for family planning services under projects under sections 508 and 512.*

"ALLOTMENTS TO STATES FOR MATERNAL AND CHILD HEALTH SERVICES

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

"(1) One-half of such amount shall be allotted by allotting to each State $70,000 plus such part of the remainder of such one-half as he finds that the number of live births in such State bore to the total number of

live births in the United States in the latest calendar year for which he has statistics.

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

"ALLOTMENTS TO STATES FOR CRIPPLED CHILDREN'S SERVICES

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

"(1) One-half of such amount shall be allotted by

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

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

"APPROVAL OF STATE PLANS

"SEC. 505. (a) In order to be entitled to payments from allotments under section 502, a State must have a

State plan for maternal and child health services and services for crippled children which—

"(1) provides for financial participation by the State;

"(2) provides for the administration of the plan by the State health agency or the supervision of the administration of the plan by the State health agency; except that in the case of those States which on July 1, 1967, provided for administration (or supervision thereof) of the State plan approved under section 513 (as in effect on such date) by a State agency other than the State health agency, the plan of such State may be approved under this section if it would meet the requirements of this subsection except for provision of administration (or supervision thereof) by such other agency for the portion of the plan relating to services for crippled children, and, in each such case, the portion of such plan which each such agency administers, or the administration of which each such agency supervises, shall be regarded as a separate plan for purposes of this title;

"(3) provides such methods of administration (including methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary shall exercise no authority with respect to the selection, tenure of office, and compensation of any in-

dividual employed in accordance with such methods) as are necessary for the proper and efficient operation of the plan;

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

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

"(6) provides for payment of the reasonable cost ~~(as determined in accordance with standards approved by the Secretary and included in the plan)~~ of ~~inpatient hospital services provided under the plan;~~ *(under section 1861(v)(1)) of inpatient hospital services, and, effective July 1, 1970, extended care (skilled nursing home and intermediate care facility) services, and home health care services, provided under the plan;*

"(7) provides, with respect to the portion of the

plan relating to services for crippled children, for early identification of children in need of health care and services, and for health care and treatment needed to correct or ameliorate defects or chronic conditions discovered thereby, through provision of such periodic screening and diagnostic services, and such treatment, care and other measures to correct or ameliorate defects or chronic conditions, as may be provided in regulations of the Secretary;

"(8) effective July 1. 1972, provides a program (carried out directly or through grants or contracts) of projects described in section 508 which offers reasonable assurance, particularly in areas with concentrations of low-income families, of satisfactorily helping to reduce the incidence of mental retardation and other handicapping conditions caused by complications associated with child bearing and of satisfactorily helping to reduce infant and maternal mortality;

"(9) effective July 1, 1972, provides a program (carried out directly or through grants or contracts) of projects described in section 509 which offers reasonable assurance, particularly in areas with concentrations of low-income families, of satisfactorily promoting the health of children and youth of school or preschool age;

"(10) effective July 1, 1972, provides a program

(carried out directly or through grants or contracts) of projects described in section 510 which offers reasonable assurance, particularly in areas with concentrations of low-income families, of satisfactorily promoting the dental health of children and youth of school or preschool age;

"(11) provides for carrying out the purposes specified in section 501; (264a) ~~and~~

"(12) provides for the development of demonstration services (with special attention to dental care for children and family planning services for mothers) in needy areas and among groups in special (265) ~~need.~~ *need,*

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

"(14) provides that acceptance of family planning services provided under the plan shall be voluntary on the part of the individual to whom such services are

offered and shall not be a prerequisite to eligibility for or the receipt of any service under the plan.

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

"PAYMENTS

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

"(b) (1) Prior to the beginning of each quarter, the Secretary shall estimate the amount to which a State will be entitled under subsection (a) for such quarter, such estimates to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection, and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than the State's proportionate share of the total sum of such

estimated expenditures, the source or sources from which the difference is expected to be derived, and (B) such other investigation as the Secretary may find necessary.

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

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

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

"(d) The total amount determined under subsections (a) and (b) and the first sentence of subsection (c) for any fiscal year ending after June 30, 1968, shall

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

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

"OPERATION OF STATE PLANS

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

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

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

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

"SPECIAL PROJECT GRANTS FOR MATERNITY AND INFANT CARE

"SEC. 508. (a) In order to help reduce the incidence of mental retardation and other handicapping conditions caused by complications associated with childbearing and to help reduce infant and maternal mortality, the Secretary is authorized to make, from the sums available under clause (B) of paragraph (1) of section 502, grants to the State health agency of any State and, with the consent of such agency, to the health agency of any political subdivision of the State, and to any other public or nonprofit private agency, institu-

tion, or organization, to pay not to exceed 75 percent of the cost (exclusive of general agency overhead) of any project for the provision of—

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

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

"(3) family planning services,

but only if the State or local agency determines that the recipient will not otherwise receive such necessary health care or services because he is from a low-income family or for other reasons beyond his control. (267)*Acceptance of family planning services provided under a project under this section (and section 512) shall be voluntary on the part of the individual to whom such services are offered and shall not be a prerequisite to the eligibility for or the receipt of any service under such project.*

"(b) No grant may be made under this section for any project for any period after June 30, 1972.

"SPECIAL PROJECT GRANTS FOR HEALTH OF SCHOOL AND PRESCHOOL CHILDREN

"SEC. 509. (a) In order to promote the health of children and youth of school or preschool age, particularly in areas with concentrations of low-income families, the Secretary is authorized to make, from the sums available under clause (B) of paragraph (1) of section 502, grants to the State health agency of any State and (with the consent of such agency) to the health agency of any political subdivision of the State, to the State agency of the State administering or supervising the administration of the State plan approved under section 505, to any school of medicine (with appropriate participation by a school of dentistry), and to any teaching hospital affiliated with such a school, to pay not to exceed 75 percent of the cost of projects of a comprehensive nature for health care and services for children and youth of school age or for preschool children (to help them prepare to start school). No project shall be eligible for a grant under this section unless it provides (1) for the coordination of health care and services provided under it with, and utilization (to the extent feasible) of, other State or local health, welfare, and education programs for such children, (2) for payment of the reasonable cost (as deter-

mined in accordance with standards approved by the Secretary) of inpatient hospital services provided under the project, and (3) that any treatment, correction of defects, or aftercare provided under the project is available only to children who would not otherwise receive it because they are from low-income families or for other reasons beyond their control; and no such project for children and youth of school age shall be considered to be of a comprehensive nature for purposes of this section unless it includes (subject to the limitation in the preceding provisions of this sentence) at least such screening, diagnosis, preventive services, treatment, correction of defects, and aftercare, both medical and dental, as may be provided for in regulations of the Secretary.

"(b) No grant may be made under this section for any project for any period after June 30, 1972.

"SPECIAL PROJECT GRANTS FOR DENTAL HEALTH OF CHILDREN

"SEC. 510. (a) In order to promote the dental health of children and youth of school or preschool age, particularly in areas with concentrations of low-income families, the Secretary is authorized to make grants, from the sums available under clause (B) of paragraph (1) of section 502, to the State health agency of any State and (with the consent of such agency) to the health agency of any political subdivision of the State, and to any other public or nonprofit private

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

"(b) No grant may be made under this section for any project for any period after June 30, 1972.

"TRAINING OF PERSONNEL

"SEC. 511. From the sums available under clause (C) of paragraph (1) or clause (B) of paragraph (2) of section 502, the Secretary is authorized to make grants to public or nonprofit private institutions of higher learning for training personnel for health care and related services for mothers and children, particularly mentally retarded children and children

with multiple handicaps. In making such grants, the Secretary shall give ~~(268)priority~~ *special attention* to programs providing training at the undergraduate level.

"RESEARCH PROJECTS RELATING TO MATERNAL AND CHILD HEALTH SERVICES AND CRIPPLED CHILDREN'S SERVICES

"SEC. 512. From the sums available under clause (C) of paragraph (1) or clause (B) of paragraph (2) of section 502, the Secretary is authorized to make grants to or jointly financed cooperative arrangements with public or other nonprofit institutions of higher learning, and public or nonprofit private agencies and organizations engaged in research or in maternal and child health or crippled children's programs, and contracts with public or nonprofit private agencies and organizations engaged in research or in such programs, for research projects relating to maternal and child health services or crippled children's services which show promise of substantial contribution to the advancement thereof. Effective with respect to grants made and arrangements entered into after June 30, 1968, (1) special emphasis shall be accorded to projects which will help in studying the need for, and the feasibility, costs, and effectiveness of, comprehensive health care programs in which maximum use is made of health personnel with varying levels of training, and in studying methods of training for such programs, and (2) grants

under this section may also include funds for the training of health personnel for work in such projects.

"ADMINISTRATION

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

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

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

"DEFINITION

"SEC. 514. For purposes of this title, a crippled child is an individual under the age of 21 who has an organic

disease, defect, or condition which may hinder the achievement of normal growth and (269)~~development"~~ *development.*

(270)"*OBSERVANCE OF RELIGIOUS BELIEFS*

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

CONFORMING AMENDMENTS

SEC. 302. (a) Section 1905(a)(4) of the Social Security Act is amended by inserting "(A)" after "(4)", and by inserting before the semicolon at the end thereof the following: "(B) effective July 1, 1969, such early and periodic screening and diagnosis of individuals who are eligible under the plan and are under the age of 21 to ascertain their physical or mental defects, and such health care, treatment, and other measures to correct or ameliorate

defects and chronic conditions discovered thereby, as may be provided in regulations of the Secretary".

(b) Section 1902(a)(11) of such Act is amended by inserting "(A)" after "(11)", and by inserting before the semicolon at the end thereof the following: ", and (B) effective July 1, 1969, provide, to the extent prescribed by the Secretary, for entering into agreements, with any agency, institution, or organization receiving payments for part or all of the cost of plans or projects under title V, (i) providing for utilizing such agency, institution, or organization in furnishing care and services which are available under such plan or project under title V and which are included in the State plan approved under this section and (ii) making such provision as may be appropriate for reimbursing such agency, institution, or organization for the cost of any such care and services furnished any individual for which payment would otherwise be made to the State with respect to him under section 1903".

1968 AUTHORIZATION FOR MATERNITY AND INFANT CARE PROJECTS

SEC. 303. Section 531(a) of the Social Security Act is amended by striking out "and $30,000,000 for each of the next three fiscal years" and inserting in lieu thereof "$30,000,000 for each of the next 2 fiscal years, and $35,000,000 for the fiscal year ending June 30, 1968".

(271) *USE OF SUBPROFESSIONAL STAFF AND VOLUNTEERS*

SEC. 304. (a) Section 505(a)(3) of the Social Security Act (as added by section 301 of this Act) is amended by—

(1) striking out "provides" and inserting in lieu thereof "provides (A)";

(2) adding at the end before the semicolon the following: "and (B) provides for the training and effective use of paid subprofessional staff, with particular emphasis on the full-time or part-time employment of persons of low income, as community service aides, in the administration of the plan and for the use of non-paid or partially paid volunteers in providing services and in assisting any advisory committees established by the State agency".

(b) The amendment made by this section shall become effective July 1, 1969, or, if earlier (with respect to a State) on the date as of which the modification of the State plan to comply with such amendment is approved.

(272) *ADMINISTRATION OF THE PROGRAM FOR SERVICES FOR CRIPPLED CHILDREN*

SEC. 305. The Secretary shall administer the program for services for crippled children as established by this title through the Children's Bureau of the Department of Health, Education, and Welfare.

(273) *CHILDREN'S EMOTIONAL ILLNESS*

SEC. 306. Section 231(d) of the Social Security Amendments of 1965 (Public Law 89-97) is amended by striking out the word "two" and inserting in lieu thereof "three".

SHORT TITLE

SEC. (274) ~~304.~~ *306.* This title may be cited as the "Child Health Act of 1967".

TITLE IV—GENERAL PROVISIONS

SOCIAL WORK MANPOWER AND TRAINING

SEC. 401. Title VII of the Social Security Act is amended by adding at the end thereof the following new section:

"GRANTS FOR EXPANSION AND DEVELOPMENT OF UNDERGRADUATE AND GRADUATE PROGRAMS

"SEC. 707. (a) There is authorized to be appropriated $5,000,000 for the fiscal year ending June 30, 1969, and $5,000,000 for each of the three succeeding fiscal years, for grants by the Secretary to public or nonprofit private colleges and universities and to accredited graduate schools of social work or an association of such schools to meet part of the costs of development, expansion, or improvement of (respectively) undergraduate programs in social work and programs for the graduate training of professional social work personnel, including the costs of compensation of additional faculty and administrative personnel and minor improvements

of existing facilities. Not less than one-half of the sums appropriated for any fiscal year under the authority of this subsection shall be used by the Secretary for grants with respect to undergraduate programs.

"(b) In considering applications for grants under this section, the Secretary shall take into account the relative need in the States for personnel trained in social work and the effect of the grants thereon.

"(c) Payment of grants under this section may be made (after necessary adjustments on account of previously made overpayments or underpayments) in advance or by way of reimbursement, and on such terms and conditions and in such installments, as the Secretary may determine.

"(d) For purposes of this section—

"(1) the term 'graduate school of social work' means a department, school, division, or other administrative unit, in a public or nonprofit private college or university, which provides, primarily or exclusively, a program of education in social work and allied subjects leading to a graduate degree in social work;

"(2) the term 'accredited' as applied to a graduate school of social work refers to a school which is accredited by a body or bodies approved for the purpose by the Commissioner of Education or with respect to which

there is evidence satisfactory to the Secretary that it will be so accredited within a reasonable time; and

"(3) the term 'nonprofit' as applied to any college or university refers to a college or university which is a corporation or association, or is owned and operated by one or more corporations or associations, no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual."

(275) ~~INCENTIVE FOR LOWERING COSTS WHILE MAINTAINING QUALITY AND INCREASING EFFICIENCY IN THE PROVISION OF HEALTH SERVICES~~ *INCENTIVE FOR ECONOMY WHILE MAINTAINING QUALITY OR IMPROVING THE PROVISION OF HEALTH SERVICES*

SEC. 402. (a) The Secretary of Health, Education, and Welfare is authorized to develop and engage in experiments under which (276) *physicians who would otherwise be entitled to receive payment on the basis of reasonable charge, and* organizations and institutions which would otherwise be entitled to reimbursement or payment on the basis of reasonable (277) ~~cost~~ *cost*, for services provided—

(1) under title XVIII of the Social Security (278) ~~Act~~ *Act*,

(2) under a State plan approved under title XIX of such Act, or

(3) under a plan developed under title V of such Act,

and which are selected by the Secretary in accordance with regulations established by the Secretary, would be reimbursed or paid in any manner mutually agreed upon by the Secretary and the (279)~~organization or~~ *physician, organization, or* institution. The method of (280)~~reimbursement~~ *payment (in the case of physicians) or reimbursement (in the case of an organization or institution)* which may be applied in such experiments shall be such as the Secretary may select and may be based on charges or costs adjusted by incentive factors and may include specific incentive payments or reductions of payments for the performance of specific actions but in any case shall be such as he determines may, through experiment, be demonstrated to have the effect of increasing the efficiency and economy of health services through the creation of additional incentives to these ends without adversely affecting the quality of such services.

(b) In the case of any experiment under subsection (a), the Secretary may waive compliance with the requirements of titles XVIII, XIX, and V of the Social Security Act insofar as such requirements relate to reimbursement or payment on the basis of reasonable (281)~~cost;~~ *cost, or (in the case of physicians) on the basis of reasonable charge;* and

costs incurred in such experiment in excess of the costs which would otherwise be reimbursed or paid under such titles may be reimbursed or paid to the extent that such waiver applies to them (with such excess being borne by the Secretary).

(c) Section 1875(b) of the Social Security Act is amended by inserting after "under parts A and B" the following: "(including the experimentation authorized by section 402 of the Social Security Amendments of 1967)".

CHANGES TO REFLECT CODIFICATION OF TITLE 5, UNITED STATES CODE

SEC. 403. (a) (1) Section 210(a) (6) (C) (iv) of the Social Security Act is amended by striking out "under section 2 of the Act of August 4, 1947" and inserting in lieu thereof "under section 5351(2) of title 5, United States Code", and by striking out "; 5 U.S.C., sec. 1052".

(2) Section 210(a) (6) (C) (vi) of such Act is amended by striking out "the Civil Service Retirement Act" and inserting in lieu thereof "subchapter III of chapter 83 of title 5, United States Code,".

(3) Section 210(a) (7) (D) (ii) of such Act is amended by striking out "under section 2 of the Act of August 4, 1947" and inserting in lieu thereof "under section 5351(2) of title 5, United States Code", and by striking out "; 5 U.S.C. 1052".

(b) Section 215(h)(1) of such Act is amended—

(1) by striking out "of the Civil Service Retirement Act," and inserting in lieu thereof "of subchapter III of chapter 83 of title 5, United States Code,"; and

(2) by striking out "under the Civil Service Retirement Act" and inserting in lieu thereof "under subchapter III of chapter 83 of title 5, United States Code,".

(c)(1) Section 217(f)(1) of such Act is amended—

(A) by striking out "the Civil Service Retirement Act of May 29, 1930, as amended," and inserting in lieu thereof "subchapter III of chapter 83 of title 5, United States Code,"; and

(B) by striking out "such Act of May 29, 1930, as amended," and inserting in lieu thereof "such subchapter III".

(2) Section 217(f)(2) of such Act is amended by striking out "the Civil Service Retirement Act of May 29, 1930, as amended," and inserting in lieu thereof "subchapter III of chapter 83 of title 5, United States Code,".

(d)(1) Section 706(b) of such Act is amended by striking out "the civil service laws" and inserting in lieu thereof "the provisions of title 5, United States Code, governing appointments in the competitive service".

(2) Section 706(c)(2) of such Act is amended by

striking out "section 5 of the Administrative Expenses Act of 1946 (5 U.S.C. 73b–2)" and inserting in lieu thereof "section 5703 of title 5, United States Code,".

(e) (1) Section 1114(b) of such Act is amended by striking out "the civil-service laws" and inserting in lieu thereof "the provisions of title 5, United States Code. governing appointments in the competitive service".

(2) Section 1114(f) of such Act is amended by striking out "the civil-service laws" and inserting in lieu thereof "the provisions of title 5, United States Code, governing appointments in the competitive service".

(3) Section 1114(g) of such Act is amended by striking out "section 5 of the Administrative Expenses Act of 1946 (5 U.S.C. 73b–2)" and inserting in lieu thereof "section 5703 of title 5, United States Code.".

(f) (1) Section 1501(a) (6) of such Act is amended by striking out "the Civil Service Retirement Act of 1930" and inserting in lieu thereof "subchapter III of chapter 83 of title 5, United States Code,".

(2) Section 1501(a) (9) of such Act is amended by striking out "under section 2 of the Act of August 4, 1947" and inserting in lieu thereof "under section 5351(2) of title 5, United States Code", and by striking out "; 5 U.S.C., sec. 1052".

(g) (1) Section 1840(e) (1) of such Act is amended

by striking out "the Civil Service Retirement Act, or other Act" and inserting in lieu thereof "subchapter III of chapter 83 of title 5, United States Code, or any other law".

(2) Section 1840(e)(2) of such Act is amended by striking out "such other Act" and inserting in lieu thereof "such other law".

(h) Section 103(b)(3) of the Social Security Amendments of 1965 is amended—

(1) by striking out "the Federal Employees Health Benefits Act of 1959" in subparagraph (A) and inserting in lieu thereof "chapter 89 of title 5, United States Code"; and

(2) by striking out "such Act" in subparagraph (C) and inserting in lieu thereof "such chapter".

(i)(1) Section 3121(b)(6)(C)(iv) of the Internal Revenue Code of 1954 is amended by striking out "under section 2 of the Act of August 4, 1947" and inserting in lieu thereof "under section 5351(2) of title 5, United States Code", and by striking out "; 5 U.S.C., sec. 1052".

(2) Section 3121(b)(6)(C)(vi) of such Code is amended by striking out "the Civil Service Retirement Act" and inserting in lieu thereof "subchapter III of chapter 83 of title 5, United States Code,".

(3) Section 3121(b)(7)(C)(ii) of such Code is amended by striking out "under section 2 of the Act of

August 4, 1947" and inserting in lieu thereof "under section 5351 (2) of title 5, United States Code", and by striking out ": 5 U.S.C. 1052".

MEANING OF SECRETARY

SEC. 404. As used in the amendments made by this Act (unless the context otherwise requires), the term "Secretary" means the Secretary of Health, Education, and Welfare.

(282) *STUDY OF FAMILY AND CHILD ALLOWANCE PROPOSALS*

SEC. 405. (a) The Secretary of Labor is authorized and directed to conduct a study and investigation of the various proposals for family allowances and child allowances. In such study and investigation, the Secretary of Labor shall give consideration to (1) the effect of enactment of any of these proposals upon the various Federal-State assistance programs, and (2) the savings which might accrue to the United States Government and to the various State governments from the enactment of such proposals.

(b) In carrying out this study and investigation, the Secretary of Labor shall consult with the Secretary of Health, Education, and Welfare, and with all other appropriate government departments and agencies, and with such other organizations and individuals as he deems appropriate.

(c) On or before January 15, 1969, the Secretary of

Labor shall transmit to the President and to the Congress a report which shall contain a full and complete statement of the findings of fact and the conclusions of such study and investigation including appropriate recommendations for congressional action.

(283)*TITLE V—MISCELLANEOUS PROVISIONS*

(284)*DEDUCTION OF EXPENSES FOR MEDICAL CARE OF INDIVIDUALS WHO HAVE ATTAINED AGE 65*

SEC. 501. (a) Section 213(a) of the Internal Revenue Code of 1954 (relating to allowance of deduction for medical, dental, etc., expenses) is amended to read as follows:

"(a) ALLOWANCE OF DEDUCTION.—

"(1) IN GENERAL.—There shall be allowed as a deduction the following amounts, not compensated for by insurance or otherwise—

"(A) the amount by which the amount of the expenses paid during the taxable year (reduced by any amount deductible under subparagraph (B)) for medical care of the taxpayer, his spouse, and dependents (as defined in section 152) exceeds 3 percent of the adjusted gross income, and

"(B) an amount (not in excess of $150) equal to one-half of the expenses paid during the taxable year for insurance which constitutes medical care for the taxpayer, his spouse, and dependents.

For purposes of this paragraph, amounts paid for the medical care of an individual with respect to whom paragraph (2) applies for the taxable year shall not be taken into account.

"(2) INDIVIDUALS WHO HAVE ATTAINED AGE 65.—There shall be allowed as a deduction the amount of the expenses, not compensated for by insurance or otherwise, paid during the taxable year for the medical care of—

"(A) the taxpayer and his spouse, if either of them has attained the age of 65 before the close of the taxable year, and

"(B) a dependent who (i) is the mother or father of the taxpayer or his spouse and (ii) has attained the age of 65 before the close of the taxable year."

(b) Section 213(b) of such Code (relating to limitation with respect to medicine and drugs) is amended by adding at the end thereof the following new sentence: "The preceding sentence shall not apply to amounts paid for the care of—

"(1) the taxpayer and his spouse, if either of them has attained the age of 65 before the close of the taxable year, or

"(2) any dependent described in subsection (a)(2)(B)."

(c) The amendments made by subsections (a) and (b) shall apply to taxable years beginning after December 31, 1966.

(285) TAX EXEMPT STATUS OF CERTAIN HOSPITAL SERVICE ORGANIZATIONS

SEC. 502. (a) Section 501 of the Internal Revenue Code of 1954 (relating to exemption from tax on corporations, etc.) is amended by redesignating subsection (e) as subsection (f) and by inserting after subsection (d) the following new subsection:

"(e) COOPERATIVE HOSPITAL SERVICE ORGANIZATIONS.—For purposes of this title, an organization shall be treated as an organization organized and operated exclusively for charitable purposes, if—

"(1) such organization is organized and operated exclusively to perform services—

"(A) of a type which, if performed on its own behalf by a hospital which is an organization described in subsection (c)(3) and exempt from taxation under subsection (a), would constitute an integral part of its exempt activities; and

"(B) solely for hospitals each of which is—

"(i) an organization described in subsection (c)(3) which is exempt from taxation under subsection (a),

"(ii) a constituent part of an organization described in subsection (c)(3) which is exempt from taxation under subsection (a) and which, if organized and operated as a separate entity, would constitute an organization described in subsection (c)(3), or

"(iii) owned and operated by the United States, a State, the District of Columbia, or a possession of the United States, or a political subdivision or an agency or instrumentality of any of the foregoing;

"(2) such organization is organized and operated on a cooperative basis and allocates or pays, within 8½ months after the close of its taxable year, all net earnings to patrons on the basis of services performed for them; and

"(3) if such organization has capital stock, all of such stock outstanding is owned by its patrons.

For purposes of this title, any organization which, by reason of the preceding sentence, is an organization described in subsection (c)(3) and exempt from taxation under subsec-

tion (a), shall be treated as a hospital and as an organization referred to in section 503(b)(5)."

(b) The amendments made by subsection (a) shall apply to taxable years ending after the date of the enactment of this Act.

(286) *EXTENSION OF PERIOD FOR FILING APPLICATION FOR EXEMPTION BY MEMBERS OF RELIGIOUS GROUPS OPPOSED TO INSURANCE*

SEC. 503. (a) Section 1402(h)(2) of the Internal Revenue Code of 1954 (relating to time for filing applications by members of certain religious faiths) is amended to read as follows:

"(2) TIME FOR FILING APPLICATION.—For purposes of this subsection, an application must be filed—

"(A) In the case of an individual who has self-employment income (determined without regard to this subsection and subsection (c)(6)) for any taxable year ending before December 31, 1967, on or before December 31, 1968, and

"(B) In any other case, on or before the time prescribed for filing the return (including any extension thereof) for the first taxable year ending on or after December 31, 1967, for which he has self-

employment income (as so determined), except that an application filed after such date but on or before the last day of the third calendar month following the calendar month in which the taxpayer is first notified in writing by the Secretary or his delegate that a timely application for an exemption from the tax imposed by this chapter has not been filed by him shall be deemed to be filed timely."

(b) The amendment made by subsection (a) shall apply with respect to taxable years beginning after December 31, 1950. For such purpose, chapter 2 of the Internal Revenue Code of 1954 shall be treated as applying to all taxable years beginning after such date.

(c) If refund or credit of any overpayment resulting from the enactment of this section is prevented on the date of the enactment of this Act or at any time on or before December 31, 1968, by the operation of any law or rule of law, refund or credit of such overpayment may, nevertheless, be made or allowed if claim therefor is filed on or before December 31, 1968. No interest shall be allowed or paid on any overpayment resulting from the enactment of this section.

(287) *COVERAGE STATUS OF FISHERMEN AND TRUCK LOADERS AND UNLOADERS*

SEC. 504. (a)(1) Section 210(j) of the Social Security Act is amended by striking out the period at the end of paragraph (3) and inserting in lieu thereof "; or ", and by adding at the end thereof the following new paragraphs:

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

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

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

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

"Treatment of Owners and Lessees of Vessels as Employers

"(p) An individual who is an employee under the provisions of subsection (j)(4) shall be deemed to be the employee of the owner of the vessel on or in connection with which his services are performed, except that if—

"(1) such vessel has been chartered or leased and the owner has no interest of any kind in the fish, shellfish, crustacea, sponges, seaweeds, or other forms of aquatic animal or vegetable life caught, taken, harvested, cultivated, or farmed by such vessel, or in the proceeds thereof, and

"(2) any charterer or lessee of such vessel has such an interest,

such an individual shall be deemed to be the employee of such charterer or lessee. If by reason of the preceding sentence an individual is deemed to be the employee of more than one charterer or lessee, and one or more (but less than all) of such charterers or lessees are not officers or members of the crew of such vessel, such individual shall be deemed to be the employee of each of the charterers or lessees who is not an officer or member of the crew of such vessel.

"Employers of Truck Loaders and Unloaders

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

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

(b)(1) Section 3121(d) of the Internal Revenue Code of 1954 (definition of employee) is amended by striking out the period at the end of paragraph (3) and inserting in

lieu thereof "; or" and by adding at the end thereof the following new paragraphs:

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

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

(2) Section 3121 of such Code (definitions relating to Federal Insurance Contributions Act) is amended by adding at the end thereof the following new subsections:

"(r) TREATMENT OF OWNERS AND LESSEES OF VESSELS AS EMPLOYERS.—For purposes of this chapter, an individual who is an employee under the provisions of sub-

section (d)(4) shall be deemed to be the employee of the owner of the vessel on or in connection with which his services are performed, except that if—

"(1) such vessel has been chartered or leased and the owner has no interest of any kind in the fish, shellfish, crustacea, sponges, seaweeds, or other forms of aquatic animal or vegetable life caught, taken, harvested, cultivated or farmed by such vessel, or in the proceeds thereof, and

"(2) any charterer or lessee of such vessel has such an interest,

such individual shall be deemed to be the employee of such charterer or lessee. If by reason of the preceding sentence an individual is deemed to be the employee of more than one charterer or lessee, and one or more (but less than all) of such charterers or lessees are not officers or members of the crew of such vessel, such individual shall be deemed to be the employee of each of the charterers or lessees who is not an officer or member of the crew of such vessel.

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

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

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

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

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

(288) *REFUND OF CERTAIN OVERPAYMENTS BY EMPLOYEES OF HOSPITAL INSURANCE TAX*

SEC. 505. (a) Section 6413(c) of the Internal Revenue Code of 1954 (relating to special refunds of overpayments of certain employment taxes) is amended by adding at the end thereof the following new paragraph:

"(3) APPLICABILITY WITH RESPECT TO COMPENSATION OF EMPLOYEES SUBJECT TO THE RAILROAD RETIREMENT TAX ACT.—In the case of any individual who, during any calendar year after 1967, receives wages from one or more employers and also receives compensation which is subject to the tax imposed by section 3201 or 3211, such compensation shall, solely for purposes of applying paragraph (1) with respect to the tax imposed by section 3101(b), be treated as wages received from an employer with respect to which the tax imposed by section 3101(b) was deducted."

(b)(1) The second sentence of section 1402(b) of such Code (relating to definition of self-employment income) is amended (A) by inserting "(A)" immediately after "'wages'", and (B) by inserting immediately before the period the following: ", and (B) includes, but solely with re-

spect to the tax imposed by section 1401(b), compensation which is subject to the tax imposed by section 3201 or 3211".

(2) The amendments made by paragraph (1) shall be effective only with respect to taxable years ending on or after December 31, 1968.

(c)(1) Section 6051(a) of the Internal Revenue Code of 1954 (relating to requirement of receipts for employees) is amended—

(A) by striking out "section 3101 or 3402" in the matter preceding paragraph (1) and inserting in lieu thereof "section 3101, 3201, or 3402";

(B) by striking out "and" at the end of paragraph (5), and by striking out the period at the end of paragraph (6) and inserting in lieu thereof ", and"; and

(C) by inserting after paragraph (6) the following new paragraphs:

"(7) the total amount of compensation with respect to which the tax imposed by section 3201 was deducted, and

"(8) the total amount deducted as tax under section 3201."

(2) Section 6051(c) of such Code (relating to additional requirements) is amended by striking out "section

3101" in the second sentence and inserting in lieu thereof "sections 3101 and 3201".

(3) The amendments made by paragraphs (1) and (2) shall apply in respect of remuneration paid after December 31, 1967.

(289) *JOINT EMPLOYEES OF CERTAIN TAX-EXEMPT ORGANIZATIONS*

SEC. 506. For purposes of the Internal Revenue Code of 1954, if—

(1) an individual is an employee of two or more organizations described in section 501(c)(4) of such Code and exempt from taxation under section 501(a) of such Code which provide hospital or medical insurance, and

(2) one of such organizations pays to such individual all the remuneration for his employment by such organizations,

the organization which pays such remuneration shall, with the consent of each such other organization, be treated as the employer of such individual with respect to his employment by such organizations. The consent of an organization under the preceding sentence shall be made at such time, in such

manner, and subject to such conditions, as the Secretary of the Treasury or his delegate may prescribe by regulations.

(290) *EXTENSION OF TIME TO PROVIDE ASSISTANCE FOR UNITED STATES CITIZENS RETURNED FROM FOREIGN COUNTRIES*

SEC. 507. Section 1113(d) of the Social Security Act is amended by striking out "1968" and inserting in lieu thereof "1969".

(291) *PROTECTION OF VETERANS' BENEFITS*

SEC. 508. (a)(1) Section 415(g) of title 38, United States Code, is amended by adding at the end thereof a new paragraph as follows:

"(3) Notwithstanding the provisions of paragraph (1) of this subsection, in the case of any individual—

"(A) who, for the month in which the Social Security Amendments of 1967 is enacted, is entitled to a monthly insurance benefit under section 202 or 223 of the Social Security Act, and

"(B) who, for such month, or for any subsequent month, is entitled to dependency and indemnity compensation under this section,

there shall not be counted, in determining the annual income of such individual, any increase in benefits under such sections of the Social Security Act which result

from the enactment of the Social Security Amendments of 1967."

(2) Section 503 of title 38, United States Code, is amended by inserting "(a)" after "503", and adding at the end thereof the following:

"(b) Notwithstanding the provisions of subsection (a) of this section, in the case of any individual—

"(1) who, for the month in which the Social Security Amendments of 1967 is enacted, is entitled to a monthly insurance benefit under section 202 or 223 of the Social Security Act, and

"(2) who, for such month, or for any subsequent month, is entitled to pension under the provisions of this chapter, or under the first sentence of section 9(b) of the Veterans' Pension Act of 1959, there shall not be counted, in determining the annual income of such individual, any increase in benefits under such sections of the Social Security Act which result from the enactment of the Social Security Amendments of 1967."

(292) *AMENDMENTS TO SECOND LIBERTY BOND ACT*

SEC. 509. (a) The second sentence of section 22(b)(1) of the Second Liberty Bond Act (31 U.S.C. 757c) is amended to read as follows: "Such bonds and certificates may be sold at such price or prices, bear such interest rate

or afford such investment yield or both, and be redeemed before maturity upon such terms and conditions as the Secretary of the Treasury may prescribe."

(b) The second sentence of section 22A(b)(1) of such Act (31 U.S.C. 757c–2) is amended to read as follows: "Such bonds shall be sold at such price or prices, afford such investment yield, and be redeemable before maturity upon such terms and conditions as the Secretary of the Treasury may prescribe."

(c) Section 25 of such Act (31 U.S.C. 757c–1) is repealed.

(d) The Secretary of the Treasury is hereby directed to take such action as may be necessary to assure that bonds affected by the amendments made by subsection (a), (b), or (c) of this section which are issued after December 31, 1967, shall bear interest or provide investment yield comparable to the interest or investment yield payable, on obligations of similar maturity and which are not affected by the amendments made by subsections (a), (b), and (c) of this section.

FOSTER CARE FOR CHILDREN

(293) *SEC. 510. (a) Title V of the Social Security Act (as amended by the preceding provisions of this Act) is further amended by adding at the end thereof the following new part:*

"PART 5—GRANTS TO STATES FOR AID TO CHILDREN UNDER FOSTER CARE

"APPROPRIATIONS

"SEC. 541. For the purpose of facilitating the proper foster care of children whose welfare can best be advanced through such care by enabling each State to furnish financial assistance and needed welfare services, as far as practicable under the conditions in such State, to children placed under foster care, there is hereby authorized to be appropriated for each fiscal year a sum sufficient to carry out the purposes of this part. The sums made available under this section shall be used for making payment to States which have submitted, and had approved by the Secretary, State plans for aid and services to children under foster care.

"STATE PLANS FOR AID AND SERVICES TO CHILDREN UNDER FOSTER CARE

"SEC. 542. (a) A State plan for aid and services to children under foster care must—

"(1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them;

"(2) provide for financial participation by the State;

"(3) provide that the State public-welfare agency which administers the child-welfare services plan de-

veloped as provided in part 3 of this title shall be designated as the State agency to administer, or supervise the administration of, the State plan under this part;

"(4) provide for granting an opportunity for a fair hearing before the State agency to any person whose claim for aid to children under foster care is denied or is not acted upon with reasonable promptness;

"(5) provide such methods of administration (including methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Secretary to be necessary for the proper and efficient operation of the State plan;

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

"(7) provide that (A) the amount of aid, if any, to be provided under the State plan with respect to any

child under foster care shall be determined on the basis of his need therefor, taking into consideration any income and resources of such child which are available to defray the expenses of his care; and (B) the State agency shall not deny or limit the amount or extent of the aid otherwise available under the State plan to any child, on the ground of his lack of need for such aid, until such agency is fully satisfied, as the result of affirmative evidence, that there is a lack of need on the part of such child for such aid;

"(8) provide safeguards which restrict the use or disclosure of information concerning applicants and recipients of aid to children under foster care to purposes directly connected with the administration of the State plan (except that this requirement shall not be applicable in the case of aid under such plan provided to children placed in a child-care institution);

"(9) provide that all persons wishing to make application for aid to children under foster care shall have opportunity to do so, and that such aid shall be furnished with reasonable promptness to all eligible persons;

"(10) provide that aid to children under foster care will not be provided to any child with respect to

any period for which such child is receiving aid under the State plan of such State approved under section 402 of this Act;

"(11) provide for the development and application of a program for such welfare and related services for each child who receives aid to children under foster care as may be necessary to promote the welfare of such child, and provide for the coordination of such program, and any other services provided for children under the State plan, with the child-welfare services plan developed as provided in part 3 of this title, with a view toward providing welfare and related services which will best promote the welfare of such child;

"(12) provide for the development, with respect to each child who receives aid to children under foster care, of an individual welfare plan, which shall include a continuing study of the child's needs, of the most suitable available home in which he can be placed, and a periodic review of his case, and provide that, in carrying out such welfare plan, use may be made of services of private nonprofit child-care agencies and organizations; and

"(13) contain or be supported by assurances satisfactory to the Secretary that amounts payable to such State under section 543 to carry out the State plan will

be so used as to supplement the level of non-Federal funds that would, in the absence of such amounts, be available in the State for the purpose of providing aid and welfare services to children who are under foster care in such State.

"PAYMENT TO STATES

"SEC. 543. (a) From the sums appropriated therefor, the Secretary shall pay to each State which has a plan approved under this part, for each quarter, beginning with the quarter commencing October 1, 1967—

"(1) an amount equal to the Federal percentage (as defined in section 545(f)) of the total amount expended under the State plan during such quarter as aid to children under foster care with respect to children in foster family homes and child-care institutions (including expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof), not counting so much of any expenditure with respect to any month as exceeds the product of $50 multiplied by the total number of children who were recipients of such aid for such month (which total number, for purposes of this subsection, means (A) the number of children in foster family homes and child-care institutions with respect to whom such aid in the form of money payments is paid for such month, plus (B) the number of other

children in such homes and institutions with respect to whom expenditures were made in such month as aid to children under foster care in the form of medical or any other type of remedial care);

"(2) an amount equal to 75 per centum of (A) the total amount expended during such quarter in providing services (as prescribed by the Secretary under regulations) necessary to promote the welfare of children receiving aid to children under foster care under the State plan, plus (B) the total amount expended during such quarter as found necessary by the Secretary for the training of personnel employed or preparing for employment by the State agency or by the local agency administering the plan in the political subdivision; plus

"(3) an amount equal to one-half of the total sums expended during such quarter as found necessary by the Secretary for the proper and efficient administration of the State plan, including services and training referred to in paragraph (2) and provided in accordance with the requirements of this part and regulations promulgated by the Secretary.

The services referred to in paragraph (2)(A) shall include only services provided by the staff of the State agency, or of the local agency administering the State plan in the political subdivision, except that, subject to limitation prescribed

by the Secretary, there may be included services provided by nonprofit private agencies under contract with the State agency, if, in the judgment of the State agency, the State agency cannot provide such services as economically or as effectively by its staff or through a local agency as such services can be provided under contract with nonprofit private agencies.

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

"(2) The Secretary shall then pay, in such installments as he may determine, to the State the amount so estimated, reduced, or increased to the extent of any overpayment or underpayment which the Secretary determines

was made under this section to such State for any prior quarter and with respect to which adjustment has not already been made under this subsection.

"(3) The pro rata share to which the United States is equitably entitled, as determined by the Secretary, of the net amount recovered, during any quarter by the State or political subdivision thereof with respect to aid to children under foster care, shall be considered an overpayment under this subsection.

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

"OPERATION OF STATE PLANS

"SEC. 544. If the Secretary, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of the State plan approved under this part, finds—

"(1) that the plan has been so changed that it no longer complies with the provisions of section 542; or

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

the Secretary shall notify such State agency that further payments will not be made to the State (or, in his discretion, that payments will be limited to categories under or

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

"DEFINITIONS

"SEC. 545. For the purposes of this part—

"(a) The term 'child' means a needy child who (1) has not attained the age of eighteen, (2) has been deprived of parental support or care, and (3) is not (and upon making proper application therefor would not be) entitled to receive aid to families with dependent children under the State plan, approved under section 402 of this Act, of the State in which he lives.

"(b) The term 'aid', when applied to a child under foster care, means (1) money payments with respect to such child, plus (2) medical care in behalf of or any type of remedial care recognized under State law in behalf of such child.

"(c) The term 'foster family home' means a private family home, which is licensed by the State in which it is situated or has been approved by the agency of such State responsible for licensing homes of this type as meeting the standards established for such licensing.

"(d) The term 'child-care institution' means a public or nonprofit private institution which provides foster care for children and which is licensed by the State in which it is situated or has been approved, by the agency of such State responsible for licensing institutions of this type, as meeting the standards established for such licensing.

"(e) A child shall be considered to be 'under foster care' only if (1) he is actually living in a foster family home or a child-care institution, and (2)(A) he has been placed in such home or institution as a result of a determination, by a court of competent jurisdiction or of a public welfare or other public agency having a legal responsibility for his welfare, to the effect that his welfare can best be promoted by his placement therein, or (B) his having been placed in such a home or institution is approved by a State or local welfare agency officially concerned with his welfare except that no child shall be considered to be under foster care if he is living with an individual who is one of the relatives specified in section 406(a) of such child.

"(f) The term 'Federal percentage' means the Federal percentage as defined in section 1101(a)(8) except that, in the case of Puerto Rico, the Virgin Islands, and Guam, the Federal percentage shall be 50 per centum."

(b)(1) Section 1116(a)(1) of such Act is amended by inserting "or part 5 of title V," after "XIX,".

(2) Section 1116(a)(3) of such Act is amended by inserting "544," after "404,".

(3) Section 1116(b) of such Act is amended by inserting ", or part 5 of title V," after "XIX".

(4) Section 1116(d) of such Act is amended by inserting ", or part 5 of title V," after "XIX".

(e)(1) Clause (1) of the first sentence of section 1901 of such Act is amended by inserting "and needy dependent children under foster care entitled to benefits under part 5 of title V" after "families with dependent children".

(2)(A) Section 1902(a)(10) of such Act is amended by inserting ", and part 5 of title V" after "XVI".

(B) Section 1902(a)(17) is amended by inserting ", or part 5 of title V" after "XVI".

(3) Section 1902(c) of such Act is amended by inserting ", or part 5 of title V" after "XVI".

(4) Section 1903(a)(1) of such Act is amended by inserting ", or part 5 of title V," after "XVI,".

(d) Section 121(b) of the Social Security Amendments of 1965 is amended by inserting ", or part 5 of title V," after "XVI".

(294) *EXCLUSION FROM DEFINITION OF WAGES OF CERTAIN RETIREMENT, ETC., PAYMENTS UNDER EMPLOYER ESTABLISHED PLANS*

SEC. 511. (a) Section 3121(a) of the Internal Revenue Code of 1954 (definition of wages) is amended by striking out "or" at the end of paragraph (11), by striking out the period at the end of paragraph (12) and inserting in lieu thereof "; or", and by adding at the end thereof the following new paragraph:

"(13) any payment or series of payments by an employer to an employee or any of his dependents which is made or begins—

"(A) upon the retirement, death, or disability of the employee, and

"(B) under a plan established by the employer which makes provision for his employees generally or a class or classes of his employees (or for such employees or class or classes of employees and their dependents)."

(b) Section 3306(b) of such Code (definition of wages) is amended by striking out "or" at the end of paragraph (8), by striking out the period at the end of paragraph (9) and inserting in lieu thereof "; or", and by adding at the end thereof the following new paragraph:

"(10) any payment or series of payments by an

employer to an employee or any of his dependents which is made or begins—

"(A) upon the retirement, death, or disability of the employee, and

"(B) under a plan established by the employer which makes provision for his employees generally or a class or classes of his employees (or for such employees or class or classes of employees and their dependents)."

(c) Section 209 of the Social Security Act (definition of wages) is amended by striking out "or" at the end of subsection (k), by striking out the period at the end of subsection (l) and inserting in lieu thereof "; or", and by inserting after subsection (l) the following new subsection:

"(m) Any payment or series of payments by an employer to an employee or any of his dependents which is made or begins—

"(1) upon the retirement, death, or disability of the employee, and

"(2) under a plan established by the employer which makes provision for his employees generally or a class or classes of his employees (or for such employees or class or classes of employees and their dependents)."

(d) The amendments made by this section shall apply

with respect to remuneration paid after the date of the enactment of this Act.

(295)*TITLE VI—QUALITY AND COST CONTROL STANDARDS FOR DRUGS*

QUALITY AND COST CONTROL FOR DRUGS PAYABLE FROM FEDERAL FUNDS

SEC. 601. Title XI of the Social Security Act is amended by inserting immediately below the heading of such title the following: "PART A—MISCELLANEOUS" and by adding at the end of such title the following new part:

"PART B—QUALITY AND COST CONTROL FOR DRUGS PAYABLE FROM FEDERAL FUNDS

"SEC. 1130. (a)(1) There is hereby established, within the Department of Health, Education, and Welfare, a Formulary Committee, a majority of whose members shall be physicians and which shall consist of three officials of such Department designated by the Secretary, and of six individuals (not otherwise in the regular full-time employ of the Federal Government) who are of recognized professional standing in the fields of medicine and pharmacy, to be appointed by the Secretary without regard to the provisions of title 5, United States Code, governing appointments in the competitive service. The Chairman of the Committee shall be elected, from the appointed members thereof, by majority vote of the members of the Committee. The term of office

of the Chairman shall be one year, but the same person may hold such office for any number of terms.

"(2) Each appointed member of the Formulary Committee shall hold office for a term of five years, except that any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term, and except that the terms of office of the members first taking office shall expire, as designated by the Secretary at the time of appointment, one at the end of the first year, one at the end of the second year, one at the end of the third year, one at the end of the fourth year, and one at the end of the fifth year, after the date of appointment. A member shall not be eligible to serve continuously for more than two terms.

"(b) Appointed members of the Formulary Committee, while attending meetings or conferences thereof or otherwise serving on business of the Committee, shall be entitled to receive compensation at rates fixed by the Secretary, but not exceeding $100 per day, including traveltime, and while so serving away from their homes or regular places of business they may be allowed travel expenses, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

"(c)(1) The Formulary Committee is authorized to

engage such technical assistance as may be required to carry out its functions, and the Secretary shall, in addition, make available to the Formulary Committee such secretarial, clerical, and other assistance as the Formulary Committee may require to carry out its functions.

"(2) The Secretary shall furnish to the Formulary Committee such office space, materials, and equipment as may be necessary for the Formulary Committee to carry out its functions.

"FORMULARY OF THE UNITED STATES

"SEC. 1131. (a)(1) The Formulary Committee shall compile, publish, and make available a Formulary of the United States (hereinafter in this title referred to as the 'Formulary').

"(2) The Formulary Committee shall periodically revise the Formulary and the listing of drugs so as to maintain currency in the contents thereof.

"(b)(1) The Formulary shall contain an alphabetically arranged listing, by established name, of those drugs which the Formulary Committee finds are necessary for recipients of aid, assistance, benefits, or services under the several programs operated or supported by the Department of Health, Education, and Welfare and for which Federal funds are to be expended. The Formulary Committee may exclude from the Formulary any drugs which the Formulary

Committee determines are not necessary for proper patient care, taking into account other drugs that are available from the Formulary.

"(2) The Formulary Committee may also include in the Formulary, either as a separate part (or parts) thereof or as a supplement (or supplements) thereto, any or all of the following information:

"(A) A supplemental list or lists, arranged by diagnostic, prophylactic, therapeutic, or other classifications, of the drugs included in the listing referred to in paragraph (1).

"(B) The proprietary names under which a drug listed in the Formulary by established name is sold, and the names of each supplier (as manufacturer, wholesaler, or distributor) of such a listed drug who, on the basis of inspection, sample examination, and a scientific review of promotional claims is in the opinion of the Committee producing or distributing such drug in conformity with the requirements of the Federal Food, Drug, and Cosmetic Act and (where applicable) the Public Health Service Act.

"(C) Prescribing information (including conditions of use required in the interest of rational drug therapy) which will promote the safe and effective use,

under professional supervision, of the drugs referred to in paragraph (1).

"(D)(i) A listing of the prices charged by the suppliers named in the Formulary; and (ii) the guide or guides as to reasonable cost ranges issued pursuant to section 1133.

"(E) A prominent statement that payment from Federal funds is restricted to a reasonable acquisition cost range, plus fee, established by the Secretary pursuant to this part, for a drug listed in the Formulary, unless the prescriber, in his order, has specifically designated a drug by its established name together with the name of the manufacturer of the final dosage form thereof.

"(F) Any other information which in the judgment of the Formulary Committee would be useful in carrying out the purposes of this part.

"(c) In considering whether (under the authority contained in subsection (b)) a particular drug shall be included in the Formulary, the Formulary Committee is authorized to obtain (upon request therefor) any record pertaining to the characteristics of such drug which is available to any other department, agency, or instrumentality of the Federal Government, and, as a condition of such inclusion, to require suppliers of drugs to make available to the Committee information (including information to be obtained through

testing) relating to such drug. If any such record or information (or any information contained in such record) is of a confidential nature, the Formulary Committee shall exercise utmost care in preserving the confidentiality of such record or information and shall limit its usage thereof to the proper exercise of such authority.

"(d)(1) The Formulary Committee, in addition to such data and testing as it may require of a proponent of the listing of a drug in the Formulary, shall have authority to cause to be made such tests, and shall establish such procedures, as may be necessary to determine the propriety of the inclusion or exclusion, in the Formulary, of any drug. The Formulary Committee may enter into agreements, on a reimbursable basis or otherwise, with public or private agencies or organizations which the Formulary Committee finds qualified to conduct such tests under which such agencies or organizations will make all or any of such tests for and on behalf of the Formulary Committee.

"(2) The Formulary Committee, prior to making a final determination to remove from listing in the Formulary any drug which would otherwise be included under subsection (b) of this section, shall afford a reasonable opportunity for a hearing on the matter to any person engaged in manufacturing, preparing, propagating, compounding, or proc-

essing such product who shows reasonable grounds for such a hearing. Any person adversely affected by the final decision of the Formulary Committee may obtain judicial review in accordance with the procedures specified in section 505 (h) of the Federal Food, Drug, and Cosmetic Act.

"(3) Any person engaged in the manufacture, preparation, propagation, compounding, or processing of any drug not included in the Formulary which such person believes to possess the requisites to entitle such drug to be included in the Formulary pursuant to subsection (b), may petition for inclusion of such drug and, if such petition is denied by the Formulary Committee, shall, upon request therefor, showing reasonable grounds for a hearing, be afforded a hearing on the matter. The final decision of the Formulary Committee shall, if adverse to such person, be subject to judicial review in accordance with the procedures specified in section 505(h) of the Federal Food, Drug, and Cosmetic Act.

"QUALIFIED DRUG

"SEC. 1132. As used in this title, the term 'qualified drug' means a drug—

"(a) which (1) is listed in the Formulary, or (2) is furnished to a patient by a hospital which (A) is accredited by the Joint Commission on Accreditation of Hospitals or the American Osteopathic Association

and (B) utilizes a formulary system established by a pharmacy and therapeutics committee (or equivalent committee) in accordance with standards established by such commission or association, or (3) is a prescription legend drug prescribed in the handwriting of a lawful prescriber by its established name together with the name of the manufacturer of the final dosage form thereof, and

"(b) the label on the package or container from or in which such drug is dispensed in final dosage form bears, in accordance with regulations of the Secretary, the registration number (assigned under section 510(e) of the Federal Food, Drug, and Cosmetic Act) of the person or establishment which manufactured, prepared, propagated, compounded, or processed such drug in such form and, if different, also the registration number (so assigned) of the final packager of such drug.

"REASONABLE ACQUISITION COST RANGE

"SEC. 1133. (a)(1) The Secretary shall establish and publish (and periodically revise so as to keep current) a guide or guides showing the reasonable acquisition cost range (to establishments dispensing drugs) of each qualified drug listed in the Formulary and the names of the suppliers of the products upon which the cost range for a qualified drug

is based. If the sources from which such a drug is available charge different prices therefor to different classes or types of dispensers, the Secretary may, in establishing the reasonable acquisition cost range for any drug, establish such a range for each class or type of dispenser of such drug.

"(2)(A) The reasonable acquisition cost range of any particular drug shall not exceed the amount or amounts at which such drug is generally available for sale (to establishments dispensing drugs) in a given strength or dosage form by its established name or, if lower, by proprietary designation; and in any case in which a drug is so available and so sold by more than one supplier, the Secretary shall exclude, in determining such cost range, amounts (at which such drug is so available and so sold) which vary significantly from the amounts at which such drug is so available and sold by other suppliers thereof. If a particular drug in the Formulary is available from more than one supplier, and such drug as available by proprietary designation possesses distinct therapeutic advantages (as determined by the Formulary Committee), then the reasonable acquisition cost range of the drug bearing such proprietary designation shall be the price at which it is generally available to such establishments.

"(3) In considering (for purposes of establishing a reasonable acquisition cost range for any drug) the various

sources from which and the varying prices at which such drug is generally available, there shall not be taken into account the price of any drug which does not meet the conditions set forth in section 1132(b).

"REASONABLE CHARGE FOR DRUGS

"SEC. 1134. (a) For purposes of this part, the term "reasonable charge" means the following:

"(1) When used with respect to a prescription legend drug, such term means the lesser of—

"(A)(i) those charges for a qualified drug which do not exceed the actual or accounting basis cost to the dispenser of the drug dispensed and which, in the case of a drug described in section 1132(a) (1) or (2), are within the reasonable acquisition cost range established pursuant to section 1133, plus (ii) a reasonable fee as determined pursuant to this section, or

"(B) the usual or customary charge at which the dispenser sells or offers such drug to the public.

"(2) When used with respect to a prescribed non-legend drug, such term means those charges which do not exceed the usual or customary price at which the dispenser offers or sells the product to the general public, plus a reasonable billing allowance.

"(b) The Secretary shall, after appropriate consultation with private organizations representing those who render

pharmaceutical services and governmental agencies affected, establish criteria for determining the amounts of (1) the fee (which shall include but shall not be limited to costs of overhead, professional services, and a fair profit) and (2) reasonable billing allowances for prescribed nonlegend drugs dispensed.

"(c) The Secretary shall, on a reimbursable basis or otherwise, enter into an agreement with any State which designates a public agency for the purpose of establishing reasonable fees for the dispensing of drugs in such State under which agreement such agency will (for purposes of this title) determine, in accordance with such criteria, and after appropriate consultation with organizations and agencies of the kinds referred to in subsection (b), reasonable fees or billing allowances for or in connection with the dispensing of drugs in such State.

"(d) Whenever the Secretary determines that, in a particular State or other geographic area, the price at which a particular drug is generally available varies substantially from the price at which such drug is usually sold in other areas, he may make appropriate adjustments in the reasonable acquisition cost range for such drug with respect to such area.

"(e) Nothing in this section shall be construed to

prevent any supplier or dispenser of any drug from charging less than the reasonable acquisition cost or reasonable charge.

"DEFINITIONS

"SEC. 1135. *For the purposes of this part—*

"*(1) The term 'drug' means a 'drug' as defined in section 201 of the Federal Food, Drug, and Cosmetic Act (including those specified in section 351 of the Public Health Service Act).*

"*(2) The term 'established name' with respect to a drug means its 'established name' as defined in section 502(e) of such Act.*

"*(3) The term 'prescription legend drug' means a drug described in section 503(b)(1) (A), (B), or (C) of such Act.*

"*(4) The term 'prescribed nonlegend drug' means a drug which is not a prescription legend drug but is dispensed upon prescription of a practitioner licensed by law to administer such drug.*

"LIMITATIONS ON FEDERAL LIABILITY FOR CHARGES OF PROVIDERS OF SERVICES

"SEC. 1136. *Any supplier of drugs whose services (including the cost of the drug supplied) are reimbursable under any title of this Act on the basis of 'reasonable cost' shall not be entitled to a fee or billing allowance as determined pur-*

suant to this part; nor shall such fee or billing allowance be payable under any such title with respect to any drug that can (as determined in accordance with regulations) be self-administered, is furnished as an incident to a physician's professional service, and is of a kind commonly furnished in physicians' offices and commonly either rendered without charge or included in the physicians' bills."

LIMITATIONS ON FEDERAL FINANCIAL LIABILITY UNDER MEDICAL INSURANCE AND ASSISTANCE PROGRAMS

SEC. 602. (a) Effective with respect to expenditures made after June 30, 1970, section 1903 of the Social Security Act, as amended by this Act, is further amended by adding at the end thereof the following new subsection:

"(g) Notwithstanding the preceding provisions of this section, in determining (for purposes of subsection (a)) the amounts expended as medical assistance by a State under its State plan approved under this title, there shall not be counted (1) so much of the cost of any drug as exceeds the reasonable charge for such drug as determined under section 1134, or (2) any part of the cost of such drug if such drug is not a qualified drug as determined under section 1132."

(b) With respect to services furnished after June 30, 1970, section 1861(v) of the Social Security Act is amended by adding at the end thereof the following new paragraph:

"(5) Notwithstanding the preceding provisions of this subsection, if any services provided under this title include the furnishing of any drug or biological to an individual, there shall not be counted in determining the cost of such services—

"(A) so much of the cost of such drug or biological as exceeds the reasonable charge therefor as determined under section 1134, or

"(B) any part of the cost of such drug or biological if it is not a qualified drug as determined under section 1132."

ASSIGNMENT OF REGISTRATION NUMBERS TO DRUG PRODUCTS—USE OF SUCH NUMBER ON DRUG LABEL

Assignment of Registration Numbers

SEC. 603. (a) Section 510(e) of the Federal Food, Drug and Cosmetic Act is amended to read as follows:

"(e) The Secretary shall assign a registration number to every person or establishment, registered in accordance with this section, that manufactures, prepares, propagates, compounds, or processes a drug or drugs in final dosage form, or that (if different) is the final packager (as defined by regulation) of such drug or drugs in such form, and he may assign a registration number to any other person or establishment so registered."

Label Disclosure of Registration Number—When Required or Prohibited

(b) Such Act is further amended by inserting after section 510 and before section 511 the following new section:

PLACEMENT OF REGISTRATION NUMBER ON DRUG LABEL—WHEN REQUIRED OR PROHIBITED

"SEC. 510A. (a) Except as otherwise provided in subsection (b)—

"(1) every person who owns or operates an establishment, registered under section 510, in which is manufactured, prepared, propagated, compounded, or processed, in final dosage form, a drug or drugs intended for use by man, shall, in accordance with regulations, cause the registration number assigned to such person or establishment pursuant to subsection (e) of such section and the complete name of such person or establishment to be placed on the label of each package or container containing any such drug so manufactured, prepared, propagated, compounded, or processed, in such establishment, and

"(2) unless the establishment referred to in paragraph (1) is also the final packager (as defined by regulation) of such drug or drugs in such form, the person who owns or operates the establishment which is such final packager shall cause to be placed on the label of

each final package or container of such drug so packaged both the complete name and registration number (assigned pursuant to section 510(e)) of such person or final packaging establishment and the name and registration number referred to in paragraph (1).

"(b) Any other person owning or operating an establishment having a registration number assigned pursuant to section 510 may, except as otherwise provided in subsection (c) or by regulation, place such registration number on packages of drugs of which it is a manufacturer, packer, or distributor.

"Prohibition Against Placing of Registration Number on Packages of Drugs Made During Period of Law Violation

"(c)(1) If the Secretary has, by order, determined that a drug that is intended for use by man and that is being manufactured, prepared, propagated, compounded, or processed by a person to whom, or in an establishment to which, a registration number has been assigned pursuant to section 510(e), is not in conformity with applicable law, the registration number assigned to such person or to such establishment (as may be specified in such order) may not, after the Secretary has served notice of such order (or, if the order specifies a later effective date, then such date) and while such order is in effect, be placed, by anyone having notice of such order, on the label of any package of such

drug manufactured, prepared, propagated, compounded, or processed by such person or in such establishment. The Secretary's order shall set forth the respects in which he has determined that such drug is not in conformity with applicable law.

"(2) For the purposes of this subsection, a drug shall, with respect to any person or establishment referred to in an order pursuant to such paragraph, be deemed not to be in conformity with applicable law if such drug (A) is deemed to be adulterated or misbranded within the meaning of this Act, or (B) is a new drug with respect to which there is not in effect an approval of an application filed pursuant to section 505(b) of this Act or which is not in conformity with such approved application, or (C) is a drug with respect to which occurs an act or omission (attributable to such person or establishment or to any person in his employ or under his control) that is prohibited by section 301 (e), (f), (i), (o), (q), or (s) of this Act, or (D) is a product referred to in section 351 of the Public Health Service Act and (i) fails to meet a standard relating thereto prescribed pursuant to that section, or (ii) with respect to which there is not in effect a required license issued by the Secretary, or (iii) with respect to which there is a violation of subsection (b) or (c) of that section.

"(3) Notice of the Secretary's order issued pursuant

to paragraph (1) shall be served by telecommunication, or in the manner specified in section 505(g), upon the person registered under section 510 and referred to in such order, and thereupon such person and all other persons in such person's employ or under his control shall be deemed to have notice of such order for the purposes of this subsection.

"(4) The Secretary shall terminate an order issued in accordance with paragraph (1) with respect to a drug when he is satisfied that the conditions or practices giving rise to such drug's not being in conformity with applicable law no longer obtain.

"(5) Any person adversely affected by an order of the Secretary pursuant to paragraph (1) may, at any time while such order is in effect, file with the Secretary a petition to modify, revoke, or terminate such order. The Secretary, prior to making a final decision on such petition, shall afford to the petitioner, upon a showing of reasonable grounds therefor, a reasonable opportunity for a hearing on the matter. When in the judgment of the Secretary the public interest will not be jeopardized thereby he may stay the effectiveness of his order pending his final decision on such petition. The petitioner, if adversely affected by the final decision of the Secretary, may obtain judicial review thereof in accordance with the procedures specified in section 505(h).

"(6) The Secretary may cause such inspections to be

made of the establishments of persons registered as producers of drugs under section 510, and such samples of drugs to be obtained from such persons and establishments and analyzed, and in conjunction with the Formulary Committee (established by title XI of the Social Security Act) employ such other tests and procedures, as may be necessary to determine, on a current basis, whether any drug being manufactured, prepared, propagated, compounded, or processed by any such person or establishment for use by man is not in conformity with applicable law within the meaning of this subsection. In conducting such inspections (or any investigation or other proceeding related thereto) the Secretary may exercise any authority conferred upon him under this Act with respect to inspections and other procedures for the enforcement of section 510."

(c) Section 301 of such Act is amended by adding at the end thereof the following new paragraphs:

"(r) The placing, or permitting to be placed, on the label of any package containing any drug a registration number in violation of section 510A(c).

"(s)(1) The failure to place on the label of a drug package a registration number or other information required to be placed thereon by section 510A(a).

"(2) The labeling of any drug in such manner as to indicate or imply, contrary to fact, that the label of any

package of such drugs conforms to paragraph (1) or (2) (or both) of section 510A(a) (when read without regard to the exception preceding such paragraphs)."

(d) Section 301 of such Act is further amended by inserting the following immediately before the period at the end of paragraph (i): "or by section 510A".

(e) Section 503(a) of such Act is amended by inserting the following after "labeling or packaging requirement of this Act": ", except any applicable requirement of section 510A(a),".

Passed the House of Representatives August 17, 1967.

Attest: W. PAT JENNINGS,
Clerk.

Passed the Senate with amendments November 22 (legislative day, November 21), 1967.

Attest: FRANCIS R. VALEO,
Secretary.

90TH CONGRESS
1ST SESSION

H. R. 12080

AN ACT

To amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

IN THE SENATE OF THE UNITED STATES

NOVEMBER 22 (legislative day, NOVEMBER 21), 1967

Ordered to be printed with the amendments of the Senate numbered

Commissioner's Bulletin

SOCIAL SECURITY ADMINISTRATION

Number 66 November 24, 1967

SOCIAL SECURITY AMENDMENTS OF 1967

To Administrative, Supervisory,
and Technical Employees

On Wednesday, November 22, the Senate passed H. R. 12080, the "Social Security Amendments of 1967," by a vote of 78 to 6. Enclosed is a brief description of the major social security amendments made by the Senate in the bill that was reported by the Committee on Finance (described in Commissioner's Bulletin No. 65).

The bill now goes to a conference committee to settle differences between the bill as passed by the Senate and as passed by the House of Representatives. We will, of course, keep you informed of further developments.

Robert M. Ball
Commissioner

Enclosure

AMENDMENTS MADE ON THE FLOOR OF THE SENATE
TO THE SENATE FINANCE COMMITTEE VERSION OF H.R. 12080

A. CASH BENEFIT CHANGES

1. Earnings test liberalization

The Senate modified the provision of the Finance Committee bill which would have increased to $2000, in two steps, the amount a person can earn in a year without having any social security benefits withheld. Under the bill as passed by the Senate, this amount would be increased to $2400, effective for taxable years ending in 1968 and thereafter. The $1-for-$2 reduction would apply to annual earnings between $2400 and $3600. Also, the maximum amount a person could earn in one month and still get benefits for that month (regardless of how much he earns in the year) would be increased to $200.

2. Benefits for mothers of students in elementary or high school

The Senate added a provision for paying benefits to a wife or mother with an entitled child age 18-22 in her care if that child is entitled to benefits as a full-time student and is in an elementary or secondary school.

3. Amendments to the disability program

a. Definition of disability

The Senate eliminated all substantive language in the bill (as passed by the House and approved by the Senate Finance Committee) that would clarify the definition of disability. (The definition in present law would apply in the case of a disabled widow or widower as well as in the case of a disabled worker.)

b. Benefits for the blind

The Senate amended the provision (added to the House bill by the Senate Finance Committee) which would make blind persons with at least six quarters of coverage eligible for disability benefits. Under the provision as approved by the Finance Committee, benefits would not have been payable for any month in which the individual engages in substantial gainful activity. As amended by the Senate, the disability benefits would be payable even though the blind individual is engaging in substantial gainful activity.

c. Benefits for certain adopted children

The Senate added a provision under which a child who was legally adopted by a worker after he became entitled to disability benefits may receive child's benefits if all the following conditions are met: (1) the adoption was supervised by a child-placement agency; (2) the adoption was decreed by a court of competent jurisdiction within the United States; (3) the adopting parent had continuously resided in the United States for at least one year prior to the date of adoption; and (4) the child was under age 18 at the time the adoption took place.

4. Attorney's fees

The bill as amended by the Senate authorizes the Secretary to certify payment to attorneys, out of a claimant's past-due benefits of fees for attorneys' services rendered in administrative proceedings before the Secretary. The amount certified for payment would be the smaller of: (1) 25 percent of the total past-due benefits, (2) the amount of the attorney's fee as determined by the Secretary, or (3) the amount agreed upon between the claimant and the attorney. This provision is similar to the one in present law under which a court may authorize the Secretary to certify payment to an attorney, out of the claimant's past-due benefits of the fee set by the court for the attorney's services rendered in court proceedings (which fee cannot exceed 25 percent of the claimant's total past-due benefits).

5. Study of delayed retirement increment

The Senate adopted an amendment which would require the Social Security Administration to study the problems that would be involved in providing for people who continue to work after age 65 an increase in social security benefit amounts based on such work, and to report its findings to the Congress.

B. HEALTH INSURANCE CHANGES

1. Quality and cost control standards for drugs

The Senate adopted an amendment under which liability for payment for drugs under part A of the medicare program (and under the medicaid program) would be limited to "qualified drugs." Qualified drugs would include all those listed in a formulary which would be established by a Formulary Committee. The formulary would include a list of drugs, by generic name, which the Committee determined to be necessary under the several programs operated or supported by the Department and for which Federal funds are expended. Brand-name drugs could be included, however, in certain circumstances. The

Committee could exclude any drugs which were determined not to be necessary for proper patient care. In addition to the drugs listed in the formulary all other drugs furnished in an accredited hospital which utilizes a formulary system established by a pharmacy and therapeutics committee, or prescription legend drugs which are prescribed for by their generic name and with the name of the manufacturer of the final dosage form would be considered as "qualified drugs." Under the amendment, after June 30, 1970, the "reasonable cost" used as a basis for reimbursement for a qualified drug could not exceed the "reasonable charge" for the drug as determined under the amendment.

2. Method of determining reasonable cost for providers of services

The Senate adopted an amendment under which the regulations for determining the reasonable costs of services furnished by a provider of services would permit the determination, at the option of the provider, to be based on average per diem costs for persons of all ages (rather than on costs for beneficiaries aged 65 and over) or on a per unit, per capita, or other basis that would assure the provider reasonable cost reimbursement. Per diem costs prevailing in a community for comparable quality and levels of services would be taken into account in determining the per diem basis. The provision in present law requiring that the cost of services furnished beneficiaries shall not be borne by nonbeneficiaries and vice versa would not apply where the per diem basis for determining cost is used. The amendment would be effective with respect to services provided on and after July 1, 1968.

3. Services of psychologists

The Senate adopted an amendment to include within the definition of a "physician" a psychologist licensed or certified as such by the State but only with respect to functions he is authorized to perform by the State in which he performs them.

C. COVERAGE CHANGES

1. Exclusion from wages of certain payments made after death or retirement

The Senate added an amendment to exclude from the definition of wages, for both benefit and social security tax purposes, any payments made by an employer to an employee or his dependents after the death, retirement, or disability of the employee, if the payment is made under a plan established by the employer which provides for such payments to his employees generally or to a class or classes of his employees, or to the employees and their dependents. Under present law, any payments made under an employer's plan or system are excluded

from wages if they are made on account of retirement, disability, or death. The Senate amendment excludes other payments which, though made after the worker's retirement, disability, or death, are not made on account of any of those contingencies.

2. Coverage status of prisoners

The Senate deleted a provision which the Finance Committee added to the House bill that would have excluded from coverage under social security and other Federal benefit programs work performed by prison inmates in the employ of the Federal Government under work release programs. The provision would also have prevented any work by prison inmates (not just Federal employment) from being credited under Federal-State unemployment compensation programs.

3. Policemen and firemen in Nebraska

The provisions added to the bill by the Finance Committee concerning the coverage of Nebraska policemen and firemen under retirement systems were modified by the Senate. The provision adding Nebraska to the list of States which may provide social security coverage for policemen and firemen under State or local retirement systems was deleted. The provision permitting Nebraska, as part of any coverage extension, to validate the coverage of certain firemen for whom social security contributions had been erroneously paid was modified to remove the requirement of future coverage and to make the validation compulsory.