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SOCIAL SECURITY, SUPPLEMENTAL SECURITY INCOME, AND WELFARE

MATTERS FOR COMMITTEE CONSIDERATION IN CONNECTION WITH H.R. 3153

COMMITTEE ON FINANCE
UNITED STATES SENATE
Russell B. Long, Chairman

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Prepared by the staff for the use of the Committee on Finance

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A. H.R. 3153

On April 2, 1973 the House passed the bill H.R. 3153, which would make a number of conforming amendments to the Social Security Act which had been omitted in drafting the conference agreement on H.R. 1 which became P.L. 92–603. The administration has submitted a substitute bill which they recommend be approved instead of the House-passed bill. The provisions of their substitute are described in this pamphlet (except for those concerning medicare and medicaid, which will be described in another pamphlet).

B. Outline of Work Bonus Program for Low-Income Workers

Last year's Senate version of H.R. 1 added a new provision to the tax laws providing that low income workers who head families having one or more dependent children were to receive a nontaxable work bonus equal to 10 percent of their wages, up to a maximum wage of $4,000, if they are subject to social security or railroad retirement taxes. In the case of married taxpayers, the bonus was to be computed on the basis of the combined earnings of both. The amendment provided a permanent appropriation for the payment of these bonuses. The work bonus was to be gradually reduced for income over $4,000 a year by one-fourth of the income (from whatever source derived) of the individual (and of the spouse in the case of a married taxpayer) over this amount. This would result in a complete phaseout of the bonus where the total income equaled $5,600. Individuals who were eligible to receive the bonus could apply for advance payments on a quarterly basis throughout the year, but any payments made in excess of what the individual was entitled to receive would be subject to recapture. An individual could elect to take a credit against his income tax in lieu of the bonus.

C. Supplemental Security Income

1. Food Stamp Eligibility

The Law

Under H.R. 1 (P.L. 92–603) individuals eligible for SSI benefits would have been prohibited from participating in food stamp or commodity distribution programs. In the current Congress, the Senate-passed version of the farm bill (S. 1888) included a provision which would apparently have had the effect of simply negating the H.R. 1 provision insofar as it applied to the food stamp program.

A similar provision was contained in the bill as reported to the House of Representatives by the House Agriculture Committee, but this provision was deleted in a floor amendment.

The law as enacted provides that an individual is ineligible for food stamps for a given month only if his SSI benefit (plus any State supplement) is at least equal to the assistance plus the food stamp

bonus he would have received under the State plan of old age assistance, aid to the blind, or aid to the permanently and totally disabled as in effect for December 1973.

The Problems

This would appear to require that in addition to having his eligibility determined under the provisions of the SSI program and any State supplementation program, an individual's eligibility would have to be determined under the State plan for aid to the aged, blind, or disabled which was in effect for December 1973. In some States this involves a quite complex and individualized budgetary analysis of needs. In addition, it would be necessary to periodically re-examine the individual's eligibility under the December 1973 State welfare plan to see if any of the variable factors applicable, such as to the amount of rent paid, need for a special diet, etc., had changed sufficiently to affect the question of whether or not the amount actually payable under SSI was as great as the amount which would have been payable under the old welfare plan plus food stamps. It is quite possible, therefore, that an individual's eligibility for food stamps under this provision might vary from month to month and that in the same State there might be SSI beneficiaries who are eligible for food stamps and SSI beneficiaries who are not eligible for food stamps.

It should be pointed out that a determination under the prior welfare plan would have to be made not only for those SSI beneficiaries who were actually on the rolls in December 1973, but also for those newly eligible after that time. In addition, for purposes of determining eligibility for assistance under the prior welfare plan, the definition of disability and blindness in the new SSI program will be used if it is to the advantage of the beneficiary.

Another possible problem relates to the question of whether the mandatory State supplemental payments required under the new law enacted three months ago (P.L. 93–66) will be counted in determining food stamp eligibility. The provision in the Food Stamp Act literally provides for measuring the Federal SSI payments plus "payments described in section 1616(a)" (that is, State supplementary payments) against the prior welfare payments plus food stamps. Since the mandatory supplemental payments under P.L. 93–66 are technically not "payments described in section 1616(a)", it is at least possible that this provision might be so interpreted than an individual will be eligible for food stamps even though his SSI payment plus mandatory supplemental payment exceeded the amount which would have been available under the old welfare programs.

There is also a question of whether the Food Stamp Act gives the States an incentive to increase substantially their welfare levels for the one month of December 1973. By doing so, States could assure that their aged, blind, and disabled recipients would remain eligible for food stamps after the SSI program becomes effective. Because the mandatory supplementation requirements are tied to State plans in effect as of June 1973, States could do this without being required to continue to provide a high level of assistance after December 1973.

HEW Proposal

Under the proposal submitted by the Department of Health, Education, and Welfare, SSI recipients would be ineligible to participate in food stamp or commodity distribution programs (other than in certain emergency circumstances). However, aged, blind, and disabled assistance recipients in December 1973 who also received food stamps or commodities in that month would be protected against loss of income under a grandfather clause. This clause would provide a Federal payment as necessary to assure that the total income of such individuals for months after December 1973 will be at least $11 ($21 in the case of couples) higher than their total cash income in December 1973. The amount of these Federal payments would never exceed $11 for an individual or $21 for a couple.

Alternative Proposal

An alternative method of dealing with the problem of food stamps would be to simply repeal the prohibition in the food stamp act against participation by SSI recipients in that program (and the similar prohibition with respect to the commodity program). This would leave eligibility for food stamps to be determined on the basis of the individual's income rather than on the basis of his categorical situation as being or not being an SSI recipient. (Current food stamp regulations make welfare recipients eligible for food stamps even if their total incomes exceed the ordinary eligibility standards for food stamps. Whether or not this categorical eligibility should be permitted to continue if the Committee decides to eliminate categorical ineligibility is a separate issue.)

If the Committee does decide to eliminate the provision making recipients ineligible for food stamps and commodities, it might also want to consider eliminating the provision of P.L. 92–603 which, in effect, provides additional Federal funding to compensate States for raising their State supplemental levels to offset recipients' loss of eligibility for food stamps.

2. Transfer of AFDC Mothers to APTD

In enacting the new SSI program for the aged, blind and disabled the Congress provided that disabled persons on the rolls in December 1973 would continue to be considered disabled even if they did not meet the new Federal definitions of disability provided that they continued to meet the old State definitions in effect as of October 1972. The purpose of this provision was to make it unnecessary for the Social Security Administration to make a new determination of the disability of the 1.2 million current recipients of aid to the disabled.

New York State is apparently hastily examining all AFDC caretaker relatives for disability and in order to place the maximum number on aid to the disabled. An article appearing in the New York Times of September 24, 1973, indicated, that 65 percent of the first 10,000 welfare mothers screened in a new city testing program were found to have severe disabilities. New York City plans to test 250,000 welfare mothers in a ten week period.

This transfer of AFDC mothers to APTD would shift the cost from the Federal-State AFDC program to the Federal SSI program, with higher Federal and lower State costs. It is recommended that to prevent such a costly development, the grandfather provision for disability be amended to provide that only those persons who had received

aid to the disabled before July 1973, and who are on the rolls in December 1973, would be deemed disabled without having to meet the Federal definition of disability under the SSI program.

3. Special Treatment of SSI Recipients who Live With AFDC Families

The Law

In P.L. 93–66, the Congress enacted a grandfather clause to assure that SSI recipients who are now getting aid to the aged, blind, and disabled under State programs will receive State supplemental benefits sufficient to assure them no reduction in total income when the new SSI program goes into effect in January. The provision was designed to achieve this objective while, at the same time, minimizing the administrative burden to be placed on the Department of HEW which would have to administer the SSI benefits and, at least in most States, the supplemental benefits.

The Problem

In most cases, the formula contained in P.L. 93–66 will achieve these two objectives in an acceptable way. However, in certain exceptional circumstances, an anomaly may arise in which the result of the provision in P.L. 93–66 will be to greatly increase the amount of assistance payable. This can happen in the case of individuals who are getting payments under the program of aid to the aged, blind or disabled, but who are also members of family units getting AFDC payments. In such cases there are two problems which can arise.

The first of these relates to the allocation of certain budget items such as shelter and utilities which are common to both the aged, blind and disabled individual and the rest of his family. Under the old law some or all of these items might have been attributed to the aged, blind, or disabled person, while under the new law, the amount of payment to the aged, blind and disabled is determined without reference to specific budget needs. Thus the full amount of these specific needs will apparently have to be added to the AFDC budget, raising the amount of the AFDC grant. This effect could be partially offset if the SSI recipient's contributions toward the costs of running the household could be considered to reduce the net amount of the family's needs. However, a provision of P.L. 92–603 (sec. 414) specifically prohibits counting the income and resources of an SSI recipient in determining the income and resources of an AFDC family.

A second part of the problem arises because some States allocate the income of an aged, blind, and disabled person to his entire family when doing so results in a higher total grant to the individual and his family. This will no longer be permitted after January 1974, but at the same time his total income (including that part now allocated to the rest of his family) must be counted in determining the mandatory State supplement under the grandfather clause in P.L. 93–66. The net result of this is that the State will have to provide an increased amount of assistance to his family (because they can no longer count some of his income as the family's income) and will have to also provide an increased level of assistance to him (because they must count all of his income in computing the grandfather clause).

Proposal

This problem could be corrected by permitting a State to adjust the grandfather clause in such a way that it assured the maintenance of the same level of total family income (rather than the maintenance of the *individual's* total income) in those cases in which the SSI recipient resides with an AFDC family. It should be provided, however, that the SSI recipient would be assured under the grandfather clause at least as great a total income as a comparable aged, blind or disabled person not living with an AFDC family and having no other income.

D. HEW Proposed Amendments Recommended by the Staff

1. Social Security Cash Benefits

Increases in certain cases of delayed retirement (Sec. 2(c) of HEW substitute).—When an individual delays his retirement past age 65, his benefits are increased 1 percent for each year of delay up to age 72. However, this increase for delayed retirement does not apply when a person is eligible for the special minimum benefit for low-wage, long-term workers (a $170 monthly benefit if the worker has 30 years of covered employment). It is possible that an individual's primary insurance amount may be less than the special minimum benefit he is eligible for, but delaying retirement would yield a higher benefit than the special minimum. Present law would require him to take the lower benefit in this case; the proposed amendment would let him take the higher benefit.

2. Supplemental Security Income

Transitional Federal payments (Sec. 4(c) of HEW substitute).—P.L. 92–603 repeals the existing programs of aid to the aged, blind, and disabled at the same time that the new SSI program is commenced—January 1, 1974.

This amendment would authorize the Secretary of HEW to continue to make payments to the States under the repealed programs for two purposes: (1) to meet the Federal matching obligation based on State expenditures prior to the repeal date, and (2) to match State expenditures after the repeal date in connection with closing out the old programs.

Limitations on eligibility determinations under resources tests of State plans (Sec. 7(a) of HEW substitute).—The SSI program includes a grandfather clause under which an individual who was getting aid to the aged, blind, or disabled in both December 1972 and December 1973, will continue to be allowed as much in resources (assets) under SSI as he was allowed under the State assistance plan in effect in October 1972. This amendment would remove this requirement that such an individual have been on the rolls in December 1972 and would make the grandfather clause applicable only for as long as he remains continuously resident in the State in which he was getting assistance in December 1973 and continuously eligible for SSI (except that periods of ineligibility of no more than 6 months will not be counted).

Limitation on eligibility and benefit determinations under income tests of State plans for aid to the blind (Sec. 7(b) of HEW substitute).—The SSI program includes a grandfather clause under which an individual who was getting aid to the blind in December 1973 will remain eligible under SSI for any income disregards which he would have enjoyed under the State aid to the blind plan as in effect in October 1972. This amendment would make the grandfather clause applicable for only so long as the individual remains continuously eligible for SSI (except for periods of ineligibility not exceeding 6 months) and only for so long as he remains continuously a resident of the State in which he was getting assistance in December 1972.

3. Aid to Families With Dependent Children

Federal matching for AFDC payments to Indians (Sec. 4(b) of HEW substitute).—Under an Act of April 19, 1950 the Federal matching for assistance payments for the aged and the blind and for families with children is increased substantially with respect to assistance furnished to Navajo and Hopi Indians. Section 303(c) of P.L. 92–603 repealed this provision effective January 1, 1974 when the new SSI program takes effect. This amendment would restore that Act insofar as it applies to the AFDC program.

E. Earnings Disregard Under Aid to Families With Dependent Children

Present law.—Under present law, in determining eligibility for AFDC and the amount of any AFDC payment to a family, there is disregarded the total amount of any "expenses reasonably attributable to the earning" of income. In addition, in determining the amount of an AFDC benefit (but not initial eligibility) there is disregarded an amount equal to the first $30 of earnings each month, plus one-third of any earnings in excess of $30.

Section 13 of the HEW substitute (incorporating S. 2311, introduced by Senator Bennett) would modify the law by eliminating the disregard of work expenses in determining both eligibility for and amount of assistance. The bill would provide instead for a disregard of the first $60 of monthly earnings plus child care expenses (subject to limitations prescribed by regulation), plus one-third of any additional earnings. In effect then, the Administration's proposal substitutes an additional $30 flat monthly disregard for the existing open-ended disregard of work expenses other than child care and provides that the one-third disregard will be applied only to income remaining after the work expense disregards have been deducted. (Present law allows a deduction for *both* work expenses *and* the $30 and one-third disregard.)

The Administration's proposal is similar to a provision in last year's Committee bill; however, the Committee's proposal would also have limited the flat amount disregarded to $30 rather than $60 for recipients working part-time, and would have limited the disregard to 20 percent for those with relatively high earnings. (Under the Committee provision, the one-third rate would apply only to the first $300 of earnings above the $60 plus child care costs disregard). Also, the Committee bill last year, unlike the Administration's proposal, would not have allowed the $60 and child care cost disregards to be applied in determining initial eligibility.

The HEW proposal would save roughly $150 million in calendar year 1974; the approach in last year's Committee bill would save an estimated $185 million.

F. Clerical and Conforming Amendments Proposed by the Department of HEW

1. Social Security Cash Benefits

Automatic increases in earnings test exempt amount, Sec. 2(d).—This amendment would provide that the percentage rise in the retirement test exempt amount under the automatic increase provisions (adopted in connection with the automatic cost-of-living benefit increase provisions) will be measured from the last increase in the exempt amount rather than from the last increase in tax base. Adoption of the amendment would assure that the automatic increases in the exempt amount increase in proportion to all increases in wage levels.

Elimination of special age 72 benefits for people entitled to SSI, Sec. 2(e).—This amendment is included in H.R. 3153 as it passed the House. It would prohibit the payment of the special benefits payable to certain people over age 72 who are not insured for regular benefits. Under the present law, these special benefits are not payable to people who are receiving welfare payments. The 1972 amendments, however, failed to include a conforming change to prevent the payment of the special benefits to people receiving SSI payments.

Correction of erroneous designations and cross-references, Sec. 2(f).—This subsection would correct erroneous section numbers and cross references in the present law.

2. Supplemental Security Income

Individuals determined to be disabled under state plans not subject to SSI disability standards, Sec. 7(g).—The SSI program includes a grandfather clause under which recipients of aid to the disabled as of December 1973 need not meet the new definition of disability so long as they continue to meet the definition of disability under the State plan in effect in October of 1972. This amendment merely corrects an apparent contradiction.

Technical correction of limitation of fiscal liability of States for optional supplementation, Sec. 7(k).—P.L. 92–603 includes a savings clause under which States are assured that certain State supplemental costs under the SSI program will not exceed their costs under the old programs of aid to the aged, blind, and disabled during calendar year 1972. This amendment provides that in fiscal 1974, States will be guaranteed that these costs will not exceed an amount equal to one-half of their calendar 1972 costs. This change reflects the fact that the SSI program is in effect for only one-half a year in fiscal 1974.

This section of the amendment also restores a word dropped from section 401(c)(1) of P.L. 92–603. This is a purely typographical correction.

Initial payments to presumptively disabled or blind individuals unrecoverable only if individual is ineligible because not disabled or blind, sec. 7(i).—Payments under the SSI program may be made for up to three months to otherwise eligible individuals who are presumptively disabled but not yet determined to be disabled. Such payments are not considered overpayments under any condition under existing law. This amendment would allow such payments to be considered overpayments (and hence subject to recapture) if they were incorrectly made for reasons other than the fact that the individual was found not to be disabled.

Modification of transitional administrative provisions, Sec. 7(l).—P.L. 92–603 included a transitional administrative provision requiring the States to agree to administer all or part of the new SSI program on behalf of the Federal Government, for a one year transitional period. As a result of an error in drafting, this one year transitional period would begin in July 1974, six months after the program is effective. The amendment, proposed by the administration, would add the first six months of 1974 to the transitional period (making an 18 month period). This amendment also adds Title VI (the new social services title for the aged, blind, and disabled) to the list of titles under which Federal funding would be denied to the States if they refuse to enter into these transitional arrangements. It should be noted that the Administration apparently plans to assume full responsibility for the SSI program in January 1974 in any case. It is not clear why this change is considered necessary.

Inclusion of Title VI in limitation on grants to States for social services, sec. 5(e).—This section would amend the social services limitation to conform it to the transfer of services from the old Titles I, X, XIV, and XVI to the new Title VI. (This section is itself technically incorrect as the result of the enactment of P.L. 93–66.)

Errors in cross-references.—A number of erroneous cross-references in last year's law would be corrected in the House-passed bill; these corrections are incorporated in section 5(b) of the HEW substitute. (Section 5(b) includes other provisions discussed later in this pamphlet.)

3. Aid to Families With Dependent Children

Errors in cross-references, Secs. 3 (a) and (b).—Corrects an erroneous section reference in P.L. 92–603 and an erroneous section reference in Section 403(b) of the Social Security Act.

G. Other Amendments Proposed by the Department of HEW

1. Social Security Cash Benefits

Minimum survivor's benefit for a widow, Sec. 2(a).—This amendment is described as providing that a sole surviving widow or widower may not receive a minimum benefit larger than the insuring worker would be receiving if he were alive. The amendment, however, makes no substantive change in the law. It is intended to prevent a sole surviving widow under certain circumstances from receiving a payment larger than the minimum benefit, currently $84.50. For example, it is possible under present law that a man would be entitled to a basic benefit of $87 a month. The benefit, however, might be actuarially reduced to $80 because the man begins getting benefits before age 65. The present provisions are intended to provide his widow with a minimum benefit of $84.50. However, the provision is being interpreted so that in some cases the widow would be paid $87 rather than $84.50. Although no change seems necessary, the Committee may wish to include in the committee report a clarifying statement indicating that in the situation such as the one described, the widow should be paid the minimum benefit of $84.50 rather than $87.

Reduction of widows and widowers benefits, Sec. 2(b).—This amendment would make a minor change in the law regarding the reduction in widow's benefit in the case of a widow under age 65 who becomes entitled to both a widow's benefit and an old-age insurance benefit in the same month. Although the law describes the action to be taken in this regard when entitlement to a widow's benefit occurs either before or after the month in which she becomes entitled to an old-age benefit, it contains no provision relating to reduction in cases where the widow becomes entitled to both benefits in the same month.

Elimination of retroactive payments under Title II in certain situations, Sec. 12.—Would amend the Social Security Act so that retroactive benefits would not be paid to people applying for reduced benefits payable before age 65. Under the present law, up to 12 months of retroactive benefits are paid in every case. Adoption of the amendment would mean that people who apply for reduced benefits could have benefits payable starting only with the month in which they apply for benefits rather than having payments made retroactively for up to 12 months. People applying for benefits after 65 could continue to receive retroactive payments for up to 12 months; however, no retroactive benefit would be paid for any month before age 65. This proposal would save about $370 million in the first full year.

2. Supplemental Security Income

Redesignation of Title, Sec. 4(a).—This section redesignates the old Title XVI (which remains in effect for Puerto Rico, Guam and the Virgin Islands) as Title XX.

Waiver authority for demonstration projects, Sec. 5(b)(8).—This amendment would give the Secretary authority to dispense with any of the requirements of Title XVI in order to carry out any experimental or demonstration projects which he finds appropriate. It further provides that the cost of any such projects are to be considered SSI benefit costs.

Exclusion of certain gifts and inheritances from income, Sec. 7(c).—Among the items which the law specifically includes as income for SSI purposes are gifts and inheritances. This amendment would give the Secretary the discretion of not considering gifts and inheritances as income if they are not readily convertible into cash.

Elimination of definition of child, Sec. 7(d).—This section eliminates the term "child" in several sections of Title XVI, substituting equivalent terminology, and also deletes the definition of the term "child".

The changes have some substantive effects, i.e., under the law now in effect a 20 year old child living with an aged individual would have his earnings disregarded only if he were unmarried. Under the change proposed, this restriction would no longer apply.

Application of income exclusions to veterans' pensions, Sec. 7(e). The $20 income disregard under SSI program does not apply to income which is based on need, such as veterans' pensions. This amendment would provide that the $20 income disregard will apply to veterans' pensions.

Exclusion of motor vehicle from resources, Sec. 7(f).—In determining the allowable resources (assets) of SSI recipients, the law now permits the exclusion of an automobile. This amendment would provide for the exclusion of a "motor vehicle" rather than an "automobile."

Authorization of initial payments to presumptively blind individuals, Sec. 7(h).—The SSI law, because of the difficulty in making some disability determinations, permits the payment of benefits for up to 3 months prior to the determination of disability to persons who are otherwise eligible and presumptively disabled. If the individual is found not to be disabled, the advance payments are nevertheless valid and do not constitute an overpayment. This amendment would permit the same type of payments to be made to the blind before they are determined to be blind, even though the determination of blindness does not have the same degree of complexity as the determination of disability.

Clarification of Secretary's authority to appoint persons to conduct hearings, Sec. 7(j).—Section 1631(d)(2) of the Social Security Act permits the Secretary of HEW to waive the "specific standards prescribed for hearing examiners" under title 5 of the U.S. Code in appointing hearing examiners for SSI. The proposed amendment would apparently broaden the Secretary's authority by allowing him to waive all "requirements" for hearing examiners. The amendment also eliminates the reference to such persons as "hearing examiners" and refers to them instead as persons who conduct hearings.

3. Aid to Families with Dependent Children

Change in effective date for determining AFDC eligibility, Sec. 3(c).—P.L. 92–603 provided, effective January 1, 1973, that members of AFDC households who get payments under Title XVI would not be considered a part of the AFDC family and would not have their income or resources counted in determining the AFDC payment. The amendment would change the effective date from January 1, 1973 to January 1, 1974 on the assumption that this amendment was intended to apply to recipients only under the new Title XVI (SSI) and not under the old Title XVI (aid to the aged, blind, and disabled).

The amendment could have some substantive effect for the remaining months of 1973 since some individuals presumably may already be benefiting from the change made by P.L. 92–603.

APPENDIX

Summary of Mondale Social Services Bill

In P.L. 93–66 Congress delayed until November 1 the implementation of social services regulations issued by the Department of Health, Education, and Welfare, which were to have become effective on July 1.

On September 10 HEW published a number of proposed changes to these regulations. Among these changes are included broader eligibility standards for potential recipients, particularly in the family category, and for the mentally retarded, and an expansion of allowable services especially for the mentally retarded and drug addicts and alcoholics.

Senator Mondale has introduced a bill which would establish a number of statutory provisions with respect to social services. The bill would expand the allowable goals for services programs. It would require the Secretary to give the States maximum freedom to determine eligibility for services and the way in which the services programs would be operated, including specific authority to permit the delegation of eligibility determinations to other agencies in the case of purchased services.

The bill would define potential recipients as those who are likely to become recipients within five years and former recipients as those who were recipients within two years. It would permit HEW to set maximum income eligibility standards for potential recipients but such maximums could not be lower than the BLS lower budget (or 150 percent of that budget in the case of child care services).

Group eligibility would be authorized at the option of the State for migrants and Indians and with HEW approval for other groups.

A number of services are defined in the bill as specifically allowable and the bill requires that other services requested by a State be allowed unless HEW finds them inconsistent with the purpose of the services program.

The bill spells out the types of expenditures for which Federal matching may be provided in considerable detail, and this includes medical and subsistence costs under certain conditions specified in the bill. For example, such costs would be allowable in connection with emergency shelter facilities for abandoned children up to 30 days and in connection with residential treatment center costs for alcoholics up to 60 days and drug addicts for up to 90 days.

The bill also specifically authorizes the use of private donated funds, including in-kind contributions, as the States' share of matching for social services.

Another provision of the bill requires that the fair hearing procedure be made available with respect to services and that matching be denied for refinancing of previously State funded services after

July 1, 1974, that social services advisory committees with at least one-third recipient membership be established, and that child care services meet certain standards (including the inter-agency day care standards of 1968 in the case of day care facilities).

The bill also would amend Section 1130 of the Social Security Act which provides that, except for certain exempt types of services, 90 percent of social services funding in each State must be used for services to actual recipients. This bill would change that percentage to 75 percent and would exempt an additional service—namely protective services for children.

Summary of Church Social Security Increase Bill

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

In June of this year, the Senate approved an amendment to make the first social security cost of living benefit increase effective January 1974 rather than January 1975. The House was unwilling to agree with this effective date and the bill as signed into law moved the first increase up to June 1974. The amount of the increase will be 5.9 percent, equal to the percentage that the cost of living had risen between June 1972 and June 1973.

On September 11, the Senate approved an amendment to S. 1866 moving the effective date of the 5.9% increase up to the month of enactment of S. 1866. This bill is still pending in the House.

S. 2397, introduced by Senator Church, would make the first cost of living increase effective January 1974 rather than June 1974. Furthermore, the bill would make the first cost of living increase a 7 percent increase rather than a 5.9 percent increase.

The cost of the Church amendment would be roughly $2 billion; about 85 percent of this cost would occur in fiscal year 1974.

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