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REPORT
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SOCIAL SECURITY ADMINISTRATIVE REFORM ACT OF 1994

MAY 12, 1994.—Committed to the Committee of the whole House on the State of the Union and ordered to be printed

Mr. ROSTENKOWSKI, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H.R. 42771

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 42'77) to establish the Social Security Administration as an independent agency and to make other improvements in the old-age, survivors, and disability insurance program, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

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The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.

(a) **SHORT TITLE.**-This Act may be cited as the "Social Security Administrative Reform Act of 1994".

(b) **TABLE OF CONTENTS.**-

Sec. 1. Short title and table of contents.
Sec. 2. Declaration of purposes.

TITLE I-ESTABLISHMENT OF THE SOCIAL SECURITY ADMINISTRATION AS AN INDEPENDENT AGENCY

Sec. 101. Establishment of the Social Security Administration as a separate, independent agency; responsibilities of the agency.
Sec. 102. Social Security Board, executive director, deputy director, beneficiary ombudsman; other officers.
Sec. 103. Personnel; budgetary matters; seal of office.
Sec. 104. Transfers to the new Social Security Administration.
Sec. 105. Transitional rules.
Sec. 106. Conforming amendments to Titles II and XVI of the Social Security Act.
Sec. 107. Other conforming amendments.
Sec. 108. Rules of construction.
Sec. 109. Effective dates.

TITLE II-IMPROVEMENTS TO THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

sec. 201. Restrictions on payment of benefits based on disability to substance abusers.
Sec. 202. Issuance of physical documents in the form of bonds, notes, or certificates to the social security trust funds.
Sec. 203. Explicit requirements for maintenance of telephone access to local offices of the Social Security Administration.
sec. 204. Expansion of State option to exclude service of election officials or election workers from coverage.
sec. 205. Use of social security numbers by States and local governments and Federal district courts for jury selection purposes.
sec. 206. Authorization for ail States to extend coverage to State and local policemen and firemen under existing coverage agreements.
Sec. 207. Limited exemption for Canadian ministers from certain self-employment tax liability.
Sec. 208. Exclusion of totalization benefits from the application of the windfall elimination provision.
Sec. 209. Exclusion of military reservists from application of the government pension offset and windfall elimination provisions.
Sec. 210 Repeal of the facility-of-payment provision.
Sec. 211 Maximum family benefits in guamntee cases.
Sec. 212: Authorization for disclosure bythe Secretary of Health and Human Services of information for purses of public or private epidemiological and similar research.
Sec. 213 l ïsuse of symbols, emblems, or names in reference to social security programs and agencies.
Sec. 214 Increased penalties for unauthorized disclosure of social security in formation.
Sec. 215 Increase in authorized period for extension of time to file annual earnings report.
Sec. 216 Extension of disability insurance program demonstration project authority.
Sec. 217 Cross-matching of social security account number information and employer identification number information maintained by the Department of Agriculture.
Sec. 218 Certain transfers to railroad retirement account made permanent.
sec. 219 Authorization for use of social security account numbers by department of labor in administration of Federal workers' compensation laws.

I. INTRODUCTION

A. PURPOSE AND SUMMARY

H.R. 42'77 would amend the Social Security Act to establish the Social Security Administration as an independent agency, to restrict Social Security and Supplemental Security Income (SSI) disability payments to alcoholics and drug addicts, and to make miscellaneous improvements in the Social Security and Supplemental Security Income (SSI) programs.

The Committee's goal in establishing SSA an independent agency is to improve the quality of its service to the public. The provision would accomplish this by placing the independent agency under the direction of a bipartisan Social Security Board, insulating its operations from short-term political pressure, and stabilizing agency management. The Committee expects that these changes will help restore public confidence in Social Security by reinvigorating SSA's earlier tradition of excellence in public service.

The provisions dealing with disability payments based on substance addiction would restructure the DI and SSI programs to offer transitional, time-limited assistance to alcoholics and drug addicts who are seeking to regain control of their lives. These provisions are designed to assure, first, that individuals disabled by addiction participate in treatment, if available, as a condition of eligibility and, second, that DI and SSI cash benefits are used only for their intended purpose: to cover the cost of basic living needs such as food, clothing, and shelter. The Committee is troubled by reported instances in which substance abusers who are neither participating in nor seeking treatment use Federal disability payments to buy drugs and alcohol. The Committee regards this misuse of funds as a disservice both to the taxpaying public and to individuals caught in the trap of addiction.

The miscellaneous provisions in the bill would make minor improvements in the Social Security and SSI programs. The House has approved many of these provisions previously on one or more occasions—e.g., the increase in the Social Security exemption for election workers and the mandate to restore public telephone lines to local Social Security offices. In addition, several miscellaneous provisions address problems that have arisen recently in the Social Security and SSI programs—e.g., a study of the appropriateness of SSA's current criteria for assessing disability in children and additional tools with which to identify and combat fraud by SSI applicants.

B. BACKGROUND AND NEED FOR LEGISLATION

Independent Agency--Support for making SSA an independent agency is rooted in a marked decline in the agency's performance over the past 15 years. Several factors have contributed to this decline, including frequent turnover in agency personnel, multiple internal reorganizations, and increasing political intervention in the administration of the program.

With respect to personnel, SSA has had 10 commissioners in the past 15 years, 4 of whom served only as acting commissioner and 6 of whom served less than 18 months. During this same period,

the agency has undergone a series of reorganizations which have displaced personnel at all levels, creating repeated changes in responsibilities for program administration and policy development.

Political intervention in SSA's administration has also increased significantly. In the early 1980s, accelerated "continuing disability reviews" resulted in the termination of benefits to thousands of disabled Americans, eventually prompting both legislative and judicial action to reverse the policy. In the mid 1980s, an Administration downsizing plan reduced SSA staff by more than 20 percent. While SSA attempted to compensate with increased reliance on technology, its service has nevertheless declined in a number of areas. The time an individual must wait to file an application has risen significantly and now stands at 4 weeks in many areas of the country; telephone access to local Social Security offices has been curtailed or tightly restricted; and local SSA personnel are increasingly unable to serve walk-in clients, who are frequently among the most vulnerable Social Security beneficiaries.

In the 1990s, the most serious administrative problem at SSA relates to the handling of disability claims. The agency's backlog of claims has risen sharply and now exceeds 740,000, causing disabled Americans to wait more than 3 months on average for an initial decision on an application. For appeal decisions, the waiting time frequently exceeds 1 year. These delays have been accompanied by increased reversals of initial agency decisions on appeal. In 1992, more than two-thirds of denied disability claims which were appealed, or 69 percent, were reversed after a hearing.

Disability Benefits for Drug Addicts and Alcoholics-During 1992, the Committee received a number of anecdotal reports indicating that DI and SSI benefit payments to substance abusers were increasing rapidly. Information provided by employees of SSA and the State Disability Determination Services (DDSs), in constituent mail, and in several media reports suggested a sharp increase in such payments, as well as lax enforcement of the requirements in existing law that SSI substance abusers participate in treatment, if available, and receive payments through a representative payee charged with managing their finances.

In November 1992, the Subcommittees on Social Security and Human Resources requested an investigation of these issues by the General Accounting Office. In February 1994, the GAO presented its findings at a joint hearing held by the Subcommittees. The GAO confirmed that the number of substance abusers on the SSI rolls has risen sharply, from 23,000 to 69,000 between 1990 and mid-1993. Over the same period, the number of DI substance abusers increased by 35 percent, to approximately 50,000. The GAO also confirmed that SSA has failed to insure that SSI substance abusers participate in treatment, if available, as required by law. Of the 69,000 substance abusers as required by law. Of the 69,000 substance abusers on the SSI rolls, the GAO found that SSA was monitoring less than half and that only one out of five was receiving treatment.

Miscellaneous Provisions-A number of miscellaneous provisions were recommended by SSA to improve its administration of the Social Security retirement and disability programs. Other miscellaneous provisions address inequities, work distincentives, and prob-

lems of administration identified by the Committee through its own hearings and oversight activities.

C. LEGISLATIVE HISTORY

Independent Agency-Legislative efforts to make SSA an independent agency span more than a decade. In January 1983, the National Commission on Social Security Reform endorsed in principle the idea of an independent agency but recommended a feasibility study. The Social Security Amendments of 1983 established a commission to report to the Committee on Ways and Means and the Committee on Finance on how to implement a proposal to make SSA independent. The Commission made its report in 1984.

Following this report, Representative Pickle introduced independent agency legislation in the 98th Congress. A similar bill was introduced in the 99th Congress and passed the House as H.R. 5050 on July 22, 1986, by a vote of 401-O. In the 100th Congress, Representative Jacobs introduced H.R. 1036, which was similar to H.R. 5050. He reintroduced the bill in the 101st Congress, and it was again approved by the House as part of H.R. 3299, the Omnibus Budget Reconciliation Act of 1989.

In the 102nd Congress, Chairman Rostenkowski and Representative Jacobs jointly introduced H.R. 2838, which included the independent agency proposal as a principal provision. On June 18, 1992, Representative Jacobs reintroduced the proposal as a separate bill following its approval by the Subcommittee on Social Security. This legislation, H.R. 4277, was approved by the full House on House on June 29, 1992, by a vote of 350–8.

The Senate took action on an independent agency bill for the first time on March. 2, 1994, approving S. 1560, introduce by Senator Moynihan, by voice vote.

Disability Benefits for Alcoholics and Drug Addicts-The Subcommittees on Social Security and Human Resources held a public hearing to examine Federal disability payments to alcoholics and drug addicts on February 9, 1994. The central focus of the hearing was a GAO report, described previously, which documented a sharp increase in the number of drug addicts and alcoholics on the disability rolls, as well as lax enforcement of the requirements in current law that SSI substance abusers participate in treatment, if available, and receive payments through a representative payee. Following this hearing, the Subcommittees worked closely with the Administration in developing legislative proposals to address these problems.

Miscellaneous Provisions-Legislation containing minor Social Security provisions similar to those included in H.R. 4277 was approved previously by the House on two occasions, first, as part of H.R. 11, the Revenue Act of 1992 and, subsequently, as part of HR. 2264, the Omnibus Budget Reconciliation Act of 1993. (H.R. 11 was subsequently vetoed by President Bush. The Social Security provisions in H.R. 2264 were deleted in conference at the insistence of the Senate.)

The miscellaneous SSI provisions address problems identified by the Subcommittee on Human Resources in public hearings held on October 14, 1993, February 9 and 24, 1994, and March 1, 1994. These hearings examined SSA's current criteria for assessing dis-

ability in children, instances of fraud by translators representing non-native speakers of English applying for SSI benefits, and work disincentives confronting disabled SSI recipients.

II. EXPLANATION OF PROVISIONS

A. SHORT SUMMARY

1. ESTABLISH THE SOCIAL SECURITY ADMINISTRATION AS AN INDEPENDENT AGENCY

SSA would be separated from the Department of Health- and Human Services (HHS) and established as an independent agency with administrative responsibility for the Social Security and Supplemental Security Income (SSI) programs. The new agency would be governed by a full-time, bipartisan Board with staggered terms. An Executive Director, appointed by the Board, would manage the day-to-day operations of the agency.

2. RESTRICT DISABILITY INSURANCE AND SUPPLEMENTAL SECURITY INCOME DISABILITY PAYMENTS TO SUBSTANCE ABUSERS

Restrictions would be placed on DI and SSI disability payments to alcoholics and drug addicts, and safeguards would be established to insure that benefits, when paid, are not used to support an addiction. Specifically, (a) DI benefits to substance abusers would be paid to a representative payee, as is presently required in the SSI program; (b) organizations, rather than family members or friends, would be designated to serve as representative payees for DI and SSI substance abusers, unless the Secretary of HHS determines that this preference is inappropriate; (c) substance abusers' eligibility for DI benefits would be conditioned on participation in treatment, if available, as is presently the case in the SSI program; (d) mandatory, progressive sanctions would be established for noncompliance with treatment for both DI and SSI substance abusers; (e) an overall time-limit of three years would be placed on substance abusers' eligibility for DI and SSI benefits; (f) retroactive DI and SSI benefits to substance abusers, now paid in a lump sum, would instead be prorated and paid gradually over a period of months; and (g) SSA would be required to consider illegal, as well as legal, activity in determining whether an individual alleging disability is engaging in substantial gainful activity (SGA).

3. REQUIRE ISSUANCE OF PHYSICAL DOCUMENTS IN THE FORM OF BONDS, NOTES, OR CERTIFICATES TO THE SOCIAL SECURITY TRUST FUNDS

Bonds, notes, and certificates of indebtedness issued to the Social Security Trust Funds would be evidenced by physical documents. Each such document would state the principal amount, date of maturity, and interest rate of the obligation and pledge the full faith and credit of the U.S. to its repayment.

4. INCREASE EXPLICITNESS OF REQUIREMENT FOR PUBLIC TELEPHONE ACCESS TO LOCAL SOCIAL SECURITY OFFICES

The existing requirement that SSA maintain public telephone access to local Social Security offices at the level generally available

on September 30, 1989, would be made more explicit by requiring that the agency reestablish and maintain the same number of public inquiry telephone lines to the offices as were in service on that date, including telephone sets for the lines. Public access to SSA's 800 number would also be maintained at current levels.

5. INCREASE SOCIAL SECURITY EXCLUSION OF ELECTION WORKERS

The Federal Insurance Contributions Act (FICA) tax exclusion for election workers would be raised from $100 to $1,000 annually, beginning on January 1, 1995, and would be indexed thereafter.

6. PERMIT USE OF SOCIAL SECURITY ACCOUNT NUMBERS FOR JURY SELECTION

States and Federal District Courts would be permitted to use Social Security numbers, which have been collected for purposes permitted under current law, to eliminate duplicate names and names of convicted felons from jury source lists.

7. AUTHORITY FOR OPTIONAL SOCIAL SECURITY COVERAGE OF POLICE AND FIREFIGHTERS

The option currently available in 24 States for the State to cover under Social Security police and firefighters who participate in a public retirement system would be expanded to apply to all States.

8. PROVIDE LIMITED EXEMPTION FROM SECA FOR AMERICAN MINISTERS LMNG AND WORKING IN CANADA

Limited relief from Social Security taxes would be provided for American citizens who are ministers residing and working in Canada. The relief would be from double taxation-taxation under both the U.S. and Canadian social insurance systems on the same work-for years just prior to the U.S. totalization agreement with Canada which eliminated such double taxation.

9. TOTALIZE THE WINDFALL ELIMINATION PROVISION

Under current law, the U.S. can enter into "totalization" agreements with foreign countries in order to provide Social Security benefits to individuals who have split their careers between the two countries. The inappropriate application of the "windfall elimination" provision (which reduces benefits to an indivudal who also receives a pension from work not covered by the U.S. Social Security system) in certain totalized cases would be repealed.

10. EXCLUDE MILITARY RESERVISTS FROM APPLICATION OF THE GOVERNMENT PENSION OFFSET AND THE WINDFALL ELIMINATION PROVISION

Military retirees who receive a pension based on inactive duty between 1956 and 1988 would be exempted from the government pension offset and the windfall elimination provision, thus conforming their treatment with that of other military retirees.

11. REPEAL FACILITY-OF-PAYMENT PROVISION

When a dependent beneficiary has benefits withheld (e.g., due to the earnings test), the withheld benefits would be redistributed and

paid directly to the remaining beneficiaries, rather than being paid to the working beneficiary, with the understanding that they were for the use of the other dependent beneficiaries under the facility-of-payment provision of current law.

12. APPLICATION OF SUBSEQUENT ENTITLEMENT GUARANTEE TO MAXIMUM FAMILY BENEFITS

A worker who received disability benefits for a period of time, then returned to work, and subsequently became reentitled to benefits would be guaranteed the maximum family benefit applicable during the period of his or her earlier entitlement to disability benefits.

13. DISCLOSURE OF SOCIAL SECURITY ADMINISTRATION INFORMATION FOR EPIDEMIOLOGIC RESEARCH

SSA would be permitted to disclose, subject to safeguards, whether its records showed an individual to be alive or deceased for epidemiologic research purposes, if the information could reasonably be expected to contribute to the national health interest.

14. PROHIBIT MISUSE OF SYMBOLS, EMBLEMS, OR NAMES RELATED TO THE SOCIAL SECURITY ADMINISTRATION, THE HEALTH CARE FINANCING ADMINISTRATION AND THE TREASURY DEPARTMENT

The civil monetary penalties against misusing the names and symbols of SSA and SSA and HCFA would be strengthened by including in the protections the names and symbols of the Department of Health and Human Services, eliminating the annual $100,000 cap on civil monetary penalties, providing that a disclaimer on the material is so defense against an action, and making other improvements.

The use of Treasury and Internal Revenue Service (IRS) related words, letters, symbols, and emblems in a manner that could reasonably be construed as conveying a false impression that an activity is connected with Treasury, IRS, or any subsidiary agencies would be prohibited. Violations would be subject to civil and criminal penalties.

15. INCREASE PENALTIES FOR UNAUTHORIZED DISCLOSURE OF SOCIAL SECURITY INFORMATION .

Disclosure of confidential information by the employees of the Department of Health and Human Services from Social Security files without authorization would be made a felony, punishable by a fine not exceeding $10,000, or imprisonment not exceeding five years, or both.

16. COORDINATE DATES FOR FILING ANNUAL EARNINGS REPORTS

The authorized extension of time for filing the required annual report of earnings by a Social Security beneficiary would be increased from three months to four months.

17. EXTEND DISABILITY INSURANCE PROGRAM DEMONSTRATION PROJECTS

The authority of the Secretary of HHS to conduct work-incentive demonstration projects would be extended to June **10, 1996.**

18. AUTHORIZE CROSS-MATCHING OF SOCIAL SECURITY ACCOUNT NUMBERS AND EMPLOYER IDENTIFICATION NUMBERS OF THE DEPARTMENT *OF* AGRICULTURE

The Department of Agriculture would be permitted to share its list of the Social Security numbers and employer identification numbers of owners and officers of stores which redeem food stamps with other Federal agencies for purposes of investigating food stamp fraud and violations of other Federal laws.

19. EXTEND ON PERMANENT BASIS GENERAL FUND TRANSFER TO RAILROAD RETIREMENT ACCOUNT

The transfer of proceeds from the income taxation of Railroad Retirement Tier 2 benefits from the General Fund of the Treasury to the Railroad Retirement Account would be made permanent.

20. AUTHORIZE USE OF THE SOCIAL SECURITY NUMBER AS THE CLAIM IDENTIFICATION NUMBER FOR WORKERS' COMPENSATION CLAIMS FILED WITH THE DEPARTMENT OF LABOR

The Department of Labor would be permitted to use the Social Security number as the claim identification number for Workers Compensation claims in order to prevent the payment of duplicate and fraudulent claims.

21. RETIREMENT ELIGIBILITY FOR FEDERAL EMPLOYEES TRANSFERRED TO INTERNATIONAL ORGANIZATIONS

Federal govemment employees participating in a retirement program which provides Social Security coverage would be permitted to continue to pay into Social Security while on temporary assignment to an international organization.

22. EXTEND THE FICA TAX EXEMPTION TO INDIVIDUALS WHO ENTER THE U.S. UNDER A VISA ISSUED UNDER SECTION 101 OF THE IMMIGRATION AND NATIONALITY ACT

The proposal would reinstate the exemption from FICA taxes for individuals participating in short-term cultural exchanges who were inadvertently eliminated due to the recategorization of visas under the Immigration and Nationality Act of **1990.**

23. STUDY OF RISING COST OF DISABILITY INSURANCE BENEFITS

By December **31, 1994,** the Secretary of HHS would be required to complete a study of the underlying social, economic, demographic, programmatic, and other trends responsible for recent increases in DI program costs.

24. COMMISSION ON CHILDHOOD DISABILITY

The Secretary of **HHS** would be directed to appoint a Commission on the Evaluation of Disability in Children to conduct a study,

in consultation with the National Academy of Sciences, on the effect of the current SSI definition of disability as it applies to children under the age of 18 and their receipt of services, including the effect of using an alternative definition. The study would be due on November 30, 1995.

25. DISREGARD DEEMED INCOME AND RESOURCES OF INELIGIBLE SPOUSE WHEN DETERMINING CONTINUED ELIGIBILITY UNDER SECTION 1619(B)

. An SSI recipient benefiting from the section 11619(b). work incentives would be allowed to retain Medicaid eligibility through disregarding his or her ineligible spouse's net income up to twice the eligible spouse's "threshold amount." The "threshold amount" would include the greater of the eligible spouse's personal average Medicaid cost, or the average State Medicaid cost.

26. PLANS FOR ACHIEVING SELF-SUPPORT NOT DISAPPROVED WITHIN 60 DAYS TO BE DEEMED APPROVED

Plans for achieving self-support (PASS) under the SSI program would be deemed to be approved within 60 days of application for PASS if SSA has not acted. SSA could disapprove the PASS prospectively if it has been automatically approved under this provision.

27. EXPANSION OF PLANS FOR ACHIEVING SELF-SUPPORT

Plans for achieving self-support (PASS) would be expanded to include housing goals in a five-year demonstration project.

28. REGULATIONS REGARDING COMPLETION OF PLAN FOR ACHIEVING SELF-SUPPORT

Under current regulations, plans for achieving self-suffkiency cannot exceed four years. The provision would require SSA to take into account individual needs in determining the time limit.

29. TREATMENT OF CERTAIN GRANT, SCHOLARSHIP, OR FELLOWSHIP INCOME AS **EARNED** INCOME

Any grant, scholarship, or fellowship income, not used to pay for tuition and fees, would be treated as earned income.

30. SSI ELIGIBILITY FOR STUDENTS TEMPORARILY ABROAD TO FULFILL DEGREE REQUIREMENTS

SSI recipients who are fulfilling an educational requirement which will result in improved employment potential would be exempt from the 30-day time limit on persons living outside the United States.

31. DISREGARD OF COST-OF-LMNG INCREASES FOR CONTINUED ELIGIBILITY FOR WORK INCENTIVES

The current SSI law protection against the loss of Medicaid eligibility because of a cost-of-living increase in Social Security benefits would be applied to SSI recipients who are working and using the benefits of section 1619(b) work

32. EXPAND THE AUTHORITY OF SSA TO PREVENT, DETECT, AND TERMINATE FRAUDULENT CLAIMS FOR SSI BENEFITS

Additional authority and clarification of existing authority would be provided to SSA to prevent, detect, and terminate the payments of benefits to ineligible recipients, and to impose penalties on middlemen and medical professionals who defraud the SSI program.

33. DISABILITY REVIEWS FOR CHILDREN REACHING 18 YEARS OLD

SSA would be required to reevaluate under adult disability criteria the eligibility of children receiving SSI after they reach 18 years old and before they are 19 years old.

34. CONTINUING REVIEWS FOR SSI RECIPIENTS

SSA would be required to conduct continuing disability reviews for all SSI recipients in the same manner as they are conducted for DI recipients under present law.

35. TECHICAL CORRECTIONS

Technical errors would be corrected.

B. Section-by-Section Analysis

1. ESTABLISH THE SOCIAL SECURITY ADMINISTRATION AS AN INDEPENDENT AGENCY

a. Status of agency (section 101)

Present law

The Social Security Administration (SSA) is a component of the Department of Health and Human Services (HHS).

Explanation of provision

SSA would be made an independent agency in the executive branch of the Federal government, with responsibility for administration of the Old Age, Survivors, and Disability Insurance (OASDI) and Supplemental. Security Income (SSI) programs. The broad intent of this change is to improve the quality of service that SSA provides the general public by insulating the agency from short-term political pressure and stabilizing its management.

b. Agency leadership and management (section 102)

Present law

The Secretary of HHS has responsibility for administration of the OASDI and SSI programs. Administration of these programs has been delegated to the Commissioner of Social Security. The Commissioner reports to the Secretary.

Explanation of provision

SSA would be governed by a three-member, full-time Board, appointed by the President with the advice and consent of the Senate to serve staggered, 6-year terms, with no more than two members being from the same political party. Board members could be removed from office by the President only pursuant to a finding of

neglect of duty or malfeasance in office. The terms of the first members would expire after two, four, and six years.

The Committee believes that administration by an independent board would strengthen public confidence in the long-term viability of Social Security and highlight the trustee nature of government's responsibility for the program. Further, the Committee regards the three separate requirements that apply to the Board-long, staggered terms; political balance among members; and removal of members based only on neglect of duty or malfeasance in office—as measures for insulating the Board from short-term political pressures and providing increased management stability.

Recommendations for persons to serve on the Board would be made by the Chairmen of the House Ways and Means Committee and the Senate Finance Committee. A Board member would be permitted, at the request of the President, to serve for up to a year after the member's term expired until a successor had taken office. The President would have authority to reappoint Board members for additional terms.

The President would appoint one of the members to be chairperson of the Board for a 4-year term. The chairperson or two members would be authorized to call a meeting of the Board with any two members constituting a quorum. Any member alone would be permitted to hold a hearing.

Each member of the Board would be compensated at the rate provided in level II of the Executive Schedule. No member would be permitted to engage in any other business, vocation, profession, or employment.

The Board would:

Govern OASDI and SSI by regulation;

Establish the agency and oversee its efficient and effective operation;

Establish policy and devise long-range plans for the agency;

Appoint an Executive Director to act as the agency's chief operating officer;

Constitute three members of a new seven-member Board of Trustees of the Social Security trust funds, with the chairperson of the agency's Board serving as chairperson of the Board of Trustees (the Secretary of Labor would be dropped as a member of the Board of Trustees);

Prepare an annual budget, which would be presented by the President to Congress without revision, together with the President's annual budget for the agency;

Study and make recommendations to the Congress and President of the most effective methods of providing economic security through social insurance, SSI, and related programs, as well as on matters related to OASDI and SSI administration;

Provide the Congress and President with ongoing actuarial and other analyses; and

Conduct policy analysis and research.

In delegating these responsibilities to the Board, the Committee intends that it use them to set broad policy for SSA, not that it attempt to manage the agency on a day-to-day basis.

To handle day-to-day operations, an Executive Director would be appointed by the Board to serve as the agency's chief operating officer. The Executive Director would serve a 4-year term. The individual would be permitted to serve up to one additional year until a successor has taken office (at the request of the chairperson of the Board), and could be appointed for additional terms. An Executive Director would be subject to removal from office before completion of his or her term only for cause found by the Board. Compensation would be set at the rate provided in level II of the Executive Schedule.

The Executive Director would:

Be the chief operating officer responsible for administration;

Maintain an efficient and effective administrative structure;

Implement the long-term plans of the Board;

Report annually to the Board on the program costs of OASDI and SSI; make annual budgetary recommendations for the administrative costs of the agency and defend budgetary recommendations before the Board;

Advise the Board and Congress of effects on administration of proposed legislative changes;

Serve as Secretary of the Board of Trustees (for OASDI);

Report to the Board in December of each year, for transmittal to Congress, on administrative endeavors and accomplishments; and

Carry out any additional duties assigned by the Board.

c. Deputy Commissioner of Social Security (section 102)

Present law

Under current SSA practice, there are six deputy commissioners (for operations, programs, financial assessment and management, policy and external affairs, systems, and human resources). None of these are statutory positions. In addition, a principal deputy commissioner is designated to serve as acting commissioner in the absence of the commissioner.

Explanation of provision

A Deputy Director would be appointed by and serve at the pleasure of the Executive Director.

The Deputy Director would perform such duties and exercise such powers as are assigned by the Executive Director and would serve as acting executive director during the absence or disability of the Executive Director. The Deputy Director would also serve as acting executive director in the event of a vacancy in the office of Executive Director unless the Board designates another official to fill this post. He or she would be compensated at the rate provided in level III of the Executive Schedule.

d. General Counsel (section 102)

Present law

SSA receives legal services from the Office of General Counsel of HHS through a component headed by a Chief Counsel for Social Security.

Explanation of provision

A General Counsel would be appointed by and serve at the pleasure of the Board as SSA's principal legal officer. He or she would be compensated at the rate provided in level IV of the Executive Schedule.

e. Inspector General (section 102)

Present law

The Inspector General of HHS is responsible for oversight of SSA.

Explanation of provision

An Office of Inspector General would be created within SSA, to be headed by an Inspector General appointed in accordance with the Inspector General Act of **1978.** He or she would be compensated at the rate provided in level IV of the Executive Schedule.

f. Beneficiary Ombudsman (section 102)

Present law

No formal position of this nature exists within SSA.

Explanation of provision

An Office of Beneficiary Ombudsman, headed by a Beneficiary Ombudsman appointed by the Board, would be created within SSA. The term of office would be 5 years, except for the first Ombudsman whose term would end September 30, 2000. The Beneficiary Ombudsman could serve up to 1 additional year until a successor has taken office (at the request of the chairperson of the Board) and could be appointed for additional terms. The Ombudsman could be removed from office before completion of his or her term only for cause found by the Board. Compensation would be set at the rate provided in level V of the Executive Schedule.

The Beneficiary Ombudsman would:

Represent the interests and concerns of program beneficiaries within SSA's decision-making process;

Review SSA's policies and procedures for possible adverse effects on beneficiaries;

Recommend within SSA's decision-making process changes in policies which have caused problems for beneficiaries;

Help resolve problems for individual beneficiaries in unusual or difficult circumstances, as determined by the agency; and

Represent the views of beneficiaries within SSA's decision-making process in the design of forms and the issuance of instructions.

The Board would assure that the Office of Beneficiary Ombudsman is sufficiently staffed in regional offices, program service centers, and the central office.

The annual report of the Board would include a description of the activities of the Beneficiary Ombudsman.

g. Chief administrative law judge (section 102)

Present law

The Social Security Act requires SSA to conduct hearings to consider appeals of SSA decisions by beneficiaries. These hearings are conducted by administrative law judges (ALJs). The agency follows the procedures of the Administrative Procedures Act (APA) with respect to the appointment of ALJs and the conduct of hearings. Organizationally, the ALJs are located within the Office of Hearings and Appeals, headed by an associate commissioner who reports to the Commissioner of SSA.

Explanation of provision

An Office of Chief Administrative Law Judge, headed by a chief ALJ appointed by the Board, would be created within SSA to administer the affairs of SSA's ALJs in a manner so as to ensure that hearings and other business are conducted in accordance with applicable law and regulations. The chief ALJ would report directly to the Board.

h. Interim authority of the commissioner (section 102)

Present law

No provision.

Explanation of provision

The President would be required to nominate appointments to the Board not later than April 1, 1995. If all members of the Board are not in office by October 1, 1995, the person then serving as Commissioner of Social Security would continue to serve as head of SSA, assuming the powers and duties of the Board and the Executive Director.

i. Personnel; budgetary matters; facilities; procurement; and seal of office (section 103)

Present law

No provision.

Explanation of provision

The Board would appoint additional officers and employees as it deems necessary (with compensation fixed in accordance with title 5 of the U.S. Code), except as otherwise provided by law, and would be permitted to procure the services of experts and consultants. The Director of the Office of Personnel Management (OPM) would be required to give SSA an allotment of Senior Executive Service (SES) positions that exceeds the number authorized for SSA immediately before enactment of this Act to the extent a larger number is specified in a comprehensive work plan developed by the Board. The total number of such positions could not be reduced at any time below the number SSA held immediately before enactment of this Act.

SSA also would be authorized six additional positions at level IV and six additional positions at level V of the Executive Schedule

(i.e., beyond those provided for the Inspector General and Beneficiary Ombudsman).

Appropriation requests for SSA would be based on staffing and personnel requirements set out in periodically-revised comprehensive work plans developed by the Board.

The Board would create a Seal of Office for SSA, and judicial notice would be taken of it.

j. Transfers and transitional rules (sections 104 and 105)

Present law

No provision.

Explanation of provision

Appropriate allocations of personnel and assets (as determined by the Board in consultation with the Secretary of HHS) would be transferred from HHS to SSA. In addition, there would be transferred such number of ALJs as are necessary to carry out the functions transferred by this act.

All orders, determinations, rules, regulations, permits, contracts, collective bargaining agreements, recognitions of labor organizations, certificates, licenses, and privileges in effect at SSA at the time of the transition would remain in force at the agency until their expiration or modification in accordance with law. Thus, a union's national consultation rights with SSA would be unaffected by the transition; individual work units would retain their collective bargaining agent to the extent that the same community of interest continued to exist within them after the transition, in accordance with current law; and the practice of appointment ALJs pursuant to the provisions of the Administrative Procedures. Act would be unaffected by the transition to the new agency.

Furthermore, following the precedent of legislation establishing the Department of Energy, the Department of Education, and separating the National Archives from GSA, transfers to the new agency would not cause any full-time or part-time employee to be reduced in grade or compensation for 1 year after the transition. Further, SSA's independent status would not alter any pending suits, penalties, or other proceedings before the Secretary, except that such proceedings would continue before the Board.

Finally, the Committee wishes to assure that the transition to the new agency is carried out so as to avoid inconvenience for elderly and disabled individuals who rely on SSA for services. To this end, the Committee expects the Board to enter into contractual arrangements with the Secretary of Health and Human services to coordinate the administration of the programs under their respective authorities.

k. Effective date (section 109)

In general, the legislation would take effect October 1, 1995.

2. RESTRICT DISABILITY INSURANCE (DI) AND SUPPLEMENTAL SECURITY INCOME (SSI) DISABILITY PAYMENTS TO SUBSTANCE ABUSERS

Present law

The Social Security Act provides for the payment of DI and SSI disability benefits to individuals who cannot work because of a medically determinable physical or mental impairment that has lasted, or is expected to last, for at least **12** months or to result in death. In administering this standard, SSA has developed listings of physical and mental impairments that it accepts as prima facie evidence of disability. The SSA listing of mental impairments includes "substance abuse disorders." To be awarded benefits under this listing, DI and SSI applicants must have a severe condition associated with alcoholism or drug abuse—e.g., a personality disorder, chronic depression or anxiety, organ damage, or an organic mental disorder. Applicants with drug- or alcohol-related impairments that differ from those described in this listing are given an individual assessment and may be granted benefits on the basis of reduced overall functional capacity.

SSI applicants who meet this medical definition of disability must also comply with two statutory restrictions in order to receive benefits: **(1)** they must participate in a substance-abuse treatment program approved by the Secretary of HHS, if available, and (2) their SSI benefits must be paid to another person or organization (a "representative payee") who is responsible for managing their finances.

By regulation, SSA gives first priority to family and friends of a beneficiary in appointing representative payees. However, drug addicts and alcoholics can become physically and verbally abusive to those who control access to their benefits. In an attempt to avoid confrontation, family members and friends may simply turn the benefits over to the substance abuser who in turn uses them to buy drugs and alcohol. The General Accounting Office has reported that approximately half of the family and friends who serve as representative payee exercise incomplete control over beneficiaries' finances.

SSA has issued regulations applying the statutory requirements for participation in treatment and payment through a representative payee to those SSI substance abusers whose addiction is a contributing factor material to their disability-i.e., those who would not be disabled were they cured of their addiction. Individuals who have another qualifying disability that would continue to render them disabled if their addiction were cured-e.g., a heart condition, paralysis, or cancer-are not subject to these requirements.

In 1990, following allegations of abuse, Congress enacted stringent reforms of the representative payee system. The new law required SSA to conduct more thorough investigations of representative applicants and prohibited creditors (including bartenders, convenience store operators, and boardinghouse owners) from acting as representative payees for the customers they serve. In addition, community-based nonprofit social service agencies in existence on October 1, **1988,** were permitted to collect a fee for providing representative payee services. Congress intended that the fee for service provision would provide more representative payees for drug ad-

dicts, alcoholics, the mentally ill and mentally retarded for whom it is often difficult to find and keep individuals who would serve as representative payees. Currently, 122 organizations provide representative payee services to over 7,500 beneficiaries. The continuing short supply of such organizations is reflected in a recent GAO study which determined that organizations serve as representative payees for only five percent of SSI substance abusers.

Explanation of provision

The provision would place new restrictions on DI and SSI benefit payments to alcoholics and drug addicts and establish safeguards to insure that benefits, when paid, are not used to support an addiction. It would do so by: (a) requiring that DI benefits to substance abusers be paid to a representative payee; (b) requiring that preference be given to organizations, as opposed to friends or family members, in selecting representative payees for DI and SSI substance abusers; (c) conditioning substance abusers' eligibility for DI benefits on participation in treatment, if available; (d) establishing mandatory, progressive sanctions for non-compliance with treatment for both DI and SSI substance abusers; (e) placing an overall three-year time limit on substance abusers' eligibility for DI and SSI benefits; (f) requiring gradual payment of retroactive DI and SSI benefits to substance abusers; and (g) stipulating that illegal, as well as legal, activity is considered in determining whether an individual alleging disability is engaging in substantial gainful activity (SGA).

(a) *Representative Payees for DI Beneficiaries*—DI beneficiaries whose alcoholism or drug addiction is a contributing factor material to their disability would, like SSI beneficiaries, receive payments through a representative payee charged with managing their finances. This requirement would apply both to newly-eligible beneficiaries and to those presently on the DI rolls.

The Committee is aware that identifying substance abusers on the DI rolls is a labor-intensive task that will require substantial resources from SSA's administrative budget, which is already tightly constrained. The Committee imposes this requirement in spite of SSA's difficult budget situation because of the clear need for tighter controls on cash payments to substance abusers and the threat to DI and SSI program integrity that would result from failure to address this problem.

In addition, the Secretary of HHS would be required to study the feasibility, cost, and equity of requiring representative payees for all DI and SSI beneficiaries who are alcoholics or drug addicts, regardless of whether their addiction is a contributing factor material to their disability. The Secretary would also study methods of paying benefits to alcoholics and drug addicts that avoid their direct receipt of cash (e.g., vouchers, debit cards, and electronic transfer of benefits), as well as the incidence of substance abuse among disabled children and their representative payees. The Secretary would report to the Committee on Ways and Means and the Committee on Finance on the results of the study no later than April 1, 1995.

(b) *Increased Reliance on Professional Representative Payees*- Preference would be given to organizations (or their designees) over

family and friends in selecting representative payees for DI and SSI substance abusers, unless the Secretary of HHS determines that this preference is not appropriate.

In order to expand the number of organizations available to serve as payees, the provision of present law which authorizes community-based, nonprofit social service agencies to collect a fee for providing representative payee services would be reauthorized without the requirement that such organizations have been in existence on September **30,** 1988. This provision would also be expanded to apply to State and local government agencies whose mission is to carry out income maintenance, social service, or health care-related activities and to State and local agencies with fiduciary responsibilities. The Committee intends State and local government agencies with fiduciary responsibilities to mean agencies that administer conservatorship or guardianships or that are responsible for individuals' financial well-being. To encourage these organizations to serve as representative payees for alcoholics and drug addicts, the existing $25 cap on fees would be eliminated for payees of these individuals, thereby making the payee's fee a flat **10** percent of the substance abuser's monthly SSI, DI, or combined DI-SSI benefit.

(c) Mandatory Participation in Treatment for DI Beneficiaries— Mandatory participation in an appropriate program of treatment, if available, would be required for substance abusers receiving DI benefits, like those receiving SSI benefits. For individuals already on the DI benefit rolls, the requirement for treatment would apply to those with a primary diagnosis of alcoholism or drug addiction. For new DI beneficiaries, treatment would be required if alcoholism or drug addiction is a contributing factor material to the individual's disability.

The Secretary would be required to provide for the monitoring and testing of DI beneficiaries, like SSI beneficiaries, who are required to participate in treatment and to establish Referral and Monitoring Agencies (RMAs) in all 50 States to insure their compliance. These agencies would identify appropriate placements for DI and SSI substance abusers, refer them to such treatment, monitor their participation, and promptly report instances of noncompliance to the Secretary. Each year, the Secretary would be required to submit a full and complete report on required referral and monitoring activities to Congress, including a tally of any DI and SSI substance abusers who did not receive regular drug testing during the year. The Secretary would also be given demonstration authority to explore innovative referral, monitoring, and treatment approaches.

(d) *Progressive Sanctions for Non-Compliance with Treatment—* DI and SSI beneficiaries who are required to undergo treatment and fail to comply with the terms of their treatment program would have their benefits suspended. To qualify for benefit reinstatement, these individuals would have to demonstrate compliance with treatment for progressively longer periods. For the first instance of noncompliance, benefits would be reinstated only after the individual complies with treatment for at least two months. For the second such instance, the required period of compliance would be three months. For the third and subsequent instances, the required period of compliance would be six months.

Individuals whose benefits are suspended for 12 consecutive months for failure to comply with treatment would be terminated from the DI/SSI benefit rolls. As under current law, terminated individuals who continue to be disabled could reapply for DI or SSI benefits.

Benefits paid to qualified dependents of DI substance abusers would continue during suspension periods, as would the Medicare and/or Medicaid of suspended DI and SSI recipients who are otherwise eligible for these programs. Qualified dependents of terminated DI beneficiaries would continue to receive benefits for 24 months.

The Secretary would be required to issue regulations defining appropriate treatment for alcoholics and drug addicts and establishing guidelines for assessing their compliance, including measures of progress expected of participants.

(e) *Three-year Time Limit on Eligibility-Individuals* whose alcoholism or drug addiction is a contributing factor material to their disability would be subject to an overall three-year time limit on eligibility for DI and SSI benefits. Periods of benefit suspension would be included in calculating this period.

(f) *Proration of Lump-sum Retroactive Benefits-The* payment of retroactive lump-sum DI and SSI benefits to individuals whose substance abuse is a contributing factor material to their disability would be prorated in such a way that the total amount of the monthly payment (that is, current monthly benefit plus prorated lump-sum amount) does not exceed two times the individual's normal benefit amount.

(g) Illegal Activity as SGA-The existing statutory reference to substantial gainful activity would be revised to include an explicit statement that both legal and illegal activity are considered in determining whether an individual is engaging in SGA.

Effective date

In general, the provision would be effective 180 days after enactment.

3. REQUIRE ISSUANCE OF PHYSICAL DOCUMENTS IN THE FORM OF BONDS, NOTES, OR CERTIFICATES TO THE SOCIAL SECURITY TRUST FUNDS

Present law

In general, section 201(d) of the Social Security Act requires the Secretary of the Treasury to invest annual surpluses of the Social Security Trust Funds in interest bearing obligations of the U.S. government. Under current Treasury practice, these holdings are recorded as entries on a ledger. No physical documents are issued to the Trust Funds evidencing these obligations.

Explanation of provision

The provision would require that each obligation issued for purchase by the Social Security Trust Funds be evidenced by a physical document in the form of a bond, note, or certificate of indebtedness. This physical document would state the principal amount,

date of maturity, and interest rate of the obligation. It would also state on its face that:

> * * * the obligation shall be incontestable in the hands of the Trust Fund to which it is issued, that it is supported by the full faith and credit of the United States, and that the U.S. is pledged to the payment of the obligation with respect to both principal and interest.

In addition, interest on such obligations would be paid to the Trust Funds with paper checks drawn on the general fund.

No later than 60 days after enactment, the Secretary of the Treasury would be required to issue physical documents in the form of bonds notes, or certificates of indebtedness for all outstanding Social Security Trust Fund obligations.

Effective date

The provision would apply with respect to obligations issued, and payments made, after 60 days after the date of enactment.

4. INCREASE EXPLICITNESS OF REQUIREMENT FOR PUBLIC TELEPHONE ACCESS TO LOCAL SOCIAL SECURITY OFFICES

Present law

During the late 1980s, the Social Security Administration (SSA) initiated a project whose dual goals were to establish a national 800 number and to restrict public telephone access to local Social Security offices. It implemented this project in two steps. In October 1988, it integrated its 37 teleservice centers (TSCs) into a national telephone network that served 60 percent of the population—in general, individuals living in large urban areas. In October 1989, it extended toll-free service via the TSCs and four new mega-TSCs to the entire country. At the same time, it eliminated direct public access to local Social Security offices by: (a) diverting calls placed to them to the 800 number, (b) removing general inquiry telephone lines, and (c) deleting office numbers from local telephone directories. As a result, the public was no longer able to call most local offices directly.

In the Omnibus Budget Reconciliation Act of 1990 (P.L. 101–508), Congress responded to widespread public dissatisfaction with this loss of local service by requiring SSA to: (a) maintain telephone access to local offices at the level generally available as of September 30, 1989, and (b) relist the numbers of affected offices in local telephone directories. P.L. 101-508 also required the General Accounting Office to report to Congress on the level of public telephone access to local offices following enactment of these requirements.

In September 1991, the GAO reported that, while SSA has generally complied with the requirement that it relist local office telephone numbers, general inquiry lines to the offices targeted by P.L. 101-508 had decreased by 30 percent, or 766 lines, below the level that existed on September 30, 1989. For those offices that had lines removed, the average loss was 57 percent. In explaining this situation, SSA asserted that P.L. 101–508 requires only that it relist local office numbers, not that it restore the general inquiry lines used by the public to reach him.

Explanation of provision

The provision would make more explicit the requirement in P.L. 101-508 that SSA maintain public access to its local offices at the level generally available on September 30, 1989, by adding the following sentence to the statute:

In carrying out the requirements of the preceding sentence, the Secretary shall reestablish and maintain in service the same number of telephone lines to each such local office which were in place as of such date, including telephone sets for connections to such lines.

Thus, SSA would be required to reinstall to the appropriate local offices the 766 public inquiry lines which were in service in these offices on September 30, 1989, thereby achieving the objective of restored public access that Congress intended in enacting P.L. 101–508.

The General Accounting Office would be required to make an independent determination of the number of telephone lines to each SSA local office which are in place 90 days after enactment and to report its findings to the House Committee on Ways and Means and Senate Committee on Finance no later than 150 days after enactment.

To avoid any curtailment of national BOO-number service, the provision would require that SSA maintain its toll-free service at a level at least equal to that in effect on the date of enactment.

Effective date

The provision relating to local telephone access would be effective 90 days after enactment. The provision relating to toll-free service would be effective upon enactment.

5. INCREASE IN SOCIAL SECURITY EXCLUSION FOR ELECTION WORKERS

Present law

Election workers who earn less than $100 per year are subject to three Social Security exclusions: (a) at the option of a State, they may be excluded from the State's voluntary coverage agreement with the Secretary of Health and Human Services (HHS); (b) they are excluded from the requirement that State and local workers hired after March 31, 1986, pay the hospital insurance portion of the Social Security tax (1.45 percent); and (c) they are excluded from the requirement in the Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508) that State and local workers who are neither covered by a State or local retirement system nor by a voluntary agreement pay the full Social Security tax (7.65 percent).

Explanation of provision

These three exclusions would be increased to apply to election workers with annual earnings of up to $1,000, rather than the current $100; and the new exempt amount would be indexed for increases in wages in the economy.

Effective date

The increased exclusions would apply to service performed on or after January 1, 1995. Modifications of State voluntary agreements

would be effective with respect to services performed in and after the calendar year in which the modification is mailed or delivered to the Secretary.

6. PERMIT USE OF SOCIAL SECURITY NUMBERS FOR JURY SELECTION

Present law

The Privacy Act of 1974 prohibits States from requiring individuals to provide Social Security numbers for identification purposes unless the State was doing so prior to January 1, 1975, or the State is specifically permitted to do so under Federal law. The Social Security Act currently authorizes States to use the Social Security number in administration of any tax, general public assistance and driver's license or motor vehicle registration law within its jurisdiction. Other Federal statutes authorize the State use of the Social Security number for other purposes.

Currently, courts utilize jury source lists within their jurisdication to select jurors. Source lists (most commonly made up to lists of licensed drivers and registered voters) are usually computer tapes merged by the courts to form one pool-or master list—from which jurors are selected.

Court administrators and judges believe that these lists would be more reliable if the courts could use Social Security numbers to enable computers to identify and eliminate duplicate names as the lists are being merged. States which are permitted under current law to collect Social Security numbers for purposes such as driver's licenses and voter registration are not allowed to use those Social Security numbers for other purposes such as refining jury selection master lists, unless the court was using the Social Security number for that purpose before the Privacy Act took effect.

Current law likewise prevents States from using the Social Security number to run the merged list against computerized lists of convicted felons in order to eliminate these individuals from jury pools.

Explanation of provision

States and Federal District Courts would be permitted to use Social Security numbers which have already been collected for purposes permitted under current law to use those numbers' to eliminate duplicate names and names of convicted felons from jury source lists.

Effective date

The provision would be effective upon enactment.

7. AUTHORIZE OPTIONAL SOCIAL SECURITY COVERAGE OF POLICE OFFICERS AND FIREFIGHTERS

Present law

In general, employees of State and local governments who participate in a public retirement system can be brought under Social Security by means of voluntary voluntary agreements entered into by the States with the Secretary of Health and Human Services.

However, the State option to obtain Social Security coverage for police officers and firefighters who are under a public retirement

system applies only in 24 States that are named in the Social Security Act. (An additional option applies with respect to firefighters only: any State may obtain coverage for them if the governor certifies that it would improve the overall benefit protection of firefighters in the coverage group and a referendum is held among the group under authorization of the State). The Act also provides that, in the 24 named States, Social Security coverage can be obtained only after a State-sponsored referendum.

Explanation of provision

The provision would extend to all States the option to provide police officers and firefighters who participate in a public retirement system with Social Security coverage under their voluntary agreements with the Secretary of HHS. The existing requirement for a referendum held under the authority of the State would continue to apply.

Effective date

The provision would apply with respect to modifications in voluntary agreements filed by States after enactment.

8. PROVIDE LIMITED EXEMPTION FROM SECA FOR AMERICAN MINISTERS WORKING AND RESIDENT IN CANADA

Present law

Section 233(c)(l) of the Social Security Act authorizes the President to enter into "totalization agreements" with foreign countries to coordinate entitlement to Social Security benefits in the U.S. with pension benefits in those. foreign countries. The law requires that international agreements concluded pursuant to that section provide for the elimination of dual coverage of work under the Social Security systems of the United States and another country.

Article V(7) of the totalization agreement between the United States and Canada provides that individuals considered self-employed by the United States who are American citizens but are residents of Canada are covered only under the Canadian Pension Plan.

Under the Social Security Act, an individual who is a duly ordained, commissioned, or licensed minister of a church or a member of a religious order is generally considered self-employed for Social Security payroll tax purposes and subject to SECA taxes.

The Canadian social insurance program treats ministers as employees of the church rather than self-employed.

Prior to the 1984 totalization agreement with Canada, duly ordained and licensed ministers who were American citizens but residents of Canada were required to pay SECA taxes to the United States and Social Security taxes to Canada.

In some cases, ministers who were American citizens but residents of Canada failed to file tax returns or pay SECA tax believing that they were not required to do so because they were paying into the Canadian Pension Plan as residents of Canada. The Internal Revenue Service has assessed taxes and penalties against those ministers who failed to file a return and pay the required taxes. Thus, although the totalization agreement now prevents these min-

isters from being taxed in two countries on the same earnings, they remain liable for pre-1984 taxes.

Explanation of provision

The provision would exempt ministers who failed to pay SECA taxes in the United States on earnings from services performed in Canada before the 1984 totalization agreement between the United States and Canada went into effect, and who were required to pay social insurance taxes in Canada on such earnings, from the payment of such taxes or related penalties, owed to the United States.

In addition, the provision provides that the ministers' Social Security earnings records would not be credited for years in which the SECA tax was not paid.

Effective date

The provision would be effective for individuals who meet the requirements of the statute and who file a certificate with the Internal Revenue Service within six months after the IRS issues regulations implementing this provision. The certificate shall be effective for taxable years 1979 through 1984.

9. TOTALIZE THE WINDFALL ELIMINATION PROVISION

Present law

The President is authorized to enter into "totalization agreements" with foreign countries. If an individual has worked under Social Security systems in both the U.S. and a foreign country with which the U.S. has an agreement, but has not worked long enough to qualify for a benefit, a totalization agreement allows the individual's coverage under both systems to be combined, or "totalized," in order for one country (or both) to pay a benefit. Benefits paid under a totalization agreement are generally prorated to take account of the fact that the person did not work for an entire career under the system that is paying benefits.

The windfall elimination provision (WEP) is applied to the computation of Social Security benefits for workers who are eligible for both Social Security and a pension from work not covered by Social Security. Under the WEP, a different benefit formula yielding a lower amount is used to calculate the worker's Social Security benefit. (Due to the weighting of the Social Security benefit formula toward workers with lower lifetime wages, workers with many years of work not covered by Social Security would receive a windfall in their Social Security benefit in the absence of the WEP.)

With respect to individuals who have worked under Social Security systems in both the U.S. and a foreign country with which the U.S. has a totalization agreement, the WEP applies: (1) in the computation of some U.S. totalization benefits, and (2) in the computation of regular U.S. Social Security benefits if the individual receives a foreign totalization benefit.

With respect to U.S. totalization benefits, the benefit is prorated (to account for the fact that the worker did not work his or her entire career under the U.S. Social Security system), and in this way the weighting of the benefit formula is largely removed. Thus, the application of the WEP in this instance is inappropriate.

With respect to the calculation of regular U.S. benefits when the individual also receives a foreign totalization benefit, application of the WEP is also inappropriate. This is because a foreign pension that is based in part on U.S.-covered work should not be considered a pension based on non-covered employment for purposes of triggering application of the WEP.

Explanation of provision

The provision would disregard the Windfall Elimination Provision: (1) in computing any U.S. totalization benefit, and (2) in computing the amount of a regular U.S. benefit of an individual who receives a foreign totalization benefit based in part on U.S. employment and who does not receive any other pension which is based on noncovered employment.

Effective date

The provisions would be effective with respect to benefits payable for months after January, 1995.

10. EXCLUDE MILITARY RESERVISTS FROM APPLICATION OF THE GOVERNMENT PENSION OFFSET AND THE WINDFALL ELIMINATION PROVISION

Present law

The Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP) are intended to reduce Social Security benefits payable to an individual who qualifies for both a Social Security benefit and a pension based on employment not covered by Social Security.

The WEP reduces a worker's Social Security retirement or disability benefit in cases where the worker is receiving both a Social Security benefit and a pension based on employment not covered by Social Security. The WEP is designed to eliminate the windfall resulting from the weighted Social Security benefit formula which is intended to replace a higher proportion of wages for low-earning workers than for high-earning workers.

Active military service became covered under Social Security in 1957. Inactive duty by reservists (such as weekend drills) became covered under Social Security in 1988. A pension based on either type of service (active or inactive), if performed before 1957, does not trigger the WEP. The only military pension which triggers the WEP is a pension based on inactive duty after 1956 and before 1988. This produces arbitrary and inequitable results for a small, closed group of people who receive military pensions based, at least in part, on noncovered military reserve duty after 1956 and before 1988.

Under the GPO, spouse's and widow(er)'s benefits received by an individual based on his or her spouse's Social Security-covered work are reduced by two-thirds of the amount of any government pension to which the individual is entitled based on his or her own work in a government job not covered under Social Security.

In general, an individual is exempt from the GPO if the last day of his or her work in a government job was covered by Social Security. Thus, reservists who retired from military service before 1988

may be arbitrarily subject to the GPO depending on whether the last day of their duty status happened to be covered (active duty, such as two-week training duty) and therefore exempt from the GPO or not covered (inactive duty) and therefore subject to the GPO.

Explanation of provision

The provision would provide that military pensions based on service performed in the military reserves before 1988 would not trigger application of the GPO or WEP to the individual's Social Security benefits.

Effective date

The provision would be effective with respect to benefits payable for months after January, 1995.

11. REPEAL OF FACILITY-OF-PAYMENT PROVISION

Present law

As a general rule, when an individual receiving benefits as the dependent of a worker has a deduction in his or her benefits-for example, due to the earnings test-and the Maximum Family Benefit rule applies, the withheld benefits are redistributed and paid to the other dependents. (The Maximum Family Benefit, or MFB, is a limit on the total amount of benefits which can be paid on a worker's record to the worker and his or her dependents).

However, if all the dependents are living in the same household, the affected individual's benefit check is not actually withheld; instead, the individual receives a notice from the Social Security Administration accompanying the benefit check. This notice explains that the beneficiary is subject to a benefit deduction and should not actually receive the benefit check. However, the benefit is being paid with the understanding that it is for the use and benefit of the other dependent beneficiaries. This procedure is known as the facility-of-payment provision.

Although the facility-of-payment provision was intended as an administrative simplification, it in fact requires complex computations that are error-prone and difficult to automate. Further, the facility-of-payment provision confuses beneficiaries.

In cases where all of the dependent beneficiaries are not residing in the same household, the facility-of-payment provision does not apply and the withheld benefits are redistributed and paid directly to the to the remaining dependents.

Explanation of provision

The facility-of-payment provision would be repealed. A beneficiary who is subject to a deduction would have his or her benefits withheld, and the withheld amount would be redistributed and paid directly to the other dependents.

Effective date

The provision would be effective for benefits for months after December, 1995.

12. CONFORM FAMILY MAXIMUM BENEFIT TO PRIMARY INSURED AMOUNT GUARANTEE

Present law

A guarantee is provided for workers who receive disability benefits, then stop receiving disability benefits, and subsequently become reentitled to benefits due to death, retirement or disability. This "subsequent entitlement guarantee" provides that the basic benefit amount (the Primary Insurance Amount, or PIA) of a worker who becomes reentitled to benefits or dies (thereby entitling his or her survivors) cannot be less than the PIA in effect in the last month of the worker's prior entitlement to disability benefits.

Due to a drafting error in the 1977 Social Security Amendments, when this guarantee was created, the guarantee does not extend to the Maximum Family Benefit (MFB) payable on the worker's record, which is determined based upon the PIA. (The MFB is a limit on the total amount of benefits which may be paid on a worker's record to the worker and his or her dependents.) As a result, the MFB which is payable when the worker becomes reentitled to benefits or dies may be less than the MFB payable in the last month of the worker'sprior entitlement to disability benefits.

Explanation of provision

The provision would make a conforming change in the Maximum Family Benefit, so that the guaranteed PIA would be the basis for calculating the guaranteed MFB.

Effective date

The provision would be effective for the MFB of workers who become reentitled to benefits or 'die (after previously having been entitled) after January, 1995.

13. DISCLOSURE OF SOCIAL SECURITY ADMINISTRATION INFORMATION FOR EPIDEMIOLOGICAL RESEARCH

Present law

Current law prohibits Federal agencies from releasing personal information contained in an individual file without the written consent of the individual.

Prior to the 1989 Supreme Court decision *United States Department of Justice v. Reporters Committee for Freedom of the Press (Reporters Committee),* the Social Security Administration (SSA) would permit disclosure of personally identifiable information to epidemiological researchers believing that it was permitted to do so under the Freedom of Information Act (FOIA). Disclosure of personal information is permitted under FOIA when the public interest served by the disclosure outweighs the privacy interest served by withholding the information.

In the *Reporters Committee* decision, the Supreme Court restricted disclosures of personally identifiable information under FOIA, ruling that disclosure of personal information serves the public interest only when the requested information gives the public insight into the Federal government's performance of its statutory duties.

As a result of the *Reporters Committee* decision, SSA has discontinued the practice of disclosing information from its files to epidemiological researchers.

Epidemiological research examines specific risk factors (such as exposure to chemical agents or specific medical treatments) that may cause disease by measuring the effect of these factors on a known population. For example, medical researchers may need to know which members of a research population have died or in which state they died (in order to follow-up on the cause of death). The information is usually requested by private researchers and colleges and universities conducting research on behalf of private entities.

Explanation of provision

The provision would require SSA, under certain circumstances, to disclose limited personally identifiable information for epidemiological research purposes only, and it would permit the Secretary of the Treasury to provide such information to SSA for purposes of complying with such requirement.

Under the provision, SSA would be required to comply with requests for information showing whether an individual is alive or deceased. However, the requestor must meet two requirements: (1) the information must be for epidemiological 'or similar research which the Secretary has determined shows a reasonable promise of contributing to a national health interest; and (2) the requestor must agree to reimburse the Secretary for providing such information and agree to comply with limitations on safeguarding and rerelease or redisclosure of such information, as specified by the Secretary.

Effective date

The provision would be effective upon enactment.

14. PROHIBIT MISUSE OF SYMBOLS, EMBLEMS OR NAMES RELATED TO THE SOCIAL SECURITY ADMINISTRATION, HEALTH CARE FINANCING ADMINISTRATION, AND TREASURY DEPARTMENT

Present law

In 1988, Congress enacted a provision prohibiting the misuse of words, letters, symbols and emblems of the Social Security Administration (SSA) and the Health Care Financing Administration (HCFA). The purpose of the provision was to prohibit organizations from conveying the false impression to recipients of mailings or solicitations that the product was endorsed, approved, or authorized by SSA or HCFA.

The law permits the Secretary of Health and Human Services (HHS) to impose civil monetary penalties not to exceed $5,000 per violation or, in the case of a broadcast or telecast, $25,000 per violation. The total amount of penalties which may be imposed is limited to $100,000 per year.

Amounts collected by the Secretary are deposited as miscellaneous receipts of the Treasury of the United States

There is no provision in present law prohibiting the use of titles, symbols, emblems, and names of the Department of the Treasury

and its (subsidiary agencies) in connection with advertisements, mailings, solicitations, or other business activities.

In May 1992, the Subcommittee on Social Security and the Subcommittee on Oversight held a joint hearing to examine the effectiveness of laws designed to prevent fraud through deceptive advertising and solicitation practices. Of particular interest to Members of the Subcommittees was the adequacy of section **1140** of the Social Security Act which prohibits the misuse of names, symbols and emblems of SSA and HCFA.

The Subcommittee heard testimony from the Commissioner of the Social Security Administration, and representatives from the Office of Inspector General, Department of Health and Human Services and United States Postal Inspector as well as State Attorney's General and State Aging Agencies. The hearing prompted development of a proposal to strengthen section **1140.**

Explanation of provision

Numerous witnesses testified that the **$100,000** annual limit on the total amount of penalties that can be levied against individuals for violations of section **1140** did not serve as an adequate deterrent to groups who can take in millions of dollars each year by engaging in deceptive practices. The provision would eliminate the provision in section **1140** which provides for an annual cap on penalties, to allow the Secretary to set fines at a level which is both reasonable and would provide a strong deterrent to organizations and individuals engaged in deceptive mailings and other violations of section 1140.

The provision would define a "violation" with regard to mailings as each individual piece of mail in a mass mailing. Regulations promulgated by the HHS Inspector General treat each piece of mail addressed to specific individuals as a violation. However, the regulations define an entire mass mailing addressed to "resident" as only one violation. The provision would strengthen the deterrent against deceptive mailings by making each piece a violation.

Section 1140 would be amended to include the use of names, letters, symbols or emblems of the Department of Health and Human Services as protected items.

The provision would amend current law, which prevents a person from using names and symbols in a manner which such person "knows or should know would convey a false impression" of a relationship with SSA, HCFA, or HHS, to provide an alternate standard. In addition, to the above current standard, the provision would add a prohibition against the use of the names or symbols in a manner which "reasonably could be interpreted or construed as conveying" a relationship to SSA, HCFA, or HHS.

In addition the provision would repeal *the present-law requirement that the Department of Health and Human Services obtain a formal declination from the Department of Justice (DOJ) before pursuing a civil monetary penalty case under section 1140. Since section 1140 is specific to activities related to agencies within the Department of Health and Human Services, there is no danger of overlap with other Department of Justice actions. Moreover, the Department of Justice has shown no interest in pursuing actions

in this area. Clearance from DOJ has only delayed the assessment of penalties.

The provision would provide that penalties collected by the Secretary for violations of section 1140 would be deposited in the Old-Age and Survivors Insurance Trust Fund.

In response to numerous complaints from the pubic generally and concerns expressed by hearing witnesses regarding organizations that offer to provide individuals with Social Security forms for a fee, the provision would require groups to receive approval from SSA in order to engage in these activities. The provision would stipulate that no person may reproduce, reprint, or distribute for a fee any form, application, or other publication of the Social Security Administration unless it has obtained specific written authorization for such activity in accordance with regulations prescribed by the Secretary.

The provision would provide that any disclaimer found on a mailing or other item would not provide a defense against an action for violation of section 1140. Many consumers do not read, or cannot read, disclaimers on mass mailings. Similarly, disclaimers in other forms of media may not be heard or understood by the consumer. Thus, the provision would provide that any determination of whether there is a violation of section 1140 shall be made without regard to a disclaimer.

The HHS Secretary would be required to report annually to Congress detailing the number of complaints of deceptive practices received by SSA, the number of cases in which SSA sent a notice of violation of this section to an individual requesting that individual cease misleading activities, the number of cases referred by SSA to the HHS IG, the number of investigations undertaken by the HHS IG, the number of civil monetary penalties formally proposed by the HHS IG in a demand letter, the total amount of civil monetary penalties assessed during the year, and the total amount of civil monetary penalties deposited in the OASI trust fund during the year. In addition, reflecting the view of Committee Members that every individual should be afforded due process under the law, the Secretary would be required to report to the Committee the number of hearings requested by the respondents and the disposition of these hearings.

Finally, the provision would clarify that the stipulations of section 1140 would continue to be enforced by the Office of Inspector General of the Department of Health and Human Services. The Committee expects that SSA and HCFA would continue their present practice of seeking voluntary compliance under the law before determining whether to refer cases to the Inspector General.

With regard to the Department of Treasury, the provision would prohibit the use in advertisements, solicitations, and other business activities of words, abbreviations, titles, letter, symbols, or emblems associated with the Department of Treasury (and services, bureaus, offices or subdivisions of the Department, including the Internal Revenue Service) in a manner which could reasonably be interpreted as conveying a connection with or approval by the Department of Treasury. The prohibition would apply not only to official words, titles, abbreviations, initials, symbols and emblems, but also to colorable imitations thereof.

The proposal would establish a civil penalty of not more than $5,000 per violation (or not more than $25,000 in the case of a broadcast). In addition, the bill would establish a criminal penalty of not more than $10,000 (or not more than $50,000 in the case of a broadcast) or imprisonment of not more than one year, or both, or in any case in which the prohibition is knowingly violated. Any determination of whether there is a violation would be made without regard to the use of a disclaimer of affiliation with the Federal Government. The Secretary of the Treasury would be required to provide to the Committee on Ways and Means and the Committee on Finance, no later than May **1, 1996,** a report on enforcement activities relating to the implementation of the provision.

Effective date

The provision would be effective upon enactment.

15. INCREASE IN PENALTIES FOR UNAUTHORIZED DISCLOSURE OF SOCIAL SECURITY INFORMATION

Present Law

Each year, SSA receives and maintains earnings information, including the names and addresses of employers, on over 130 million working Americans in its computer system. Employers are required to file annually with the Social Security Administration copies of their workers' W-2 statements. The statements contain the worker's Social Security numbers and the amount of wages the workers received during the year. In addition, each SSA file contains an individual's birth certificate information, such as date of birth, father's name and mother's maiden name. For those receiving Social Security benefits, the file contains a current address and monthly benefit amounts.

During the mid-1980's, SSA developed an automated **record-**keeping system which made beneficiary records and worker earnings reports, previously stored and available only from **SSA's** central office in Baltimore, easily accessible to employees in over 1300 local offices and **teleservice** centers around the country.

In September **1993,** the Subcommittee on Social Security held a hearing to examine allegations that employees of the Department of Health and Human Services (HHS) had sold confidential information from SSA files to individuals known as information brokers.

The United States Attorney from Newark, New Jersey, testified that in December **1991,** following a two-year nationwide investigation, 24 individuals were arrested for engaging in schemes to buy and sell information from Government computer files. Among those arrested were employees of the Social Security Administration and the Department of Health and Human Services,. Office of Inspector General (IG).

The Social Security Act includes provisions which prohibit the unauthorized disclosures of information contained in Social Security Administration files. The Act provides that any person who violates these provisions and makes an unauthorized disclosure can be found guilty of a misdemeanor and, upon conviction, punished by a fine not exceeding $1,000 or by imprisonment not exceeding one year, or both.

Explanation of provision

The provision would stipulate that unauthorized disclosure of information and fraudulent attempts to obtain personal information under the Social Security Act would be made a felony. Each occurrence of a violation would be punishable by a fine not exceeding $10,000 or by imprisonment not exceeding five years, or both.

Effective date

The provisions would be effective upon enactment.

16. COORDINATE DATES FOR FILING BENEFICIARY EARNINGS REPORTS

Present law

In general, individuals under age 70 who receive Social Security retirement or survivors' benefits must file an annual report of their earnings with the Social Security Administration for any taxable year in which their earnings or wages exceed the annual exempt amount of earnings under the Social Security earnings test. These reports are due to be filed by the same date as Federal income tax returns, the fifteenth day of the fourth month after the close of the taxable year (normally April 15). Individuals may be granted a reasonable extension of time for filing an earnings report if there is a valid reason for delay, but not more than 3 months. An extension of time for filing an income tax return may be granted for up to 4 months.

Explanation of provision

The time for which an extension could be granted for filing an earnings report would be increased to 4 months.

Effective date

The provision would be effective with respect to reports of earnings for taxable years ending on or after December 31, 1994.

17. EXTEND DISABILITY INSURANCE DEMONSTRATION PROJECTS

Present law

Section 505(a) of the Social Security Disability Insurance Amendments (P.L. 96–265), as extended by the Omnibus Budget Reconciliation Act of 1989 (P.L. 101-239) and the Omnibus Budget Reconciliation Act of 1990 (P.L. 102–508), authorizes the Secretary of Health and Human Services to waive compliance with the benefit requirements of titles II and XVIII for purposes of conducting work incentive demonstration projects to encourage disabled beneficiaries to return to work. The authority to waive compliance applies to projects initiated prior to June 10, 1993. A final report was due no later than October 1, 1993.

Explanation of provision

The Secretary's authority to initiate disability work incentive demonstrations projects that waive compliance with benefit provisions (as provided in P.L. 96-265) would be extended through June 9, 1996. A final report on the projects would be due no later than October 1, 1996.

Effective date

The provision would be effective upon enactment.

18. AUTHORIZE CROSS-MATCHING OF SOCIAL SECURITY ACCOUNT NUMBERS AND EMPLOYER IDENTIFICATION NUMBERS OF THE DEPARTMENT OF AGRICULTURE

Present law

Under current law, the Department of Agriculture is allowed to collect and maintain a list of the names, Social Security numbers and employer identification numbers of the owners and officers of retail grocery stores which redeem food stamps. The list is used only to keep track of grocery store operators who have been sanctioned for violations under the Food Stamp Act.

Explanation of provision

The provision would permit the Department of Agriculture to share the list of names and identifying numbers with other Federal agencies for the purpose of investigating both incidents of food stamp fraud and violations of other Federal laws.

The Committee intends that the Department of Agriculture would use this authority to report to appropriate Federal agencies potential violations of other Federal laws discovered in the course of conducting investigations of food stamp fraud. For example, the Committee intends that the Department of Agriculture would be authorized to report to the Internal Revenue Service information relating to violations of Federal income tax laws.

Effective date

The provision would be effective upon enactment.

19. EXTEND ON PERMANENT BASIS GENERAL FUND TRANSFER TO RAILROAD RETIREMENT TIER 2 FUND

Present law

A portion of the railroad retirement tier 2 benefits are included in gross income of recipients (similar to the treatment accorded recipients of private pensions) for Federal income tax purposes. The proceeds from the income taxation of railroad tier 2 benefits received prior to October **1, 1992,** have been transferred from the General Fund of the Treasury to the railroad retirement account. Proceeds from the income taxation of benefits received after September **30, 1992** remain in the General. Fund.

*Explanation **of** provision*

The transfer of proceeds from the income taxation of railroad retirement tier 2 benefits from the General Fund of the Treasury to the railroad retirement account would be made permanent.

Effective date .

The provision would be effective for income taxes on benefits received after September 30, 1992.

20. AUTHORIZE USE OF THE SOCIAL SECURITY NUMBER AS THE CLAIM IDENTIFICATION NUMBER FOR WORKERS' COMPENSATION CLAIMS FILED WITH THE DEPARTMENT OF LABOR

Present Law

The Privacy Act of 1974 prohibits a Federal agency from using the Social Security number as an identification number unless it is specifically permitted by statute.

The Department of Labor, which administers the Federal Employees' Compensation Act (FECA) and the Longshore and Harbor Workers' Compensation Act (LHWCA) and its extensions, would like the statutory authority to utilize Social Security numbers to identify claimants. The Department believes that using an individual's Social Security number as an identifier will assist it in preventing duplicate claims, identifying fraud and eliminating deceased beneficiaries from the rolls.

Explanation of provision

The provision would amend section 205 of the Social Security Act to permit the Department of Labor to utilize Social Security numbers as the claim identification number for workers' compensation claims.

Effective date

The provision would be effective upon enactment.

21. RETIREMENT ELIGIBILITY FOR FEDERAL EMPLOYEES TRANSFERRED TO INTERNATIONAL ORGANIZATIONS

Present law

During the past 30 years, Federal agencies have loaned employees for temporary periods of service to the technical and specialized agencies of the United Nations and other international organizations, allowing these employees to continue to receive United States Government retirement credit as an incentive.

The law specifically provides that Federal employees participating in the old Civil Service Retirement System are entitled to retain coverage rights and benefits under the Federal retirement system. Due to the definition of employment in the Social Security Act, however, employees covered under the new Federal Employees Retirement System (FERS) or the Foreign Service Pension System (FOPS) (which in general provide Federal employees hired on or after January 1, 1984 with both Social Security coverage and a supplemental government pension) may not continue to contribute to Social Security if they transfer to international organizations.

Explanation of provision

The provision would allow Federal Government employees participating in a retirement program which provides Social Security coverage to continue to pay into Social Security while on temporary assignment to an international organization. The loaning agency would continue to pay the employer's share of the FICA tax.

Effective date

The provision would apply with respect to service performed after the calendar quarter following the calendar quarter of enactment.

22. EXTENDING THE FICA TAX EXEMPTION AND CERTAIN TAX RULES TO INDIVIDUALS WHO ENTER THE UNITED STATES UNDER A VISA ISSUED UNDER SECTION 101(A)(15)(Q) OF THE IMMIGRATION AND NATIONALITY ACT

Present law

Prior to 1990, aliens who entered the United States for a limited period of time as part of a cultural exchange were issued a visa under section 101(a)(15)(J) of the Immigration and Nationality Act. Under the Internal Revenue Code, individuals who enter the country on a visa issued under section 101(a)(15)(J), (F), or (M), of the Immigration and Nationality Act are subject to certain Internal Revenue Code provisions which generally exclude such visa holders from the FICA, FUTA, and Railroad Retirement Act systems. For income tax purposes, the holder of such a visa may be treated as a "nonresident," certain of whose income is deemed to be derived from the conduct of a trade or business in the United States.

As part of the Immigration Act of 1990, Congress created section 101(a)(15)(Q) of the Immigration and Nationality Act. Section 101(a)(15)(Q) provided for the issuance of visas to individuals who enter the country for a limited period as part of a cultural exchange. Because section 10 l(a)(15)(Q) is not expressly cross-referenced in the Internal Revenue Code, individuals entering the United States under such a visa are not eligible for treatment under the Internal Revenue Code provisions described above.

Explanation of provision

The proposal would add a reference to section 101(a)(15)(Q) in the Internal Revenue Code cross-references to section 101(a)(15)(J). As a result, individuals entering the United States under a program described in section 101(a)(15)(Q) would be eligible for Internal Revenue Code treatment, such as exclusion from the FICA system, now afforded to individuals entering the United States under a visa issued pursuant to section 101(a)(15)(J).

Effective date

The provision would take effect with the calendar quarter following the date of enactment.

23. STUDY RISING COST OF DISABILITY INSURANCE BENEFITS

Present law

In their 1993 and 1994 annual reports to Congress, the Social Security Board of Trustees reported that, under intermediate economic assumptions, the Disability Insurance Trust Fund would become insolvent during 1995. To address this problem, the Trustees recommended a reallocation of the Social Security payroll tax rate from the OASI Trust Fund to the DI Trust Fund. The Board's recommendation was first approved by the House as part of H.R.

2264, the Omnibus Budget Reconciliation Act of 1993, but was deleted in conference at the insistence of the Senate. On April 28, 1994, the Committee on Ways and Means again approved the Board's recommendation as part of H.R. 4278.

In addition to the reallocation, the Board recommended that the best possible research be undertaken to establish whether higher-than-expected DI program costs are a temporary trend or longer-term phenomenon.

Explanation of provision

The Secretary of Health and Human Services would be required to conduct a comprehensive study of the reasons for rising costs in the Disability Insurance program. The study would determine the relative importance of: (a) increased numbers of applications for benefits, (b) higher rates of benefit allowances, and (c) decreased rates of benefit terminations in increasing DI program costs. It would also identify, to the extent possible, underlying social, economic, demographic, programmatic, and other trends responsible for changes in DI applications, allowances, and terminations. No later than December 31, 1994, the Secretary would be required to issue a report to the House Committee on Ways and Means and the Senate Committee on Finance summarizing the results of the study and, if appropriate, making legislative recommendations.

Effective date

The study would be due no later than December 31, 1994.

24. COMMISSION ON CHILDHOOD DISABILITY

Present law

No provision.

Explanation of provision

The Secretary would be directed to appoint a Commission on the Evaluation of Disability in Children, consisting of 15 members including recognized experts in relevant fields of medicine; recognized experts in psychology, education and rehabilitation, law or administration of disability programs; and other experts determined appropriate by the Secretary.

The Commission would conduct a study, in consultation with the National Academy of Sciences, on the effect of the current Supplemental Security Income definition of disability, as it applies to children under the age of 18 and their receipt of services, including the effect of using an alternative definition. The Commission would summarize the results of this study in a report due to the Committees on Finance and Ways and Means, due no later than November 30, 1995. The Commission will terminate December 31, 1996.

Effective date

The provision would take effect with the calendar quarter following the date of enactment.

25. DISREGARD DEEMED INCOME AND RESOURCES OF INELIGIBLE SPOUSE WHEN DETERMINING CONTINUED ELIGIBILITY UNDER SECTION 1619(B)

Present law

Under section 1619(a) of the Social Security Act, SSI benefits continue for those working and eaming above the substantial gainful activity level, which is currently $500 per month, as long as there is no medical improvement in the disabling condition. Benefits decline at a rate of $1 for each additional $2 earned after disregarding the first $65 of earned income and the first $20 of unearned income. In general, the point at which a recipient, who has at least $20 in monthly unearned income, would be ineligible for cash SSI benefits in a month would be the sum of $85 plus twice the sum of the Federal benefit and State supplement, if any. In 1994, this "hreakeven point" for an individual was $977 per month without a State supplement. For States with a supplement, the breakeven point increases by $2 for every $1 in State supplement.

Under section 1619(b), SSI recipients can continue on Medicaid even if their earnings cause there income to exceed the breakeven point and they no longer receive cash SSI benefits. In some States, so-called 209(b) States, this does not apply. However, in most States, Medicaid continues as long as the SSI recipient: (1) continues to be blind or disabled; (2) except for earnings, continues to meet all of the eligibility requirements; (3) is seriously inhibited from continuing work by termination of eligibility of Medicaid; and (4) has earnings insufficient to provide a reasonable equivalent to cash SSI benefits, Medicaid, and publicly funded attendant care that would have been available if he or she did not have earnings.

In making determinations on the fourth criterion above, SSA compares the individual's gross earnings to a "threshold" amount. The threshold amount is the sum of the breakeven level for gross earnings of cash benefits for an individual with no other income living in his or her own household plus the average Medicaid expenditures for disabled SSI cash recipients for the State of residence. If the recipient's gross earnings exceeds the threshold, an individualized threshold is calculated which considers the person's actual Medicaid use, State supplement rate, and publicly funded attendant care. In other words, under the fourth criterion Medicaid eligibility continues until the individual's earnings reach a higher plateau which takes into account the person's ability to afford medical care, as well as his or her normal living expenses.

An eligible spouse's income and resources are deemed to include the income and resources of his or her ineligible spouse with whom he or she lives. In some cases, SSI recipients who are working and are eligible for Medicaid under section 1619(b) may become ineligible for Medicaid because they marry a person who has sufficient income to render the SSI recipient ineligible for Medicaid. In other cases, the SSI recipient's ineligible spouse might receive additional income which makes the SSI recipient ineligible for Medicaid under the deeming rules.

*Explanation **of** provision*

An SSI recipient benefiting from section 1619(b) work incentives would be allowed to retain Medicaid eligibility through disregarding: (1) his or her ineligible spouse's net income up to twice the eligible spouse's "threshold amount;" and (2) the ineligible spouses resources up to the State's spousal impoverishment resource amount. Under current regulations, twice the "threshold amount" would vary from as little as about $22,000 to as much as about $63,000 annually and the spousal impoverishment resource limits would vary from a minimum of $14,532 to a maximum of $72,660.

Effective date

The provision would take effect October 1, 1995.

26. PLANS FOR ACHIEVING SELF-SUPPORT NOT DISAPPROVED WITHIN 60 DAYS TO BE DEEMED APPROVED

Present law

Under a plan to achieve self-support (PASS) certain income and resources are not taken into account in determining eligibility for or the amount of SSI benefits. An approved PASS allows a person who is blind or disabled to set aside the income and resources needed to achieve a work goal. The funds set aside can be used to pay for education, vocational training, or starting a business. The recipient must have a feasible work goal, a specific savings and spending plan, and must provide for a clearly identifiable accounting for the funds which are set aside. The individual must then follow the plan and negotiate revisions as needed.

SSA regulations provide the basic rules for a PASS. Under these rules, the individually designed plan can be for an initial period of at most 18 months, but an B-month extension can be obtained. For participants engaged in lengthy education or training programs, an additional 12-month extension can be obtained. All plans must be approved by SSA before the income and resource exclusions can be excluded. If the recipient attains his or her goal, fails to follow the plan, or time expires, the income and resource exclusions are again countable.

*Explanation **of** provision*

A plan for achieving self-support (PASS) would be deemed to be approved if SSA has not acted upon a recipient's application for a PASS within 60 days of the application for the PASS.

Effective date

The provision would take effect January 1, 1995.

27. EXPANSION OF PLANS FOR ACHIEVING SELF-SUPPORT

Present law

A PASS allows an SSI recipient to shelter income and resources from limits if the funds are set aside to help him or her achieve a work goal. Funds may be set aside for education, vocational training, or starting a business.

Explanation of provision

Plans for achieving self-support would be expanded to include housing goals in addition to the current work goals under a five year demonstration.

Effective date

The provision would take effect January 1, 1995.

28. REGULATIONS REGARDING COMPLETION OF PLAN FOR ACHIEVING SELF-SUPPORT

Present law

Under current PASS regulations, an SSI recipient with a PASS may be eligible for its income and resource exclusions for 18 months, followed by two possible extensions of 18 and 12 months, respectively. An individual involved in a lengthy education program, could receive a pass for up to 4 years.

Explanation of provision

SSA would be required to take into account individual needs in determining the time limit on a PASS.

Effective date

The provision would take effect January 1, 1995.

29. TREATMENT OF CERTAIN GRANT, SCHOLARSHIP, OR FELLOWSHIP INCOME

Present law

Grant, scholarship, and fellowship income are treated. as 'unearned income. The portion of this kind of income that is received for use in paying the cost of tuition and fees at any educational institution is excluded from income.

Explanation of provision

Grant, scholarship, and fellowship income, not used to pay for tuition and fees, would be treated as earned income.

Effective date

Applies to eligibility determinations for any month beginning after the second month following the month of enactment.

30. SSI ELIGIBILITY FOR STUDENTS TEMPORARILY ABROAD TO FULFILL DEGREE REQUIREMENTS

Present law

A recipient who is outside the United States for a full calendar month or more and who is not a child living outside the United States with a parent in the military service, is not eligible for SSI benefits for such month or months. A person who has been outside the United States for 30 consecutive days or more is not considered to be back until he or she has spent 30 consecutive days in the United States. After an absence of 30 consecutive days, SSI eligibility may resume effective with the day following the 30th day of

continuous presence in the United States, if the individual continues to meet all other eligibility criteria.

Explanatin of provision

SSI recipients who travel outside the United States for the purpose of fulfilling an educational requirement which will result in improved employment potential would be exempt from the calendar month and 30-day time limit.

Effective date

The provision would take effect January 1, 1995.

31. DISREGARD OF COST-OF-LIVING INCREASES FOR CONTINUED ELIGIBILITY FOR WORK INCENTIVES

Present law

Under the so-called Pickle amendment, State Medicaid plans are required to provide medical assistance to an individual if he or she: (1) simultaneously received both Social Security and SSI in some month after April 1977; (2) is currently eligible for and receiving OASDI benefits; (3) is currently ineligible for SSI; and (4) receives income that would qualify him or her for SSI after deducting all OASDI cost-of-living adjustment increases received since the last month in which he or she was eligible for both OASDI and SSI. The provision protects the individual against the loss of Medicaid coverage in many States because of a cost-of-living increase in Social Security benefits.

Explanation of provision

The protection against the loss of Medicaid coverage because of a cost-of-living increase in Social Security benefits would be extended to those no longer receiving cash SSI but who are receiving Medicaid coverage under section 1619(b) of the Social Security Act.

Effective date

Applies to eligibility determinations for months after the calendar year 1994.

32. EXPAND THE AUTHORITY OF SSA TO PREVENT, DETECT, AND TERMINATE FRAUDULENT CLAIMS FOR SSI BENEFITS

a. Prevention of fraud in the SSI program by translators of foreign languages

Present law

No provision.

Explanation of provision

The Board would be required to obtain a certification, under penalty of perjury, from any third-party translator who accompanies an SSI applicant or recipient, searing to the accuracy of the translation. The certification would also include the translator's characterization of the relationship between the translator and the applicant/recipient. For example, the translator might be the neighbor of the applicant/recipient, a middleman who has an oral or written

contractual relationship covering a myriad of services including translating, or a translator receiving a fee for the assistance provided. If a translator does not provide this certification, the Board would be required to consider any information provided by an applicant/recipient, through that translator, as unreliable. Where a certification is provided, the Board would continue to exercise its authority, under current law, to determine whether such information is reliable. If it is later discovered that either the translation was inaccurate or that the translator misrepresented their relationship on the certification, then the translator can be charged by law enforcement officials with the felony of providing a false statement to the government.

b. Civil money penalties in SSI cases involving fraud

Present law

Federal law provides broad authority for imposing civil penalties against persons who submit fraudulent claims to the Government. There are two applicable Federal statutes. The Civil False Claims Act (CFCA) requires the Government to use the normal judicial process, whereby the Department of Justice initiates a civil action in Federal Court to impose a penalty. The Program Fraud Civil Remedies Act (PFCRA) authorizes an administrative process under which Federal agencies may impose penalties. These statutes are intended to address fraud from a Government-wide perspective, and the process of imposing penalties can be complex and time-consuming. Further, the PFCRA is restricted to initial applications for benefits, in some circumstances, which limits its usefulness for SSI purposes.

Explanation of provision

The Board would have the same authority to impose civil penalties in SSI cases as the Secretary of HHS now has under sections 1128 and 1128A of the Social Security Act involving false claims in the Medicare and Medicaid programs. It would give the Board direct authority, after approval by the Department of Justice, to impose civil penalties when an individual or entity has been involved in submitting or causing to be submitted any false statement under the SSI program.

Each offense involving the SSI program would be subject to a penalty of not more than $5,000 and an assessment, in lieu of damages, of not more than twice the amount of benefits paid as a result of the false statement. In addition, medical providers or physicians who commit much offenses with respect to the SSI program would be subject to exclusion from participation in the Medicare and Medicaid programs.

The process would be similar to that used under section 1128A with respect to false claims in the Medicare and Medicaid programs. The Board would initiate and investigate cases, refer proposed actions to the Department of Justice for approval before proceeding, and adjudicate and impose penalties, assessments, or exclusions. As with section 1128A, any person adversely affected by a determination of the Board could obtain a review of such determination in the United States Court of Appeals. The amendment

would also provide, as in current section 1128, that an action solely to exclude a medical provider or physician, from participation in the Medicare and Medicaid programs could be undertaken and implemented without referral to the Department of Justice.

c. SSI Fraud Considered a Felony

Present law

SSI fraud is punishable by a fine of no more than $1,000,000 or a prison term of no more than one year, a misdemenator.

Explanation of provision

SSI fraud would be punishable by a fine as determined under the general criminal fine statutes, by a prison term of not more than five years, or both. This provision conforms the specific crime of SSI fraud to the criminal sanctions currently available for Social Security Disability Insurance fraud.

d. Authority to redetermine eligibility in disability cases if fraud is involved and to terminate benefits if there is insufficient reliable evidence of disability

Present law

SSA is only permitted to terminate SSI benefits under well-defined conditions, unless the benefits were obtained fraudulently. The statute provides no guidance on the use of this authority. SSA has very little experience with this provision and has not established clear procedures to redetermine eligibility for SSI benefits in cases involving fraud.

Explanation of provision

The Board would be required to proceed immediately to redetermine eligibility in SSI cases involving fraud unless a U.S. Attorney or equivalent State prosecutor, as coordinated by the OIG, SSA, certifies, in writing, that to do so would create a substantial risk of jeopardizing any current or anticipated criminal proceeding. When redetermining eligibility, the Board would be required to disregard any unreliable evidence of eligibility, such as application forms completed by middlemen, or medical reports submitted by medical professionals who have been found to have been involved in fraudulent schemes intended to obtain SSI benefits for ineligible individuals.

e. Availability of recipient identifying information from the Inspector General, Social Security Administration

Present law

There is no current statutory requirement for the OIG to provide SSI recipient identifying information obtained during a criminal investigation to the SSA for administrative action. Such identifying information is transmitted to the SSA at such time as the OIG believes it appropriate and often not until the conclusion of a criminal investigation or a Federal or State criminal prosecutorial process. Consequently, SSI benefits continue to be paid to individuals under

active investigation or prosecution for having fraudulently obtained SSI benefits through a variety of illegal schemes.

Explanation of provision

Enforcement officers of the SSA Office of the Inspector General would be required to disclose to the Board recipient identifying information at such time as they have reason to believe that any individual, or group of individuals, have secured SSI benefits in a fraudulent manner. The OIG should request this information from the appropriate State fraud investigative units, and the State units should routinely provide it.

Following the initial receipt, or discovery during the course of a criminal investigation, of information that an individual or individuals may have fraudulently obtained SSI benefits, the OIG would undertake such steps as necessary to determine the validity, veracity and viability of such information. The requirement to disclose that information to the Board for their administrative action would occur at the point in the preliminary OIG inquiry or criminal investigation that the OIG has reason to believe that an individual or individuals have fraudulently obtained SSI benefits.

If at the time of discovery, or at any time during the course of a criminal investigation or prosecution, a U.S. Attorney or State prosecutor who has jurisdiction to file a criminal action against any of the parties involved in the fraud, determines that disclosure of SSI recipient information by the OIG to the Board would seriously jeopardize the investigative or prosecutorial process, the U.S. Attorney or State prosecutor would be able to request, in writing, that such disclosure be withheld.

In the event that the risk to the criminal case is of equal degree regarding all or a group, of the related recipients, any such request by the U.S. Attorney or State prosecutor would not need to be specific as to each and every recipient. Thus, a request identifying the OIG case number, case name, or operational name or the prosecutorial case number, and, if varying degrees of risk are associated with different groups of related recipients, a description of the group to be exempted, would exempt all recipient identifying information, relating to either the entire case or the appropriate group, known or discovered during the course of the criminal inquiry or particular operation from disclosure to the SSA until such time as the risk to the criminal case becomes less substantial.

f. Authority to use available pre-admission immigrant and refugee medical information

Present law

No provision.

Explanation of provision

The Board would be required to request the medical information from the Immigration and Naturalization Service, and the Centers for Disease Control, which is collected during their physical and mental examinations of candidates for admission into the United States.

The Board would also be required to consider this information, if found to be relevant, under the following two circumstances. First, if an application is pending, the information would be considered when determining eligibility. Second, if benefits have been awarded pending receipt of the information, The Board would be required to determine whether that information is so inconsistent with evidence provided during the application process as to form a reason to believe fraud was involved in the application for benefits.

g. Annual reports on reviews of SSI cases

Present law

No provision.

Explanation of provision

The Board would be required to annually report to the Committee on Ways and Means and the Committee on Finance on the extent to which it has conducted reviews of SSI cases, and the extent to which the cases reviewed involved a high likelihood or probability of fraud. The report should contain specific supporting information, such as, the number of reviews conducted, the nature of those reviews, the reason for the review, a description of any fraudulent activity involved, and the outcome of the review.

h. Effective date

In general, the provision would take effect on October 1, 1994. The provisions dealing with civil monetary penalties in SSI cases involving fraud, with the treatment of SSI fraud as a felony, and with annual reports of reviews of SSI cases would be effective upon enactment.

33. DISABILITY REVIEWS FOR CHILDREN REACHING 18 YEARS OLD

Present Law

A needy child under the age of 18 years old who has an impairment of comparable severity with that of an adult may be considered disabled and eligible for SSI benefits. To be found disabled, a child must have a medically determinable impairment that substantially reduces his or her ability to independently, appropriately, and effectively engage in age-appropriate activities. This impairment must be expected to result in death or to last for a continuous period of at least 12 months.

Under the adult disability determination process, individuals whose impairments do not "meet or equal" the listings of impairments in regulations are subjected to an assessment of residual functional capacity. SSA determines whether adults are able to do their past work or whether they are able to do any substantial gainful work. If they cannot do either one, then they are disabled.

Under the disability determination process for children, individuals whose impairments do not "meet or equal" the listings of impairments in regulations are subjected to an individualized functional assessment. This assessment examines whether the children can engage in age-appropriate activities effectively. If it is found that the children's impairments are of comparable severity to an

adult's, without assessing past work or ability to do substantial gainful work, the children are disabled.

Explanation of provision

SSA would be required to reevaluate under adult disability criteria the eligibility of children receiving SSI after they reach 18 years old and before they are 19 years old.

Effective date

Applies to recipients attaining the age of 18 years old in or after the ninth month following the month of enactment.

34. CONTINUING DISABILITY REVIEWS FOR ALL SSI RECIPIENTS

Present law

Title II of the Social Security Act requires the Secretary of Health and Human Services to conduct periodic continuing disability reviews (CDRs) of disabled beneficiaries. These reviews are aimed at protecting the Social Security Trust Funds by identifying ineligible individuals and promptly terminating their benefits. For those beneficiaries whose impairments are not permanent, CDRs must generally be performed every three years. Beneficiaries with permanent disabilities receive CDRs at such times as the Secretary determines appropriate.

CDRs are funded as part of the Social Security Administration's administrative budget, which is subject to annual appropriations. Due to limited administrative funding and a sharp increase in disability applications, SSA has fallen behind in performing mandated reviews in recent years. Approximately 1.2 million reviews are now overdue. The SSA Office of the Actuary has estimated that the agency's failure to perform mandated CDRs from 1990 through 1993 will result in a net loss to the Social Security Trust Funds of $1.4 billion by 1997.

Explanation of provision

The provision would require the Secretary to conduct continuing disability reviews on all SSI recipients.

Effective date

The provision would take effect October 1, 1995.

35. TECHNICAL CORRECTIONS

Present law

Title II of the Social Security Act contains a number of typographical errors, erroneous references, circular cross references, inconsistent margination, incorrect punctuation, and references to outdated versions of the Internal Revenue Code. In addition, present law includes certain inconsistent statutory provisions.

Explanation of provision

Technical changes would be made to correct inconsistencies in provisions relating to fees for claimant representatives, rounding procedures for indexing certain program amounts, and deemed av-

erage total wages, among others. These corrections would not change the meaning of any section of the Social Security Act.

Effective date

In general, the provision would be effective upon enactment.

III. Vote of the Committee

In compliance with clause 2(1)(2)(B) of rule XI of the Rules of the House of Representatives, the following statement is made: the bill, H.R. 4277, was ordered favorably reported to the House of Representatives on May 4, 1994, by voice vote.

IV. Budget Effects of the Bill

A. COMMITTEE ESTIMATE OF BUDGET EFFECTS

In compliance with clause 7(a) of rule XIII of the Rules of the House of Representatives, the following statement is made: the Committee agrees with the estimate prepared by the Congressional Budget Office (CBO) which is included below.

B. STATEMENT REGARDING NEW BUDGET AUTHORITY AND TAX EXPENDITURES

In compliance with clause 2(1)(3)(B) of rule XI of the Rules of the House of Representatives, the Committee states that H.R. 4277 does not require any new budget authority nor create additional tax expenditures.

C. COST ESTIMATE PREPARED BY THE CONGRESSIONAL BUDGET OFFICE

In compliance with clause 2(1)(3)(C) of rule XI of the Rules of the House of Representatives requiring a cost estimate prepared by the Congressional Budget Office, the following report prepared by CBO is provided.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, May 12, 1994.

Hon. DAN ROSTENKOWSKI,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office (CBO) has prepared the enclosed cost estimate for H.R. 4277, the Social Security Administrative Reform Act of 1994, as ordered reported by the Committee on Ways and Means on May 4, 1994. The bill would establish the Social Security Administration as an independent agency and make other improvements in the old-age, survivors, and disability insurance programs.

Enactment of H.R. 4277 would affect direct spending and receipts and thus would be subject to pay-as-you-go procedures under section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

JAMES L. BLUM
(for Robert D. Reischauer, Director).

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: H.R. 4277.
2. Bill title: Social Security Administrative Reform Act of 1994.
3. Bill status: As ordered reported by the Committee on Ways and Means on May 4, 1994.
4. Bill purpose: To establish the Social Security Administration as an independent agency and to make other improvements in the old-age, survivors, and disability insurance program.
5. Estimated cost to the Federal Government:

[By fiscal year, in millions of dollars]

	1995	1996	1997	1998	1999
Revenues:					
On-budget	−2	−2	−2	-2	−2
Off-budget	−11	−20	−21	-21	−21
Total	−13	-22	-23	-23	-23
Direct Spending:					
On-budget	-22	-31	-66	-721	−1,094
Off-budget	−65	-1	46	−114	−349
Total	-87	-32	-20	−835	−1,443
Deficit:					
On-budget	-20	-29	-64	-719	−1,092
Off-budget	−54	19	67	−93	−328
Total	−74	-10	3	-812	−1,420
Estimated authorization of appropriations	21	51	90	129	158
Estimated outlays	21	51	90	129	158

Note—Details may not add to totals because of rounding.

The costs of this bill fall primarily within budget functions 550, 570, and 650.

Basis of Estimate: H.R. 4277 would establish the Social Security Administration as an independent agency, restrict benefits paid to persons with disabilities based upon drug or 'alcohol additions, alter the manner by which continuing disability reviews are funded, and make numerous other changes in the Social Security and Supplemental Security Income (SSI) programs. Provisions with budgetary effects of less than $500,000 per year are excluded from the discussion below. The estimate is based on the assumption that the bill would be enacted on September 30, 1994.

Section 101-109. Social Security as An Independent Agency. The bill would remove the Social Security Administration (SSA) from the Department of Health and Human Services (HHS) and establish SSA as an independent agency. The policies of the agency would be determined by a full-time, three-member board appointed by the President, with no more than two board members from one political party. The bill creates the position of executive director who would oversee the daily operations of the agency, and who would ensure that the policies set by the board are implemented.

The estimated cost of these sections of the bill, which comprise title I, is $13 million over the 1995-1999 period. Because the bill allows one year to complete the transition process, the costs in fiscal 1995 are less than $100,000 and involve only pay raises for the executive director (now the commissioner) and the deputy executive director (now the deputy commissioner). The costs after 1995 result primarily from establishing new offices for the board members and for a beneficiary ombudsman, as well as new positions within the agency for an inspector general, a general counsel, and a chief administrative law judge. These costs are estimated to total about $3 million annually, beginning in 1996.

H.R. 427'7 would transfer to the new independent agency the positions currently used by the Secretary of HHS in overseeing SSA. Because these positions would be eliminated within HHS, this transfer would have no budgetary effect.

Section 201. Restrictions on Benefits for Substance Abusers. H.R. 4277 would place new requirements on benefits to individuals receiving Social Security payments based on disabilities involving drug or alcohol addiction. It would also put new limitations on payments to substance abusers in the SSI program.

The bill would require that all recipients whose addiction is a material factor in the Secretary of HHS's determination that the person is disabled would face five new requirements. The beneficiary could not longer receive benefits directly, but rather they would be paid to a representative who would be responsible to ensure that the benefits would be used in the best interest of the disabled person. (Although many beneficiaries now are paid through a go-between, this is not required. The bill would mandate the use of intermediaries, called representative payees, in substance abuse cases.) Beneficiaries 'with substance abuse problems would not be allowed to receive any past-due benefits as a lump-sum payment, but rather the retroactive benefits would be paid out at the rate of roughly one month's worth of benefits at a time. H.R. 4277 also would require that the Secretary establish a referral, monitoring, and testing agency that would seek treatment programs for the beneficiaries who are substance abusers, monitor their compliance with the treatment program, and periodically test the recipient for continuing substance abuse problems. Any beneficiary found to be out of compliance with the treatment program would become ineligible to receive benefits during the noncompliance period. This period would include a number of months after the individual rejoins the treatment regimen, with the number of months increasing with the number of episodes of noncompliance. Finally, after receiving benefits for three years, benefit payment to substance abusers would be terminated unless the individual can demonstrate to the satisfaction of the Secretary that the disability is not dependent on the finding of substance abuse.

Some of the changes that would be applied to Social Security recipients are already required of SSI recipients with addictions, but others would be new. Currently, SSI recipients who have substance abuse problems that materially contribute to the Secretary's determination of disability are required to be paid through a second party-although the bill would set new standards for determining the beneficiary's representative-and are subject to the referral,

monitoring, and testing provisions of H.R. 4277. The non-compliance penalties in the bill are stricter than those under current law. The new provisions limit SSI benefits for substance abusers to three years and require the payment of lump-sum benefits over a number of months.

CBO estimates that these new restrictions on disability payments would save $886 million in Social Security benefits and $562 million in SSI benefits over the next five years. (See Table 1.) In addition, terminations of cash benefits would also trigger losses of health care benefits, resulting in savings of $642 million in Medicare and $440 million in Medicaid over the next five years. Implemention of the new restrictions, however, also would require that significant additional administrative resources be allocated to these new functions. The costs of the representative payees would total $116 million in Social Security and $40 million in SSI over the 1995-1999 period-amounts that would be subject to discretionary spending limits under the Balanced Budget and Emergency Deficit Control Act of 1985. An additional $399 million in Social Security outlays and $5 million in SSI outlays would be for referral and monitoring functions, outlays that would be considered direct spending. (Although the Social Security outlays would be direct spending, these monies are specifically exempt from the pay-as-you-go budgetary rules.)

TABLE 1.—DETAILS OF FEDERAL GOVERNMENT COSTS OF H.R. 4277

[By fiscal year, in millions of dollars] [1]

	1995	1996	1997	1998	1999	Total
Title t--Establish Social Security Administration as an Independent Agency:						
Subject to appropriation [2]	(3)	3	3	3	4	13
Title II-Miscellaneous improvements to the Old-age, Survivors, and Disability Insurance (OASDI) Program:						
201 Restrictions on benefits based on disability of substance abusers:						
OASDI	-75	-43	-32	- 230	- 506	-886
ssl	-17	-9	-11	- 244	-281	- 562
Medicare	0	0	0	- 198	- 444	-642
Medicaid	0	0	0	-200	-240	- 440
offsets	2	1	1	25	27	56
Subtotal	-90	- 51	-42	-a47	- 1444	- 2474
Administrative costs subject to appropriation [2]:						
OASDI	4	14		24 33	41	116
SSI	(3)	(3)	(3)	20	20	40
Administrative costs not subject to appropriation [4]:						
OASDI	10	41	77	115	156	339
202 Issuance of physical documents in the form of bonds, notes, or certificates to Social Security Trust funds:						
Subject to appropriation2	0	0	0	0'	0	0
203 Requirement for telephone access:						
Subject to appropriation [2]	0	0	0	0	0	0
204 Expand FICA exemption for election workers:						
OASDI	- 7	-15	-15	-15	-15	-66
HI revenues	-2	-3	-3	-3	-3	- 15
Subtotal	- 9	-18	-18	-18	-18	-81
Income tax offset	1	2	2	2	2	8

TABLE 1.-DETAILS OF FEDERAL GOVERNMENT COSTS OF H.R. 4277—Continued

[By fiscal year, in millions of dollars] [1]

	1995	1996	1997	1998	1999	Total
Total net revenue	-8	-16	-16	-16	-16	-73
. 205 Use of Social Security numbers for juries:						
Subject to Appropriation [2]	0	0	0	0	0	0
206 Coverage for police and firefighters:						
OASDI revenue	0	0	(3)	(3)	(3)	(3)
HI revenue [5]	0	0	(3)	(3)	(3)	(3)
Total net revenue	0	0	(3)	(3)	(3)	(3)
207 Exemption for certain ministers:						
OASDI revenue	(3)	(3)	(3)	(3)	(3)	(3)
HI revenues	(3)	(3)	(3)	(3)	(3)	(3)
Total net revenue	(3)	(3)	(3)	(3)	(3)	(3)
208 Totalization benefits and the windfall elim. provision:						
Direct spending	(3)	1	1	1	1	4
209 Exclusion of military reservists from application of the Government pension offset and windfall provisions:						
Direct spending	(3)	(3)	(3)	(3)	(3)	(3)
210 Repeal Facility-of-Payment Provision:						
Direct spending	0	0	0	0	0	0
Subject to appropriation [2]	0	-3	-3	-3	-3	-12
211 Simplify computation of maximum family benefits when subsequent entitlement guarantee applies to PIA:						
Direct spending	(3)	(3)	(3)	(3)	(3)	(3)
212 Use of SSA information for epidemiological research:						
Subject to appropriation [2]	0	0	0	0	0	0
213 Prohibition on misuse of Social Security names, symbols, etc.:						
Subject to appropriation2	0	0	0	0	0	0
214 Unauthorized disclosure of Social Security information:						
Direct spending	(3)	(3)	(3)	(3)	(3)	(3)
Subject to appropriation2	(3)	(3)	(3)	(3)	(3)	(3)
215 Time extension for annual earnings report:						
Direct spending	0	0	0	0	0	0
Subject to appropriation2	0	0	0	0	0	0
216 Extend DI demonstration authority:						
Direct spending	0	0	0	0	0	0
217 Cross-matching Social Security account number information with Dept. of Agriculture:						
Subject to appropriation [2]	0	0	'0	0	0	0
218 Certain transfen to the Railroad Retirement Account:			. .			
Made permanent.						
Direct spending	0	0	0	0	0	0
219 Authorization for use of Social Security numbers by the Dept. of labor for administration of Federal Workers' Compensation:						
Direct spending	0	0	0	0	0	0
Subject to appropriation2	0	0	0	0	0	0
220 Retirement eligibility for Federal employees transferred to international organizations:						
Off-budget revenue	(3)	(3)	(3)	(3)	(3)	1
On-budget revenue	(3)	(3)	(3)	(3)	(3)	(3)
Total net revenue	(3)	(3)	(3)	(3)	(3)	1
Subject to appropriation [2]	1	1	1	1	1	5

TABLE 1.-DETAILS OF FEDERAL GOVERNMENT COSTS OF H.R. 4277—Continued

[By fiscal year, in millions of dollars] [1]

	1995	1996	1997	1998	1999	Total
221 Extend FICA exemption to individuals who enter U.S. under a visa issued under section 101 of the Immigration and Naturalization Act [6]:						
Off-budget revenue	-4	-5	-6	-6	-6	-27
On-budget revenue2	-1	-1	-1	-1	-1	-5
Total net revenue	-5	-6	-7	-7	-7	-32
222 Commission on childhood disability:						
Subject to appropriation	1	1	(3)	0	0	2
223 Technical and clerical amendments:						
Subject to Appropriation [2]	0	0	0	0	0	0
224 Disregard deemed income and resources of ineligible spouse when determining eligibility for sect. 1619(b)	(3)	(3)	(3)	(3)	(3)	(3)
225 Plans for achieving self-support	(3)	(3)	(3)	(3)	(3)	(3)
226 Temporary authority to approve certain plans	(3)	(3)	(3)	(3)	(3)	(3)
227 Regulations regarding completion of PASS	(3)	(3)	(3)	(3)	(3)	(3)
228 Treatment of certain grant, scholarship, and fellowship income as earned income	(3)	(3)	(3)	(3)	(3)	(3)
229 SSI eligibility for students temporarily abroad	(3)	(3)	(3)	(3)	(3)	(3)
230 Disregard of costof-living increases for continued eligibility for work incentives	(3)	(3)	(3)	(3)	(3)	(3)
231 SSI fraud prevention	(3)	(3)	(3)	(3)	(3)	(3)
232 Disability review for children reaching 18 years old:						
SSI	-2	-5	-15	-25	-35	-82
Medicaid	-1	-5	-10	-20	-25	-61
Offsets	0	1	2	3	3	8
Subtotal	-3	-9	-23	-42	-57	-135
Administrative costs subject to appropriation2	5	10	25	25	25	90
233 Continuing disability reviews for SSI recipients:						
Direct spending:						
SSI	-2	-10	-20	-35	-55	-122
Medicaid	-2	-5	-15	-30	-50	-102
offsets	0	1	2	4	5	13
Subtotal	-4	-14	-33	-61	-100	-211
Subject to appropriation	10	25	40	50	70	195
234 Technical corrections	0	0	0	0	0	0
Totals:						
Revenues:						
On-budget [5]	-2	-2	-2	-2	-2	-12
Off-budget	-11	-20	-21	-21	-21	-92
Total net	-13	-22	-23	-23	-23	-104
Direct spending totals:						
On-budget	-22	-31	-66	-721	-1094	-1934
Off-budget	-65	-1	-46	-114	-349	-483
Total	-87	-32	-20	-835	-1443	-2417
Direct spending excluding administrative costs not subj. to appropriations:						
On-budget	-22	-31	-66	-721	-1094	-1934
Off -budget	-75	-42	-31	-229	-505	-882
Total	-97	-73	-97	-950	-1599	-2816
Deficit effects-Direct spending minus revenues:						
On-budgets	-20	-29	-64	-719	-1092	-1922

TABLE 1.-DETAILS OF FEDERAL GOVERNMENT COSTS OF H.R. 4277—Continued

[By fiscal year, in millions of dollars] [1]

	1995	1996	1997	1998	1999	Total
Off-budget	-64	-22	-10	-208	-484	-790
Total	-84	-51	-74	-927	-1576	-2712
Outlays subject to appropriation:						
On-budget[2]	21	51	90	129	158	449
Off-budget	0	0	0	0	0	0
Total	21	51	90	129	158	449

[1] The bill is assumed to be enacted on Sept. 30, 1994.
[2] Under the FY 1994 Budget Resolution, administrative expenses of the OASDI program are considered on-budget because they fall under the discretionary spending limits.
[3] Indicates less than $500,000.
[4] Administrative costs would not have effects that must be considered for the purposes of the Budget Enforcement Act.
[5] Effects on Hospital insurance revenues are included as on-budget to be consistent with the Budget Resolution for FY 1994.
[6] Preliminary estimate provided by the Joint Committee on Taxation.

Note.-Details may not add to totals due to rounding.

Source: Congressional Budget Office.

CBO also estimates that some beneficiaries losing their Social Security and SSI benefits would apply for and receive benefits from other public programs. Specifically, CBO estimates that added federal spending for Aid for Families with Dependent Children and food stamps would total $56 million over the next five years.

These estimates are based upon assumptions of a rapidly growing number of Social Security and SSI recipients with substance abuse problems. In SSI, there were nearly 79,000 people receiving disability benefits in December 1993 where substance abuse materially contributed to the individual's disability. This figure compares to 54,000 one year earlier. Such growth is not expected to abate because more people with substance abuse problems are coming forward to seek benefits, and because SSA is identifying more claimants with these problems. CBO projects those with disabling drug and/or alcohol addictions to reach 135,000 in fiscal 1995 and 243,000 by 1999.

The data on the number of Social Security disability recipients with severe substance abuse are less clear. At the end of 1993, about 43,000 beneficiaries could be identified with a primary condition of substance abuse. Moreover, during calendar year 1993, there were 18,000 cases awarded Social Security disability benefits where the primary condition was drug or alcohol addiction, and another 10,000 where the secondary condition was indicated to be substance abuse. In some of these cases, however, the addiction

would not have been a material contributing factor for determining the beneficiary's disability. CBO has assumed that about three-quarters of those with primary or secondary conditions of addiction would actually be found to have the addiction as a material contributing factor. Based upon recent data on awards and discussions with SSA's Office of the Actuary, CBO expects that the number of persons receiving Social Security benefits under this new category would grow from 90,000 in 1995 to nearly 260,00 in 1999.

Section 204. Expand FICA Exemption for Election Workers. At state option, election workers paid less than $100 per year are exempt from paying Social Security and Medicare payroll taxes on these earnings. The bill would increase that earnings exclusion to $1,000 in January 1995, and would index this threshold by the increase in average wages beginning in 1996.

The net revenue loss for this provision would amount to $8 million in 1995 and *$73* million for the 1995-1999 period. The net loss incorporates losses of Social Security and Medicare receipts of *$66* million and $15 million respectively, partially offset by a gain in income tax receipts of $8 million.

Section 208. Totalization Benefits and the Windfall Elimination Provision. Under current law, the U.S. can enter into pacts called totalization agreements with other countries that allow credit towards Social Security benefits for work outside the U.S. The payment is computed by prorating the benefit according to the number of years worked under the U.S. system. Nevertheless, when a person receives a pension from non-covered employment, the so-called windfall elimination provision applies and reduces the Social Security benefit payable to the worker. The effect of the windfall elimination provision is to eliminate some of the weighting in the benefit formula designed to benefit low earners. Consequently, some workers could be affected by both the proration from a totalization agreement and the windfall elimination provision.

This section nullifies the windfall elimination provision in cases where benefits are calculated under a totalization agreement. This provision is expected to increase benefit payments by less than $500,000 in 1995 and by about $1 million annually thereafter, with the five-year cost totalling *$4* million.

Section 210. Repeal Facility-of-Payment Provision. H.R. 4277 would repeal the current facility-of-payment provision, which permits SSA not to reduce one family member's benefits if the reduction simply would redistribute the benefits to other family members. The bill would affect situations where the maximum family benefit rule applies and all the recipients error-prone procedure, and uses up scarce administrative resources. Repeal of the provision would be effective on December 31, 1995.

Repealing the facility-of-payment provision would not affect benefit payments. Nevertheless, it is estimated to save $3 million dollars annually in administrative costs.

***Section** 220. Retirement Eligibility for Federal Workers Transferred to International Organizations.* H.R. 4277 would allow federal employees covered under the Federal Employees' Retirement System (FERS) and the Foreign Service Pension System (FSPS) to remain covered under those retirement systems if they transfer to international organizations abroad. A provision similar to the pro-

posed change already applies to persons covered under the Civil Service Retirement System.

This section would allow certain transferees to retain both FERS (or FSPS) and Social Security coverage while employed by these international organizations. The CBO estimates that this provision would affect roughly 40 to 50 transferees a year. The revenue effect of the proposed change is estimated to be less than $500,000 annually, and to total about $1 million over the five-year period.

This provision also would affect the agencies that employ the transferring workers because the agencies would have to pay the employer contributions for the retirement systems. CBO estimates these agency payments to Social Security and federal retirement programs to be about $1 million per year.

Section 221. Extend FICA Exemption to Individuals Who Enter U.S. under Certain Visas. Under current law, individuals in the U.S. on Q visas have to pay Social Security and Medicare payroll taxes on any wages they may earn. H.R. 4277 would alter the tax status of persons working under these visas and make it comparable to status of persons in the U.S. under J visas.

According to the Joint Committee on Taxation this provision would reduce revenues by $5 million in 1995 and $32 million over the 1995-1999 period. The Social Security revenue loss would be $4 million and $27 million, respectively.

Section 222. Commission on Childhood Disability. This section of the bill would authorize the creation of a commission that would study issues pertaining to the payment of SSI benefits to disabled children. The commission would report its findings to the Secretary of HHS.

Based on the costs incurred through the establishment of similar commissions in the past, CBO estimates that the commission would cost about $1 million per year for each of the two years of its operation.

Section 232. Disability Reviews for Children Reaching 18 Years Old. H.R. 4277 would require a disability review at age 18 for any individual who was awarded SSI on the basis of a childhood disability. This review would assess the individual under the criteria applicable to persons 18 years old or over who apply for SSI disability benefits.

CBO estimates that this provision would result in SSI (and therefore Medicaid) terminations that would reduce SSI and federal Medicaid benefit payments by $82 million and $61 million, respectively, over the next five years. Increased food stamp and AFDC benefits would offset $8 million of these savings. The additional administrative costs of the required reviews would amount to about $90 million over the same period.

These estimates are based upon CBO's projections that the number of disabled SSI children turning 18 over the next five years will grow from 45,000 in fiscal 1995 to 70,000 by 1999. The average review was assumed to cost $440 in 1995, and to have an associated termination rate of 5 percent.

Section 233. Periodic Disability Reviews for Persons Receiving SSI on the Basis of Disability. H.R. 4277 would require the Social Security Administration to conduct periodic disability reviews for individuals who are eligible for SSI as a result of disability. CBO's

estimate assumes that SSA will conduct CDRs in the SSI program with approximately the same frequency as in the Social Security Disability Insurance program. Due to the large and rapidly increasing number of disabled persons on the program and the limited resources available to SSA, we assume that it would take several years before disability reviews are conducted in the SSI program at the rate that they are conducted in the SSDI program. CBO estimates that over the five years from 1995 through 1999, SSA would conduct approximately 400,000 CDRs on disabled SSI recipients at a total cost of about $190 million. Based on the 4 percent rate of terminations resulting from CDRs in the Social Security Disability Insurance Program, this would result in an estimated 16,000 terminations over that period of time. SSI benefit payments over the five-year period would be reduced by an estimated $120 million and federal Medicaid payments would be reduced by about $100 million. Higher. spending for food stamps and AFDC would offset $13 million of these savings over the five-year period.

6. Pay-as-you-go considerations: The pay-as-you-go effects of the bill are as follows:

[By fiscal years, in millions of dollars]

	1995	1996	1997	1998
Receipts	-2	-2	-2	-2
Outlays	-22	-31	-66	-721

The on-budget outlay changes in SSI, Medicare, Medicaid, Food Stamps, and AFDC would be included on the pay-as-you-go scorecard. The on-budget receipt effects in Medicare payroll taxes and in income taxes would also be included. The Social Security revenue and benefit changes are exempt from the pay-as-you-go rules.

7. Estimated cost to State and local government: H.R. 4277 would have some impact on state costs, but these costs differ significantly by state depending upon a state's general assistance and health programs. Because the bill would result in benefit termination for some SSI and Medicaid recipients, states could expect to save about $2 million in Medicaid spending in 1995 and about $460 million during the 1995-1999 period. On the other hand, the loss of Medicaid eligibility might require states to provide other funds to health care providers to help pay for the expected increase in uncompensated care. Moreover, general assistance payment would rise-in those states with programs that would allow substance abusers to receive benefits. In addition, they would experience small increases in AFDC spending-about $2 million over the next five years.

8. Estimate comparison: None.

9. Previous CBO estimate: None.

10. Estimate prepared by: Paul Cullinan, Patrick Purcell, and Wayne Boyington.

11. Estimate approved by: C.G. Nuckols, Assistant Director for Budget Analysis.

V. Other Matters Required to be Discussed Under the Rules of the House

A. COMMITTEE OVERSIGHT FINDINGS AND RECOMMENDATIONS

In compliance with clause 2(1)(3)(A) of rule XI of the Rules of the House of Representatives, the Committee reports that the Subcommittee on Social Security held three hearings (two in the 102d Congress and one in the 103d Congress) that relate to- the need for an independent SSA, that the Human Resources Subcommittee held three hearings during the 103d Congress that relate to the miscellaneous SSI provisions in the bill, and that the Subcommittees on Social Security and Human Resources jointly a hearing in the 103d Congress relating to the need for reforms in disability payments to alcoholics and drug addicts.

September 17, 1991.—The Social Security Subcommittee held a hearing on H.R. 2838, which included a provision to make SSA an independent agency. This provision received strong support from several witnesses representing broad-based organizations of elderly and disabled individuals, who asserted that independence would reduce political intervention in SSA's basic operations, stabilize agency management, and improve the quality of its service to the public.

February 20, 1992.—The Social Security Subcommittee held a hearing on the Administration's fiscal year 1993 budget request. Many witnesses, including the Administration, predicted a further decline in SSA's services to the elderly and disabled as a result of the inadequacy of the SSA administrative funding request.

March 25, 1993.—The Social Security Subcommittee held a hearing on President Clinton's stimulus and investment proposals affecting the Social Security Administration. The principal focus of this hearing was the service delivery problems that SSA is experiencing as a result of the 21 percent staffing cut that occurred at the agency during the 1980s.

October 14, 1993.—The Subcommittee on Human Resources held an oversight hearing on the Supplemental Security Income program. Witnesses testified on issues including recommendations of the SSI Modernization Project, the impact of the U.S. Supreme Court decision-in *Sullivan* v. *Zebley,* eligibility requirements for immigrants and substance abusers, trusts, and services to clients. An official of SSA testified that it had implemented the childhood disability regulations under the *Zebley* decision with a four-year sunset date. In response to recent criticisms of the implementation of the Zebley decision, the official said SSA was waiting to receive the audit results of the Office of the Inspector General before taking any further action.

February 10, 1994.—The Subcommittee on Social Security and Human Resources held a joint hearing on disability payments to alcoholics and drug addicts. The testimony documented a sharp increase in DI and SSI payments to these individuals, as well as lax enforcement of the existing requirements that SSI substance abusers participate in treatment, if available, and receive payments through a representative payee responsible for managing their finances.

February 24, 1994.—The Subcommittee on' Human Resources held an oversight hearing on Supplemental Security Income (SSI) fraud involving middlemen and others who have organized to defraud the SSI program by offering a myriad of services to applicants during the application process. Middlemen were coaching SSI applicants on what to say to doctors and SSA personnel to increase their chances of receiving SSI benefits. In addition, middlemen were preparing SSI applications and other papers as supporting evidence for disability determination often without consulting the applicant regarding the claimed impairments. Administration witnesses offered their recommendations for prevention and establishing penalties to combat this abuse of the SSI program. These included: improving interpreter services to non-English speaking claimants; requiring signed statements with a penalty clause acknowledging accurate translation by the interpreter; establishing procedures to review any claim where interpreter fraud is suspected and redo all interviews, documentation, and decisions from the beginning, independently of the original application; establishing an interpreter database; and granting SSA similar authorities to combat fraud and abuse in the Social Security and SSI programs as those in the Medicare program, where the Secretary has extensive civil monetary sanctions available.

March 1, 1994.—The Subcommittee on Human Resources held a hearing to discuss the recommendations made by the SSI Modernization Project. This hearing was a follow-up to the SSI oversight hearing held on October 14, 1993. Witnesses, including members of the Modernization Project, testified in support of the project's recommendations and offered further suggestions for improvements in the SSI program. The receipt of SSI disability benefits by children as a result of the U.S. Supreme Court decision in ***Sullivan*** v. ***Zebley*** received special attention as an area of rapid growth. Results of a survey of school personnel conducted by the Arkansas State University found: 81 percent of the respondents thought children referred for SST have made comments that they have been told to misbehave in order to qualify for disability payments; 79 percent thought that once children qualify for SSI, their motivation to complete schoolwork decreases; and only 9 percent thought that SSI benefits for children were being used properly.

B. SUMMARY OF FINDINGS AND RECOMMENDATIONS OF THE GOVERNMENT OPERATIONS COMMITTEE

In compliance with clause 2(1)(3)(D) of rule XI of the Rules of the House of Representatives, the Committee states that no oversight findings and recommendations have been submitted to this Committee by the Committee on Government Operations with respect to the provisions contained in this bill.

C. INFLATIONARY IMPACT STATEMENT

With respect to clause 2(l)(4) of rule XI of the Rules of the House of Representatives, the Committee believes that H.R. 4277 would not have an inflationary impact on prices and costs in the operation of the general economy.

VI. Changes in Existing Law Made by the Bill as Reported

In the opinion of the committee, in order to expedite the business of the House of Representatives, it is necessary to dispense with the requirements of clause 3 of rule XIII of the Rules of the House of Representatives (relating to showing changes in existing law made by the bill as reported).

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