

# Social Security Amendments of 1956: A Summary and Legislative History

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ON August 1, 1956, President Eisenhower signed H.R. 7225, which thus became Public Law No. 880 (Eighty-fourth Congress), the Social Security Amendments of 1956. This new law amends the old-age and survivors insurance provisions of the Social Security Act, certain parallel provisions of the Internal Revenue Code, the public assistance and child welfare titles of the Social Security Act, and the Railroad Retirement Act.

As President Eisenhower stated when he signed the bill, "The new law embraces a wide range of changes in old-age and survivors insurance, the public assistance programs, and child welfare services." These changes have major implications for the economic security of the American people and for the field of public welfare.

The old-age and survivors insurance system was also affected by Public Law No. 881 (Eighty-fourth Congress)—the Servicemen's and Veterans' Survivor Benefits Act—which was signed by the President on August 1, 1956. This law substantially revamps the survivor benefit programs for the members of the uniformed services. Included among its provisions is the extension of old-age and survivors insurance coverage to this group (on a contributory basis and with certain special features).

The major changes in the old-age and survivors insurance program as a result of the 1956 legislation are as follows:

1. Permanently and totally disabled workers who are between the ages of 50 and 65, who meet certain requirements concerning the length and recency of covered work, and who serve a 6-month waiting period will be paid monthly benefits beginning July 1957.

2. Dependent disabled children aged 18 and over who were totally disabled before attaining age 18 will receive

monthly child's benefits (based on the earnings records of either retired or deceased insured workers) beginning January 1957. Benefit payments will also be made to a mother having such a child in her care.

3. The age at which women become eligible for benefits is lowered to 62. Full benefits are paid at age 62 to women eligible for benefits as widows or dependent parents. Working women and wives without child beneficiaries in their care who elect to receive a retired worker's or wife's benefit while they are between the ages of 62 and 65 receive an actuarially reduced benefit. As under the old law, the wife of a retired worker will receive full benefits regardless of age if she has a child beneficiary in her care.

4. About 900,000 persons in civilian jobs are newly covered; the principal groups consist of the previously excluded self-employed professional persons (other than doctors of medicine), additional farm owners and operators, certain Federal civilian employees, and certain additional State and local employees in specified States. Coverage on a contributory basis is extended, effective January 1, 1957, to nearly 3 million members of the uniformed services.

5. A separate trust fund is established from which disability benefits will be paid. Contributions to the disability insurance trust fund from covered employees and employers are at the rate of  $\frac{1}{4}$  of 1 percent each, and from covered self-employed persons at the rate of  $\frac{3}{8}$  of 1 percent, effective January 1, 1957.

6. Before each scheduled increase in the tax rate, an Advisory Council on Social Security Financing is to be established to review the status of the Federal old-age and survivors insurance trust fund and the Federal disability insurance trust fund in relation to the long-term commitments.

7. The old-age and survivors insurance trust fund is to be reimbursed

from general revenue for the costs of the gratuitous \$180 monthly military wage credits granted to veterans who served in the Armed Forces during the period from September 16, 1940, to December 31, 1956, and for the costs of the special provision enacted in 1946 that granted insured status to certain World War II veterans who died within 3 years of leaving service.

8. Benefits are suspended for certain aliens if they are outside the United States for more than 6 months.

9. A judge may terminate the benefit rights of persons convicted of espionage, sabotage, treason, sedition, or subversive activities as an added penalty for their crime.

10. Employment for organizations registered or required to register by final order of the Subversive Activities Control Board is excluded from coverage.

11. The interest rate on certain investments held by the old-age and survivors insurance trust fund and the disability insurance trust fund is changed to reflect the essentially long-term character of the investments.

The following major changes in the public assistance program are made by the Social Security Amendments of 1956:

1. The Federal matching formula is revised to increase the Federal share in State assistance payments to needy persons who are aged, blind, or disabled and to dependent children.

2. A new basis is established for Federal sharing in State expenditures for medical care on behalf of recipients, separately from money payments to them; the Federal Government will match dollar for dollar, within specified average maximums per person, the amounts spent by the States for this purpose.

3. The constructive aspects of public assistance are emphasized through amendments relating to services in

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the public assistance programs, and provision is made for grants for the training of public welfare personnel.

Provision is made for grants for cooperative research or demonstration projects.

Only one change was made in the child health and welfare programs. The amount authorized to be appropriated for child welfare services was increased from \$10 million to \$12 million for the fiscal year 1957-58 and subsequent years.

### Old-Age and Survivors Insurance

#### *New Benefit Provisions*

The disability "freeze" provisions in the old law permitted any extended period in which an insured worker was totally disabled to be disregarded in determining his eligibility for and the amount of his benefits. The 1956 amendments provide for a system of disability insurance benefits, payable to insured workers between the ages of 50 and 65, that is separate from the old-age and survivors insurance system as far as financing is concerned. It is estimated that disability insurance benefits could be payable for July 1957 to 400,000 individuals and that by 1975 a possible 900,000 persons could receive such benefits.

Under the previous law, a child's benefits stopped when he attained 18. Under the new law, child's benefits are payable to the dependent adult children of retired or deceased insured workers if the children became totally disabled before they reached age 18; these benefits will be paid from the old-age and survivors insurance trust fund, beginning January 1957. During the first year, it is estimated, approximately 20,000 children will be added to the benefit rolls under these provisions. Annually thereafter, some disabled children currently attaining age 18 will be continued on the benefit rolls and others will be added to the rolls at age 18 or over when the insured person dies or becomes entitled to old-age insurance benefits—some 2,500 children each year. The mothers of

these children may receive benefits as long as they have child beneficiaries in their care.

#### *Disability Insurance Benefits*

Disability insurance benefits are payable to totally disabled workers between the ages of 50 and 65 who qualify both as to work requirements and disability standards after a waiting period of 6 months. July 1957 is the first month for which disability benefits will be payable. No benefits will be paid to dependents of qualified disabled workers. The procedures and practices for determining and defining disability that were set forth in the previous law with respect to the disability freeze are continued for the new cash-payment program except that blindness does not constitute presumed disability. For purposes of disability benefits, persons with visual impairments must be disabled to the same extent as those with other physical impairments—that is, they must be unable to engage in any substantial gainful activity.

The disabled person, to qualify for the disability insurance benefits, must be both fully and currently insured and must have had 20 quarters of employment covered by old-age and survivors insurance during the 40-quarter period that ends with the quarter in which the disability begins.

An insured individual who is unable to engage in any substantial gainful activity is not necessarily entitled to disability insurance benefits even though he is, in fact, severely disabled. The disability must be expected to result in death or to be of long and indefinite duration. A waiting period of 6 consecutive months of disability must elapse before payments may begin. This requirement was established to provide a simple device for screening out cases of temporary disability, since in 6 months most temporary disablements will be corrected or definite signs of recovery will appear.

The amount of the monthly disability insurance benefit is to be the same as the primary insurance amount, computed as though the worker became entitled to old-age insurance benefits in the first month of his waiting period. There is no earnings test (like that applied for per-

sons receiving old-age and survivors insurance benefits) under which benefits are suspended because earnings exceed a specified amount; the definition of disability in itself precludes payment of benefits to anyone able to engage in substantial gainful employment.

When a beneficiary also receives another Federal benefit based on disability or a workmen's compensation benefit, the disability benefit under old-age and survivors insurance is reduced by the amount of such benefit.

Vocational rehabilitation will continue as an important adjunct to the administration of the disability freeze and disability cash benefits. Applicants for either the freeze or disability insurance benefits will be referred to the State agency for rehabilitation, and monthly benefits will be suspended if a beneficiary refuses to accept rehabilitation services without good cause. A beneficiary who is a member or adherent of any recognized church or religious sect that relies on spiritual healing and who refuses to accept rehabilitation services is deemed to have done so with good cause. A beneficiary who engages in substantial gainful activity under an approved State plan for vocational rehabilitation purposes will nevertheless be considered disabled for a year after he first engages in such activity. The provision that makes applicable the payment of benefits and the freeze only for impairments that can be expected to be of long-continued and indefinite duration is not inconsistent with efforts toward rehabilitation, since it refers only to the duration of the impairment and does not require a prediction of continued inability to work.

Present disability rules, requirements, and standards for the freeze procedure are still in effect. If an individual is determined to be totally and permanently disabled before he reaches age 50, the freeze can be established. If, at age 50, he still meets the disability test, he can become eligible for disability insurance benefits, provided he files an application and meets the work requirements for these benefits. October 1, 1956, is the earliest date an application for disability benefits can be accepted.

All the present framework to carry out the disability freeze provisions of the 1954 amendments will be used for the payment of monthly disability benefits. The determination of disability is to be made by State agencies under the same arrangements now used for freeze determinations. In the Conference report,<sup>1</sup> Congress included a statement that the Secretary of Health, Education, and Welfare is expected to use fully his authority to review and revise favorable determinations of State agencies in order to assure uniform administration of the disability benefits and to protect the disability insurance trust fund from unwarranted costs.

Beginning in 1957, an additional tax (combined employer-employee) of ½ of 1 percent on wages and of ¾ of 1 percent on self-employment income will be imposed to finance the disability insurance program. The amount of these taxes will be deposited in the disability insurance trust fund, from which the disability insurance benefits and administrative costs will be payable.

#### ***Dependent Disabled Child's Benefits***

Under the new law a dependent disabled child aged 18 or over of a deceased or retired insured worker qualifies for child's benefits, regardless of age, if he became totally disabled before reaching age 18 and the disability has continued uninterrupted since that time. The definition of disability is the same as that covering disabled workers (inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or to be of long-continued and indefinite duration). Blind persons, however, will not be presumed to be disabled for the purposes of the cash disability benefits, although they may be determined to be disabled. Determinations of disability are to be made by State agencies.

To qualify for these benefits the disabled child must have been entitled to child's benefits before he reached age 18 or prove that he was

receiving at least half his support from the insured worker at the time his application for benefits was filed or the worker died. Mother's (or wife's) benefits are also to be paid to a mother who has in her care any child entitled to child's benefits. Such benefits will be payable for the first time for January 1957. Applications may be filed beginning October 1956.

The disabled child's benefit is reduced by the amount of any Federal benefit or workmen's compensation benefit payable to the child on account of disability; any excess that cannot be adjusted against the child's benefits is adjusted against the mother's or wife's insurance benefits payable solely because she has the disabled child in her care. No adjustment will be made in a wife's benefit, however, if the wife has attained age 62.

The 1956 amendments state that it is the policy of Congress that disabled adult children be promptly referred to State vocational rehabilitation agencies so that as many of them as possible may be prepared for gainful work. Benefits for both the disabled child and his mother will be suspended for his refusal to accept rehabilitation services without good cause. If, however, a child beneficiary who refuses rehabilitation services is a member or adherent of any recognized church or religious sect that relies on spiritual healing, he is deemed to have refused with good cause. Work for 1 year begun under a State vocational rehabilitation plan will not be regarded as substantial gainful activity and therefore will not require suspension or termination of the disabled child's benefits.

#### ***Extension of Coverage***

At the end of 1955, 9 out of 10 of the Nation's gainfully employed workers were covered under old-age and survivors insurance, and about 86 out of 100 jobs were under contributory coverage. Beginning with 1957, contributory coverage will be extended to nearly 4 million persons who are in jobs not now covered; thus, about 92 out of 100 jobs will be covered under old-age and survivors insurance on a contributory basis.

The Social Security Amendments of 1956 add almost 900,000 to the

number now covered. The majority of those newly covered are farmers, but coverage is also extended to all previously excluded self-employed professional groups (except doctors of medicine) and to several small groups of employees. While a number of changes were made in the farm-worker coverage provisions, approximately the same number of farm workers are covered under the new amendments as were covered after the 1954 amendments.

The Servicemen's and Veterans' Survivor Benefits Act (Public Law No. 881) extends coverage to almost 3 million members of the uniformed services on a contributory basis, thus closing one of the major gaps in old-age and survivors insurance coverage. Major groups that continue to be excluded are most Federal civilian employees under retirement systems; in general, policemen and firemen covered by a State or local retirement system; low-income self-employed persons; and farm and domestic workers not regularly employed.

***Self-employed professional groups.***—The 1956 amendments extend coverage to more than 200,000 persons who are self-employed in the practice of specified professions. They bring under coverage the self-employment earnings of lawyers, dentists, osteopaths, chiropractors, veterinarians, naturopaths, and optometrists, effective with taxable years ending after 1955.

***Farm owners and operators.***—Under the 1954 amendments, farm owners and operators were permitted to report their agricultural self-employment (1) on the basis of actual net earnings, or (2) if net earnings were under \$1,800, on the basis of 50 percent of gross income, with up to \$900 being creditable. The 1956 amendments extend coverage to an estimated 220,000 additional farmers, effective with taxable years ending on or after December 31, 1956, by liberalizing the optional computation provision. Under the amendments, a farmer whose gross farm income in a year is at least \$600 and not more than \$1,800 is permitted to deem his net earnings to be two-thirds of gross income. If his gross income exceeds \$1,800 and net earnings are less than \$1,200, his net earnings may be

<sup>1</sup> House Report 2936 (84th Cong., 2d sess.), July 26, 1956.

deemed to be \$1,200. Members of farm partnerships and farmers who report for income-tax purposes on an accrual basis may now use the option.

Another 400,000 farmers have coverage made available under the so-called "material participation" clause. Income formerly classified as rentals will be covered if derived under an arrangement whereby the recipient participates materially (with the tenant, share farmer, etc.) in the production of agricultural or horticultural commodities. This provision is effective with respect to taxable years ending after 1955.

Confirmation is given to the interpretation of the old law, under which a person who undertakes to produce agricultural or horticultural commodities on the land of another, under an arrangement providing that the product shall be divided between such person and the owner or tenant of the land, is self-employed if his share depends on the amount of commodities produced. This provision is effective for taxable years ending after 1954.

*Federal civilian employees.*—Coverage is extended by the amendments to employees who are covered by the Tennessee Valley Authority retirement system and to members of Federal Home Loan Banks (all of whom are presently covered by a staff retirement system). The coverage is contingent in each instance upon the approval by the Secretary of Health, Education, and Welfare before July 1, 1957, of a plan for the coordination, on an equitable basis, of the benefits of the agency's retirement system with old-age and survivors insurance benefits. At the option of the agency, such coverage may be effective with the beginning of any calendar quarter between January 1, 1956, and July 1, 1957, inclusive. Some 13,000 employees of these agencies could be covered.

*Waiver of policemen and firemen exclusion.*—The amendments make an exception to the specific exclusion of policemen and firemen who are under a State or local retirement system to allow these employees to be covered under the referendum provisions in five States. Where the policemen and firemen (or both) are in a retirement system with other classes

of employees, they may be treated as having a separate retirement system. Coverage is made available to about 20,000 employees under this provision.

*Farm workers.*—The amendments make several changes in previous farm-worker coverage provisions that roughly offset one another as far as the number of persons who are covered under the program is concerned.

Under the 1954 amendments, a farm worker was covered with respect to his work for an employer if he was paid at least \$100 in cash wages by that employer in a calendar year. The 1956 amendments change the coverage test for farm workers, effective with respect to remuneration paid after 1956. Cash remuneration paid a worker by an employer in a calendar year is covered if (1) the amount of cash wages is \$150, or (2) the worker performs agricultural labor for the employer on 20 or more days during the year for cash wages computed on a time basis—that is, if the worker is paid by the hour, day, or week rather than on a piece-rate basis. As in the old law, a quarter of coverage is credited for \$100-\$199 of annual wages, 2 quarters for \$200-\$299, 3 quarters for \$300-\$399, and 4 quarters for \$400 or more.

The amendments provide that certain "crew leaders" are deemed to be the employers of the crew they furnish to perform agricultural labor for other persons, effective with respect to service performed after 1956. For this purpose, a crew leader is anyone who pays (on behalf of himself or of the person for whom the work is done) the members of his crew and who has not been designated, by written agreement with the person for whom the work is done, as an employee of that person.

The former exclusion from coverage of the services of contract workers from Mexico and the British West Indies is broadened to apply to agricultural workers temporarily admitted to this country from any foreign country. Turpentine workers continue to be excluded.

*Other groups.*—Under the amendments, coverage is made available for additional ministers who are American citizens and who are employed abroad—namely, those who, although not employed by an American em-

ployer, have a congregation that is composed predominantly of American citizens. Coverage is also made available to American citizens who are employees of a foreign company in which an American corporation holds 20 percent or more of the voting stock (rather than "more than 50 percent" of the voting stock as provided in the old law).

Three changes are made in the provisions relating to employees of non-profit organization. They permit the temporary reopening of the option to elect coverage, permit waiver certificates filed after 1956 to be effective in the quarter of filing if the organization desires, and validate certain waivers previously filed.

The amendments exclude from coverage service performed in the employ of any organization registered under the Internal Security Act of 1950 as a Communist-action, Communist-front, or Communist-infiltrated organization. The exclusion is applicable to service beginning in any quarter after June 30, 1956, during any part of which the organization is registered under that Act or in which there is in effect a final order of the Subversive Activities Control Board requiring such registration.

The amendments also contain three provisions that make exceptions in specified States to the general requirement that all members of a State or local retirement system are covered if any are covered. These provisions merely make coverage more readily obtainable for certain employees on the States or local level.

*Members of the uniformed services.*—The Servicemen's and Veterans' Survivor Benefits Act amends the Social Security Act to extend regular contributory coverage under old-age and survivors insurance, beginning January 1, 1957, to nearly 3 million members of the uniformed services on active duty (including active duty for training), with contributions and benefits computed on their basic service pay. The provision applies to members of the regular components of the uniformed services, including commissioned officers of the Public Health Service and of the Coast and Geodetic Survey, reserve officers and enlistees when on full-time duty or active duty for training, midshipmen

and cadets of the service academies, and members of the Reserve Officers Training Corps when ordered to annual training for a period of 14 days or more.

Public Law No. 881 also extends the period for providing gratuitous military wage credits of \$160 a month by including service in the active military or naval service after March 1956 and before January 1957. Gratuitous credits therefore apply to service in the Armed Forces after September 15, 1940, and before January 1, 1957. The law also provides for granting gratuitous wage credits retroactively for active service performed (1) as a commissioned officer of the Public Health Service after July 3, 1952, and before January 1, 1957, and (2) as a commissioned officer of the Coast and Geodetic Survey after July 29, 1945, and before January 1, 1957. Servicemen on active duty after December 1956 receive the wage credits of \$160 for military service performed after 1950 and before 1957 even though benefits based on such service (in whole or in part) are payable by one of the service staff retirement systems, the Coast and Geodetic Survey system, or the Public Health Service system.

The new law makes permanent the previous temporary provisions relating to old-age and survivors insurance lump-sum death payments when servicemen dying overseas are reburied in this country. Application for a lump-sum death payment (based on reimbursement for burial expenses) may be filed within 2 years of the interment or reinterment in this country of the body of a serviceman who dies overseas after June 24, 1950.

Public Law No. 881 also provides that the old-age and survivors insurance trust fund is to be reimbursed from general revenues for past and future expenditures resulting from the various provisions for the granting of \$160 monthly military wage credits and from the special provisions enacted in 1946 that granted insured status to certain World War II veterans who died within 3 years after leaving the service. These provisions have already resulted in payments from the trust fund of approximately \$200 million, and more than

\$600 million is expected to be paid out in the future. Reimbursement is to be made annually over a 10-year period for aggregate past expenditures through June 30, 1956. Reimbursement for future expenditures is to be made annually for benefits paid during the year.

Public Law No. 881 includes the following provisions that affect the Bureau of Old-Age and Survivors Insurance and the Veterans Administration, or the Bureau of Old-Age and Survivors Insurance and another Federal agency:

1. An application filed after December 1956 for compensation on the death of a veteran constitutes an application for survivor benefits under the old-age and survivors insurance program, and vice versa.

2. Survivors of servicemen who die after 1956 while in service or from service-connected causes incurred after September 15, 1940, and who are not entitled to old-age and survivors insurance benefits because the serviceman did not die insured are to receive monthly payments from the Veterans Administration under the same conditions as, and in amounts equal to, those that would have been payable under old-age and survivors insurance if the serviceman had died fully and currently insured.

3. Supplementary compensation payments are to be made by the Veterans Administration if the serviceman is survived by a widow and two or more children under age 18 and if the old-age and survivors insurance benefits are relatively low.

4. The gratuitous monthly wage credits of \$160 for military service provided under the Railroad Retirement Act are continued.

5. Coordination of military service credits under the Civil Service Retirement Act and under old-age and survivors insurance permits survivor annuitants under the Civil Service Retirement Act to waive all rights to a civil service survivor annuity and to use military service after September 15, 1940, and before January 1, 1957, for survivor benefits under old-age and survivors insurance. Military service performed after 1956 is not creditable under the Civil Service Retirement Act if any retirement or survivor benefit is currently payable

under old-age and survivors insurance.

### *Eligibility Conditions*

The 1956 amendments lower to 62 the age at which women may qualify for benefits. Women eligible for benefits as widows or dependent parents may receive full benefits at age 62. As before, wives with child beneficiaries in their care may receive full benefits regardless of their age. Women who elect to receive a retired worker's or wife's benefit when they are between age 62 and age 65 will receive actuarially reduced benefits. Once such election has been made, benefits will continue to be paid in an actuarially reduced amount after age 65.

The reduction is  $\frac{5}{8}$  of 1 percent for each month before age 65 that a retired woman worker draws an old-age insurance benefit and  $\frac{2}{3}$  of 1 percent for each month before age 65 that a wife's benefit is drawn. Thus a woman who elects to receive an old-age insurance benefit for the month in which she attains 62 has her benefit amount reduced by 20 percent, and a woman who elects to receive a wife's benefit beginning at age 62 has her benefit amount reduced by 25 percent. If a wife or a retired woman worker who has elected to receive an actuarially reduced benefit later has her benefit suspended under the retirement test for at least 3 months, or a wife later receives a full benefit because she has had a child beneficiary in her care for 3 months or more, an automatic adjustment will be made in her benefit amount when she reaches age 65. This higher amount will be the benefit she receives after age 65.

The amendments suspend benefit payments to certain aliens who are outside the United States for more than 6 consecutive months. Payments are suspended unless the alien is a citizen of a country that has a social insurance or pension system of general application, under which monthly benefits (or their actuarial equivalent) would be paid to otherwise eligible American citizens if they returned to this country. Benefits are not suspended, however, if the individual upon whose earnings record the alien is receiving benefits has had at least 40 quarters of coverage or has lived in the United States for at

least 10 years, or if suspension would violate a treaty existing on August 1, 1956, between his country and the United States. Time spent outside the country in the active military or naval service of the United States does not cause suspension. If an alien whose old-age benefit is suspended dies while he is still outside the United States, no lump-sum death payment will be made. The amendment does not apply to aliens who are (or who upon application would be) entitled to receive benefits for December 1956. Beneficiaries who are living outside the United States in that month will, therefore, not have their benefits suspended.

Under the new law the courts may, at their discretion, as an additional penalty, terminate an individual's benefit rights based on his earnings before his conviction for crimes such as espionage, sabotage, treason, sedition, or other subversive activities. The amendment applies to convictions for crimes committed after August 1, 1956. The benefit rights of members of the convicted individual's family are not affected by the court's decision. Thus, for example, the wife of a convicted individual continues to have benefit rights based on his entire earnings record, even though his own rights could be based only on any earnings he might have after conviction.

Under the law in effect before the 1956 amendments, a widow who remarried lost all her rights to benefits based on the earnings record of her deceased husband. She gained rights on the earnings record of her second husband only after she had been married to him for at least 1 year or if the couple had a child, natural or adopted. If the second husband died before the year had elapsed and there were no children, she was left with no protection under the program. The 1956 amendments provide that a remarried widow's benefit rights based on the earnings record of her first husband will be restored if her second husband dies within a year of the marriage. The first husband would, of course, have to have been insured under the program before his death, and their marriage must have lasted for at least 1 year. Benefits for remarried widows who

become entitled under this amendment are first payable for November 1956 or the month of the second husband's death, if that is later.

The 1956 amendments extend for an additional 2 years the period for filing proof of support in claims for dependent husband's, widower's, and parent's benefits and for filing application for a lump-sum death payment based on the earnings record of an insured worker who died after 1946. The claimant must, however, show "good cause" for his failure to file within the first 2 years after the death or entitlement of the insured individual. If the original 2-year period has already expired, and "good cause" can be shown for failure to file the necessary proofs within that period, they can be filed at any time up to September 1, 1958. Monthly benefits will be paid for months after August 1956 on the basis of applications filed after August.

The amendments contain an alternative insured-status provision that will permit individuals first covered in 1956 to become insured on the same basis that the old law provided for persons first covered in 1955. An individual who earns a quarter of coverage in all but 4 of the quarters after 1954 and before July 1957 or, if later, the quarter in which he attains retirement age or dies, is fully insured. The amendment eases the insured-status requirement in many death cases before October 1960 and for many individuals who attain retirement age before that date. Thereafter, the normal requirements for insured status are no more difficult (or are less difficult) to meet than the special requirements in the amendment.

Benefits are not payable to persons under age 72 otherwise eligible for benefits if they have earnings above the annual and monthly amounts set out in the retirement test in the act. For beneficiaries engaged in noncovered work outside the United States, benefits are withheld for any month in which a beneficiary under age 72 works in noncovered employment on 7 or more different calendar days. The amendments of 1956 apply the money test, instead of the 7-day test, to members of the Armed Forces serving outside the United States in

1956. After 1956, service in the Armed Forces is covered employment under the program, and the annual money test will automatically apply but only to military basic pay.

### *Computation of Benefits*

Under the new law, up to 5 years of low earnings may be "dropped out" in computing the average monthly wage of an insured individual regardless of the number of quarters of coverage he may have. The old law required that he have at least 20 quarters of coverage before 5 years of low earnings could be dropped in computing his benefits; otherwise only 4 years could be dropped. The amendment applies to the benefit computation for persons who become entitled in the future and, under specified circumstances, to a recomputation of benefits on the basis of applications filed on or after August 1, 1956. Persons newly covered in 1956 will thus be able to drop out all years of noncoverage after 1950 and before 1956.

The amendments also provide special starting and closing dates for determining the period over which the average monthly earnings are to be figured. They apply to an individual who becomes entitled in 1957 and who had at least 6 quarters of coverage after 1955 and before the quarter following the quarter of his death or entitlement, whichever occurred first. A starting date of December 31, 1955, and a closing date of July 1, 1957, may be used if a higher primary insurance amount would result. Total wages and self-employment income that can be counted in the 6-month period between December 31, 1956, and July 1, 1957, cannot exceed \$2,100, since \$350 is the maximum average monthly wage that can be used in computing the benefit. Provision is made, under circumstances similar to those stated in the previous law, for recomputation of benefits using the July 1, 1957, closing date if a higher primary insurance amount would result.

The amendments place the computation of benefits in disability cases on an annual basis that conforms with the method of computing benefits in other cases. For any part of a year that is included in a period of disability, the months and earnings

of that year are eliminated from the computation of the average monthly earnings. Months and earnings in the year in which the disability began may be included in the computation, however, if their inclusion results in a higher benefit amount.

Under the new law, an individual's earnings record may be corrected, even in periods normally barred to correction because of the statute of limitations, to include self-employment income not previously included for a year for which wages were deleted from the record as having been erroneously reported. Such self-employment income can be included, however, only if the amount was shown in a tax return or statement filed before the end of the time limitation, running from the taxable year in which the wage deletion was made.

#### ***Advisory Council on Social Security Financing***

The amendments provide for the establishment of an Advisory Council on Social Security Financing to review the status of the old-age and survivors insurance trust fund and the disability insurance trust fund in relation to the long-term commitments of the old-age and survivors insurance program before each scheduled tax increase. The Commissioner of Social Security will serve as chairman of each Advisory Council. Twelve other members, appointed by the Secretary of Health, Education, and Welfare, will represent to the extent possible employees and employers in equal numbers and self-employed persons and the public. The first Council is to be appointed after February 1957 and before January 1958 and will report its findings and recommendations to the Secretary of the Board of Trustees of the Trust Fund not later than January 1, 1959, and for inclusion in the Trustees' Report to Congress by March 1, 1959. A new Council, similarly constituted and with the same functions and duties, will be appointed not later than 2 years before each scheduled increase in the tax rate and will report its findings and recommendations not later than January 1 of the year before the year in which the scheduled increase is to occur. In

each instance, the recommendations will be published in the next Trustees' Report.

#### ***Investments of Trust Fund***

The 1956 amendments change the interest rate on investments held by the old-age and survivors insurance trust fund to reflect the essentially long-term character of the investments. The interest rate is to be based on the average rate of interest borne by all marketable, interest-bearing obligations of the United States not due or callable until after the expiration of 5 years from the date of original issue. Previously, the rate of interest for trust fund investments was equal to the average rate borne by all interest-bearing obligations of the United States without regard to maturities or marketability.

The average rate of interest, if it is not already a multiple of  $\frac{1}{4}$  of 1 percent, will be rounded to the nearest multiple of  $\frac{1}{4}$  of 1 percent rather than to the next lower multiple as under the previous law. These changes were recommended by the Board of Trustees of the Trust Fund. The same procedure is to be followed for the new disability insurance trust fund. The exclusion of interest rates on short-term obligations in fixing the rate for public-debt obligations for issue to the trust fund and the revised rounding procedure will increase the program's interest income, on the average and over the long-range future, by about \$160 million a year; the effect in the immediate future will be materially less. To make it clear that bonds purchased by the trust fund are as much a part of the public debt as any other obligations of the Federal Government, they are designated as "public debt obligations for purchase by the Trust Fund" in place of the designation under the old law, "special obligations issued exclusively to the Trust Fund."

#### ***Minor Technical Amendments***

Beneficiaries who earn more than the amount of earnings permitted by the retirement test must report their earnings at the close of each year. The new legislation extends the deadline for filing annual reports of earnings from March 15 to April 15 to

conform with the deadline for income-tax reporting contained in the Internal Revenue Code of 1954. The amendments also conform the old-age and survivors insurance statute of limitations governing the period in which earnings records are open to correction to the time limit on filing claim for credit or refund of taxes under the 1954 Internal Revenue Code.

The amendments clarify the intent of the law that the Secretary may by regulation limit the time within which an individual may request a hearing after a decision has been made in his case. The regulations cannot prescribe a period less than 6 months after notice of a decision is mailed to the individual. Any individual who has not previously had a hearing on a notice of decision mailed before August 1, 1956, can request a hearing within 6 months after that date.

#### ***Financing Basis and Policy***

At the time of the 1950 amendments, as well as since then, Congress has expressed its belief that the insurance program should be completely self-supporting from contributions from covered individuals and employers. Accordingly, in the 1956 amendments, the contribution schedule contained in the 1954 act was revised in recognition of the increased benefit costs involved. The rates for the calendar years 1957-59, formerly 2 percent each for employer and employee and 3 percent for the self-employed, are raised to 2 $\frac{1}{4}$  percent each for employer and employee and 3 percent for the self-employed. The schedule calls for further increases for the years 1960-64, 1965-69, 1970-74, and the rates will rise ultimately, for the year 1975 and thereafter, to 4 $\frac{1}{4}$  percent each for employer and employee and 6 $\frac{1}{2}$  percent for the self-employed.

The combined employer-employee rate in the new schedule is a 0.5-percent increase from that in the previous schedule. This amount is allocated for the monthly disability benefits and goes into a separate disability insurance trust fund. In essence, no increase in contributions was made for the old-age and survivors insurance benefits, since their

liberalization was offset by cost reduction factors—extension of coverage, change in the interest basis of the trust fund, and generally higher earnings levels. The contribution allocated for disability benefits is, according to the intermediate-cost estimate, slightly more than adequate to finance these benefits.<sup>2</sup>

### Public Assistance

#### Matching Formulas

Under the Social Security Amendments of 1956, Federal funds to States are increased for public assistance to needy persons who are aged, blind, or disabled and to dependent children. Under the formula previously in effect the Federal share for payments to the aged, blind, and disabled was four-fifths of the first \$25 of the average monthly payment per recipient plus one-half the remainder, up to a maximum of \$55 a month on any individual payment. For dependent children, it was four-fifths of the first \$15 of the average monthly payment per recipient plus one-half the balance, up to maximums of \$30 each for the first child and the needy relative with whom the child lives and \$21 for each additional child. Under the new law, the maximum on payments to aged, blind, and disabled persons is increased to \$60, and the Federal share is raised to four-fifths of \$30 plus one-half the balance up to the maximum. For aid to dependent children the maximums are increased to \$32 each for the first child and the relative with whom the child lives and to \$23 for each additional child; the Federal share is made fourteen-seventeenths of \$17 plus one-half the balance up to the maximum. These amendments are effective October 1, 1956, and are scheduled to expire on June 30, 1959.

The amendments do not provide for an automatic increase in the amount of the assistance payment. Whether recipients will get larger assistance payments as a result of the amendments depends on what the States do under their own laws and policies in administering the programs.

<sup>2</sup> For more complete details, see Robert J. Myers, "Old-Age and Survivors Insurance: Financing Basis and Policy Under 1956 Amendments," pages 18-20.

The States themselves decide if the additional Federal funds will be used to give assistance to more persons, to give more money to those already getting aid, or to save State and local funds. A State may use the money to do any one of these things or a combination of them.<sup>3</sup> (The bill as amended by the Senate had contained a provision designed to require States to pass on to recipients the additional Federal funds to be provided under the Senate bill. This provision was not included in the bill as enacted.)

#### Medical Care

Federal matching in public assistance expenditures, including medical care, has been limited by the individual maximums on the amount of monthly payments that could be made to or on behalf of an individual with Federal financial participation. The 1956 amendments provide for dollar-for-dollar Federal sharing in expenditures for payments to suppliers of medical care (including expenditures for insurance premiums for medical care), over and above Federal matching in money payments to assistance recipients. In the programs for the aged, the blind, and the disabled the Federal Government will participate in such expenditures up to a maximum amount determined by multiplying \$6 a month by the number of recipients. In the program of aid to dependent children, the maximum is determined by multiplying \$3 a month by the number of children receiving assistance and \$6 a month by the number of relatives who are recipients. The provisions that many States, particularly those with limited fiscal capacity, make for the medical needs of public assistance recipients are inadequate. The purpose of the amendments is to assist the States in broadening and improving their provisions for meeting the costs of medical care for persons receiving assistance. These amendments are ef-

<sup>3</sup> For information on how Federal increases under previous amendments were used see Ellen J. Perkins, "State and Local Financing of Public Assistance, 1933-55," *Social Security Bulletin*, July 1956, pages 7-8.

fective in the four public assistance programs beginning July 1, 1957.

#### Training of Public Welfare Personnel

An appropriation of Federal funds is authorized for training grants to the States to assist in increasing the number of adequately trained public welfare personnel available for work in public assistance programs. The Federal Government's share in total State expenditures for this purpose will be 80 percent, and Federal funds are authorized for a period of 5 years beginning July 1, 1957. The funds are to be used by States to make grants to institutions of higher learning for training personnel for the public assistance programs and for establishing fellowships or traineeships and special short-term courses of study. The authorization is \$5 million for the fiscal year ending June 30, 1958, and for the next 4 years in such amounts as Congress may determine.

Another amendment changes the definition of "State" in title XI of the Social Security Act to extend the provisions for training grants to Puerto Rico and the Virgin Islands.

#### Services in Assistance Programs

The amendments include provisions relating to services in the public assistance programs, designed to encourage the States to place greater emphasis on helping to strengthen family life and helping needy individuals to attain the maximum economic and personal independence of which they are capable.

The statements of purpose for all four public assistance programs have been amended to make explicit that, in addition to enabling the States to give financial aid to needy persons, the purpose is to encourage the States to provide services to help assistance recipients toward independent living. The amended statement in aid to dependent children emphasizes that a goal of the program is to help maintain and strengthen family life and to help keep children in their own homes. In the program for the aged the amendment makes it clear that services should be directed toward the achievement of self-care, while program objectives for the blind and the

disabled are directed toward assisting individuals to achieve self-support or self-care. Other amendments add to the provisions for the approval of State plans a requirement that State plans under the four public assistance titles include a description of any services the State makes available in order to achieve the purposes of the legislation. Except in old-age assistance, the plan must show the steps taken to assure maximum utilization of other agencies providing similar or related services. This requirement is effective July 1, 1957. The amendments also make it clear that the costs of administration in which the Federal Government shares include these services.

#### **Extension of Aid to Dependent Children**

Coverage under the program of aid to dependent children is broadened somewhat by two amendments that make possible Federal sharing in assistance to additional needy children. One provision adds "first cousin," "nephew," and "niece" to the relatives previously specified in the law with whom a dependent child may be living and receive aid under the program. The other change eliminates the provision in the law that permitted Federal sharing in assistance to children aged 16 and 17 only if they attend school regularly. These changes become effective July 1, 1957. They will permit additional children to have the advantages of family life with relatives and permit Federal sharing in assistance to a group of children unable to attend school because of illness or handicap or because school facilities are not available.

#### **Grants to Puerto Rico and the Virgin Islands**

Another amendment provides for Federal sharing in payments of aid to dependent children in Puerto Rico and the Virgin Islands with respect to the needy adult relative with whom the dependent child is living. The provision, already in effect elsewhere, is thus extended to these two jurisdictions.

The dollar limitation on total annual Federal payments for public assistance is increased from \$4,250,000

to \$5,312,500 for Puerto Rico and from \$160,000 to \$200,000 for the Virgin Islands. The provisions will enable these two jurisdictions to meet more nearly adequately the needs of persons qualifying for assistance. The amendments are effective for the fiscal year ending June 30, 1957, and thereafter.

#### **Cooperative Research or Demonstration Projects**

To learn more about the causes of dependency and to find the most effective means of dealing with dependency, a program of cooperative research or demonstration projects is established. Grants to, contracts with, or jointly financed cooperative arrangements with States and public and nonprofit organizations are authorized for sharing the cost of research or demonstration projects such as those related to the prevention or reduction of dependency, the coordination of planning between private and public welfare agencies, or the improvement of the administration and effectiveness of programs under the Social Security Act and related programs. The authorization for this purpose for the fiscal year ending June 30, 1957 is \$5 million and for later years amounts to be determined by Congress.

#### **Child Welfare Services**

Title V, part 3, of the Social Security Act authorizes appropriations for establishing, extending, and strengthening, especially in predominantly rural areas, public welfare services for the protection and care of homeless, dependent, and neglected children, and children in danger of becoming delinquent. Appropriations are made within the amount authorized. This amount has been \$10 million in recent years. For the fiscal year 1957-58 and subsequent years, the authorized amount is increased to \$12 million.

#### **Amendments to the Railroad Retirement Act**

Public Law No. 880 makes the technical amendments in the Railroad Retirement Act necessary to maintain the present relationship between the railroad retirement program and old-age and survivors insurance.

These amendments make changes in the wording of the Railroad Retirement Act to take account of the old-age and survivors insurance amendment lowering to age 62 the retirement age for widows and modify the cost adjustment provisions of that act to take into account the newly established Federal disability insurance trust fund.

#### **Legislative History**

On June 20, 1955, the Committee on Ways and Means of the House of Representatives, under the chairmanship of Representative Jere Cooper, met in executive session. After that meeting, Chairman Cooper stated that he planned to submit, for Committee consideration, "proposals which would provide disability insurance benefits to persons working in covered occupations, lower from 65 to 62 years the age at which women beneficiaries may qualify for benefits, and the payment of benefits to disabled children age 18 and over."<sup>4</sup>

During the next few weeks, the Ways and Means Committee met in executive session, and on July 11 Mr. Cooper introduced H.R. 7225, which embodied the Committee's decisions. The bill was reported favorably by the Committee on July 14, with three minor technical amendments. It passed the House of Representatives on July 18 by a vote of 372 to 31 (with two members answering "present").

The Senate Committee on Finance, to whom the bill was referred, did not take any final action on it in 1955 because it was received so late in the session. Early in 1956, however—from January 25 to March 22—the Committee held public hearings on the bill and reported it favorably, with amendments, on June 5.

The bill passed the Senate, with a number of amendments from the floor, by a vote of 90 to 0 on July 17.

The conferees from the House and the Senate completed their report on the bill on July 26, and it was adopted by the House of Representatives and by the Senate on July 27. The bill was signed by the President on August 1, 1956, and became Public Law No. 880.

<sup>4</sup> *Congressional Record*, June 21, 1955, page D590.

### **House Action on H.R. 7225**

H.R. 7225, as introduced by Representative Cooper and as passed by the House in 1955, contained the following major provisions:

1. Monthly benefits at or after age 50 to insured workers who are totally and permanently disabled.

2. Lowering of the minimum retirement age for women from 65 to 62 (applicable to women workers, wives of insured workers, and widows and dependent mothers of deceased insured workers).

3. Monthly benefits continued to children over age 18 who became totally and permanently disabled before that age and who had been receiving child's benefits, either as the dependent of a retired worker or as the survivor of a deceased worker. (In such a case the wife of a retired worker or widowed mother under age 65 would continue to be eligible.)

4. Extension of coverage to all self-employed professional groups excluded under existing law except doctors of medicine (that is, to osteopaths, lawyers, dentists, veterinarians, chiropractors, naturopaths, and optometrists), to turpentine and gum naval stores employees, and to certain employees of the Tennessee Valley Authority and the Federal Home Loan Banks.

5. Crediting, for old-age and survivors insurance purposes, of income derived by an individual from the operation of a farm by another person if such an individual materially participated in the farm production.

6. Increase in the contribution schedule by 1 percent in the combined employer-employee rate, so that the rate would be 5 percent until 1960, 6 percent for 1960-64, 7 percent for 1965-69, 8 percent for 1970-74, and 9 percent for 1975 and thereafter. The rate for the self-employed would be increased by  $\frac{1}{4}$  of 1 percent.

7. Creation of an Advisory Council on Social Security Financing to study the financial status of the old-age and survivors insurance program before each scheduled increase in the contribution schedule.

8. Various technical provisions that would preserve the relationship between the railroad retirement and old-age and survivors insurance pro-

grams, as well as make certain corrections and minor improvements in the existing law—for example, prescribing yearly, rather than quarterly, elimination of periods of disability in the benefit computations.

There were no public assistance or child welfare provisions in H.R. 7225 as introduced in and passed by the House in 1955.

Identical bills carrying out the President's recommendations for public assistance, made to the second session of the Eighty-fourth Congress, were, however, introduced in the House by ranking members of the House Committee on Ways and Means. Representative Cooper introduced H.R. 9120 and Representative Reed, H.R. 9091. In the Senate an identical bill (S. 3139) was introduced by Senator Martin.

In April 1956 the House Committee on Ways and Means held public hearings on H.R. 9120, H.R. 9091, H.R. 10283, H.R. 10284, and other bills relating to public assistance and child health and welfare services.

### **Senate Committee Action on H.R. 7225**

*Old-age and survivors insurance.*—The Senate Committee on Finance, reporting on June 5, 1956, made the following changes in the bill as passed by the House:

1. Elimination of the provision for monthly disability benefits.

2. Elimination of the provision lowering the minimum retirement age for women from 65 to 62, except for widows.

3. Expansion of the provision for monthly benefits for disabled children aged 18 and over by eliminating the requirement that such a child must have been receiving benefits before age 18.

4. Elimination of extension of coverage to self-employed osteopaths, turpentine and gum naval stores employees, and certain employees of the Tennessee Valley Authority and the Federal Home Loan Banks.

5. Elimination of the proposed increases in the contribution schedule.

6. Revision of the basis for interest rates on special obligations issued to the trust fund to take into account long-term interest rates.

7. Revision of the optional reporting provisions for low-income farmers so that those in this category could secure more protection under old-age and survivors insurance.

8. Inclusion of special provisions applicable to certain States so that additional groups of State and local government employees could be covered.

9. Modification in the coverage test for farm workers to require (instead of the existing requirement of \$100 or more of cash wages paid by an employer during a calendar year) either \$200 or more of such wages or, regardless of earnings, employment by a given employer for 30 or more days during a calendar year on a payment basis computed on some unit of time. Under another provision the crew leader, rather than the farm operator, would be considered as the employer.

10. Extension of coverage, on a voluntary basis, to certain ministers residing abroad and to American employees of certain foreign corporations.

11. Exclusion from coverage of all foreign temporary agricultural workers (the existing law applied only to those from Mexico and the British West Indies).

12. Suspension of benefit payments to aliens outside the United States for more than 3 months if such alien's country would not pay benefits to a United States citizen under similar conditions.

13. Additional minor improvements were made in the old-age and survivors insurance program, including a provision that would give a 2-year extension of the period within which application for lump-sum payment must be filed or within which dependents may file proof of support where there is good cause for failure to file within an initial 2-year period, and restoration of benefit rights to a widow who remarries but is not eligible for benefits on her second husband's record because the new marriage was terminated by his death in less than a year.

*Public assistance.*—Although H.R. 7225 as passed by the House in 1955 contained no public assistance provisions, during the public hearings on the bill before the Senate Finance

Committee in 1956 testimony was presented on various public assistance proposals. Many proposed public assistance amendments to H.R. 7225 were filed in the Senate. As H.R. 7225 was reported by the Senate Finance Committee, it contained the following public assistance provisions:

1. Separate Federal matching of expenditures for medical care on behalf of recipients of assistance on a 50-50 basis, up to an average expenditure of \$8 per adult and \$4 per child receiving aid.

2. Changes in the statement of purpose for the programs of aid to the blind and aid to the permanently and totally disabled to make clear that welfare services to assist individuals to self-support or self-care are program objectives, and in aid to dependent children to emphasize that services to strengthen family life are a major objective of that program.

3. Grants to States to share in the cost of training public welfare personnel, with Federal funds meeting 100 percent of the cost for 10 years and 80 percent thereafter. Federal funds for training made available to Puerto Rico and Virgin Islands by an amendment to the definition of "State" in the law.

4. Grants to States and to public and nonprofit organizations to share in the cost of research or demonstration projects, such as the prevention of dependency.

5. Expansion of aid to dependent children by adding "first cousin," "nephew," and "niece" to the relatives with whom a dependent child may be living and be eligible to receive assistance; elimination of the requirement of school attendance for Federal matching in assistance to children aged 16 and 17.

6. Extension of the temporary Federal matching formula then in effect to June 30, 1959.

### *Senate Floor Action*

*Old-age and survivors insurance.*—On July 17 the Senate passed H.R. 7225 as amended, by a unanimous vote. Eighteen additional amendments were adopted, four were rejected, and two were presented but withdrawn.

The 10 amendments adopted that

affected the old-age and survivors insurance program were:

1. The Morse amendment to add Oregon to those States whose policemen and firemen may elect to be covered, subject to the referendum provisions.

2. The George amendment to provide for disability insurance to totally and permanently disabled workers at age 50 and to establish a separate Federal disability insurance trust fund.

3. The Kerr amendment to lower the minimum eligibility age for women to 62, with actuarially reduced benefits for wives and working women as early as age 62.

4. The Capehart amendment to clarify coverage on the basis of "material participation in production" by specifying that "material participation in the management of production" shall also constitute covered self-employment.

5. The Thye amendment to add Minnesota to the specified States that may elect to cover certain employees of State departments of unemployment compensation who are under a retirement system.

6. The Curtis amendment to make child's insurance benefits payable to a child with respect to whom the insured individual had stood in loco parentis for at least 5 years before the insured individual's death.

7. The Humphrey amendment to add Minnesota to the specified States that may elect to cover nonprofessional school employees who are under a retirement system.

8. The Williams amendment to withhold insurance benefits from persons convicted of espionage, sabotage, treason, or subversive activities.

9. The Smathers amendment to add Florida to those specified States that may elect to cover certain State and local government employees who are under State and local retirement systems.

10. The Humphrey amendment to provide, in connection with the disability provisions, that any refusal to accept medical or surgical services for rehabilitation would be considered to be for "good cause."

The amendments affecting old-age and survivors insurance that were

defeated on the Senate floor were:

1. The McCarthy amendment to lower the retirement age to 62 for men and 60 for women.

2. The McCarthy amendment to change the annual exempt amount under the earnings test from \$1,200 to \$1,800.

The amendments withdrawn were:

1. The Morse-Neuberger amendment to the Internal Revenue Code to provide that, in determining whether a child or stepchild who was drawing survivor benefits under a public retirement system was receiving more than half his support from the taxpayer, only the portion of such benefit in excess of \$600 in a calendar year would be considered.

2. The Lehman amendment to count tips as wages under old-age and survivors insurance.

*Public assistance.*—In addition to the Senate Finance Committee amendments, the following amendments affecting public assistance were adopted by the Senate.

1. The Long-George amendment increasing Federal matching in old-age assistance, aid to the blind, and aid to the permanently and totally disabled to five-sixths of \$30 and one-half the remainder up to new maximums of \$65, and extending the present formula in aid to dependent children to June 30, 1959. (To receive the additional funds, the States would have to maintain average payments per recipient at specified levels or meet other qualifications.)

2. The Douglas amendment to the Committee's amendment for separate financing of medical care, providing in addition that the Federal Government would share in the amount by which the maximum possible Federal matching of cash payments exceeded the amount actually matched with Federal funds.

3. The Douglas amendment providing that States may disregard up to \$50 in net earned income in determining need for old-age assistance.

4. The Kefauver amendment requiring that a State plan shall provide that there will be no discrimination on the basis of sex in determining the needs of individuals receiving assistance under the plan.

5. The Lehman amendments in-

creasing the dollar limitation on total Federal payments to \$300,000 for the Virgin Islands and to \$5,312,500 for Puerto Rico, and providing Federal matching in payments of aid to dependent children with respect to a needy relative caring for dependent children.

6. The Humphrey amendment deleting the phrase "reduce dependency and" from the declaration of purpose of the public assistance amendments in clause (c) of section 300 of the bill.

Two other proposed public assistance amendments that came to a vote were rejected:

1. The Kefauver proposal that, in determining need in old-age assistance, States shall disregard the ownership of a home having an assessed value of less than \$5,000 less encumbrances, except to the extent of rental income therefrom.

2. The Magnuson proposal, which would have increased the Federal matching formula in aid to dependent children and included a provision, as in the Long-George amendment, that States maintain a specified average payment or meet other qualifications to receive the additional funds.

In addition to the amendments relating specifically either to old-age and survivors insurance or to public assistance, the Senate adopted the Payne-Potter amendment that would have provided for the establishment of a United States Commission on the Aging and Aged. Senate action on child welfare services is described later.

### Conference Action

The House-Senate conferees reached agreement on July 26. They took the following actions on the substantive differences between the House and Senate versions of the bill.

*Old-age and survivors insurance.*—In provisions affecting old-age and survivors insurance, the conferees agreed to the Senate provisions, except as follows:

1. Made available actuarially reduced insurance benefits for wives and women workers at age 62 as in the Senate bill, but with some modification in the method of adjustment when a woman qualifies for two types of benefits.

2. Rejected the Senate amendment to provide that any refusal to accept medical or surgical services for rehabilitation would be considered to be for "good cause." Retained the provision that such refusal would be for "good cause" for the adherents of a church or sect relying solely on spiritual means for curing impairments.

3. Extended coverage to employees of the Federal Home Loan Banks and Tennessee Valley Authority, as in the House bill, but only if the Secretary of Health, Education, and Welfare approves, before July 1, 1957, plans for coordinating the staff retirement system of these agencies with the old-age and survivors insurance program and reports to Congress before that date.

4. Agreed to the Senate provisions (except with respect to Indiana) modifying the conditions under which specified States may elect to cover members of retirement systems.

5. Extended coverage to self-employed osteopaths, as in the House bill.

6. Raised the amount of earnings required from a single farm employer for coverage of farm workers, but to \$150 rather than \$200 as in the Senate bill. Also provided an alternative time test for coverage—20 days rather than the 30 days in the Senate version.

7. Changed the optional method of computing net income by farmers as in the Senate version but provided that, if gross farm income is at least \$600 and not more than \$1,800, the farmer could deem net farm earnings to be two-thirds of gross farm income; if gross income exceeds \$1,800 and net earnings are less than \$1,200, net earnings may be deemed to be \$1,200. Use of the option is extended to members of farm partnerships and farmers who report on accrual basis.

8. Provided for suspension of benefits of aliens who are outside the United States, but with more limited applicability than in the Senate version. Suspension would begin to apply after the sixth month of absence from the United States, but there would be no suspension if the insured worker had 10 years of residence in the United States or 40 quarters of coverage, or if suspension would vi-

olate an existing treaty, or if the alien is a citizen of a country that has a social insurance or pension system and pays benefits to eligible United States citizens who leave that country.

9. Eliminated the Senate amendment to make child's insurance benefits payable to a child with respect to whom the insured individual has stood in loco parentis for at least 5 years before the insured individual's death.

10. Modified the Senate amendment to withhold insurance benefits from persons convicted of certain subversive activities by providing that a Federal court, in passing sentence on an individual convicted of an offense committed (after enactment) under specified statutes (relating to seditious activities) may wipe out the benefit rights of the convicted individual based on earnings up to and including the quarter in which conviction occurs. Also provided for removal from coverage after June 30, 1956, of service for organizations while they are registered, or while there is in effect a final order of the Subversive Activities Control Board requiring such organizations to register, as a Communist-front or similar organization.

*Public assistance.*—The conferees agreed to the public assistance amendments made by the Senate, except that they:

1. Modified the Senate provision for separate financing of State expenditures for medical care on behalf of recipients by reducing the maximum to an average expenditure of \$6 per adult and \$3 per child receiving assistance and by deleting the provisions of the Douglas medical care amendment that had been adopted by the Senate.

2. Modified the Senate amendment with respect to services by including provisions to emphasize that, in old-age assistance, services to assist individuals to attain self-care are program objectives, along with the objective of providing income to meet current needs.

3. Modified the Senate provision for training grants by limiting the Federal grant to 80 percent of total State expenditures for this purpose and to a 5-year period.

4. Modified the matching formula adopted by the Senate to four-fifths of \$30 plus one-half the remainder up to a maximum of \$60 for the programs for the aged, the blind, and the disabled; deleted the special qualifications for the receipt of matching under the new formula; and, in Federal matching in aid to dependent children, provided for an increase to fourteen-sevenths of \$17 plus one-half the remainder up to new maximums of \$32 each for the first child and the needy relative with whom the child lives and \$23 for each additional child; and established an expiration date of June 30, 1959, for these amendments.

5. Modified the Senate increase in the dollar limitation on total public assistance grants to the Virgin Islands by reducing the increased amount to \$200,000.

6. Eliminated the Senate provision permitting the States to disregard certain earned income in determining need in old-age assistance.

7. Eliminated the Senate provision relating to the prohibition of discrimination on the basis of sex in determining an individual's need for assistance.

The conferees also agreed to eliminate the Senate amendment providing for the establishment of a United States Commission on the Aging and Aged.

#### *Child Welfare Services*

On January 31, 1955, H.R. 3292 was introduced by Representative Reed. This bill, which was recommended by the Administration, provided for amending title V, parts 1, 2, and 3, of the Social Security Act to: (1) earmark a portion of the appropriation for each of the three programs—maternal and child health services, child welfare services, and services for crippled children—for extension and improvement grants; (2) require variable matching on the same formula for all three programs; (3) authorize making a portion of each appropriation available for special project grants; and (4) broaden present provisions of the law for using Federal child welfare funds for the return of runaway children. No

hearings were held, and no action was taken by Congress.

After Congress adjourned in 1955, the Administration made a further review of needs and developments in the States with respect to the three programs. In the light of this review, new legislative proposals for amending title V were submitted to Congress in 1956. In his State of the Union message in 1956, the President stated that needs in the area of social welfare included increased child welfare services. S. 3297, H.R. 10283, and H.R. 10284, identical bills, were subsequently introduced in Congress. These bills incorporated the President's recommendations with regard to increased child welfare services and the Administration's proposals for additional amendments to title V.

The proposed amendments would have accomplished the following purposes: (1) increase authorizations for annual grants to the States for child welfare services from \$10 million to \$12 million for the fiscal year ending June 30, 1958, and to \$15 million for each year thereafter; (2) remove present requirements that Federal child welfare funds for local child welfare services may be used only in predominantly rural areas and permit their use in any part of a State where the money would be effective in establishing, extending, and strengthening child welfare services, although emphasis would still be placed on services in rural areas; (3) explicitly authorize the use of Federal grants to pay for the foster care of children; (4) provide, for the first time, that a portion of the annual appropriation for child welfare grants may be used to pay for special projects of regional or national significance; (5) provide, for all three programs under title V, that grants for special projects may go either to State agencies or, with their concurrence, to any public or nonprofit institution of higher education or research; and (6) require that States, to be entitled to Federal child welfare grants, match these grants with State and local expenditures, the amounts varying with the per capita incomes of the States.

At the hearings held by the Senate Finance Committee on H.R. 7225 in March 1956, some witnesses testified

on the amendments proposed in S. 3297. The House Ways and Means Committee held hearings on H.R. 10283 and H.R. 10284 in April 1956. Many organizations, both public and voluntary, expressed support of these bills to the Committee.

None of these three bills was reported out. However, in the floor debate on H.R. 7225, the Senate passed an amendment proposed by Senator Lehman and Senator Bush, raising the amount of the annual appropriation authorized for child welfare services from \$10 million to \$12 million. H.R. 7225, as finally passed by both Houses and approved by the President, contained this amendment, which becomes effective July 1, 1957.

#### *Servicemen's and Veterans' Survivor Benefits Act*

President Eisenhower, in his State of the Union message of January 6, 1955, recommended that "full contributory coverage should be made available to all Federal personnel, just as in private industry." With respect to the Armed Forces, the President stated: "For career military personnel the protection of the old-age and survivors insurance system would be an important and long-needed addition, especially to their present unequal and inadequate survivorship protection." This recommendation supported the proposals of the President's Committee on Retirement Policy for Federal Personnel (the Kaplan Committee), which studied the problem of retirement and survivor benefits for members of the uniformed services and similar problems for other Federal employees from December 1952 to June 1954.

The recommendations of the Committee on Retirement Policy for Federal Personnel in regard to the uniformed services were studied by the House of Representatives Select Committee on Survivor Benefits, established pursuant to House Resolution 549 (Eighty-third Congress, August 4, 1954). Time, however, did not permit a complete study of all the complex problems involved, although it was recommended that the general principle of old-age and sur-

*(Continued on page 31)*

**Table 9.—Public assistance in the United States, by month, June 1955–June 1956<sup>1</sup>**

<sup>1</sup>Except for general assistance, includes vendor payments for medical care and cases receiving only such payments

Year and month	Total <sup>2</sup>	Old-age assistance	Aid to dependent children			Aid to the blind	Aid to the permanently and totally disabled	General assistance (cases)	Total	Old-age assistance	Aid to dependent children (families)	Aid to the blind	Aid to the permanently and totally disabled	General assistance (cases)	
			Families	Recipients											
				Total <sup>3</sup>	Children										
Number of recipients													Percentage change from previous month		
1955															
June.....		2,548,503	620,303	2,239,325	1,661,613	103,902	236,828	310,000	(*)	-0.8	+0.2	+0.0	-5.9		
July.....		2,580,101	611,578	2,209,299	1,668,914	104,140	238,763	297,000	+0.1	-1.4	+0.2	+0.8	-4.1		
August.....		2,551,615	607,822	2,199,090	1,661,809	104,164	240,299	297,000	+1	-6	(*)	+8	-2.1		
September.....		2,562,636	604,457	2,191,138	1,656,514	104,249	240,870	290,000	(*)	-6	+1	+2	-4.4		
October.....		2,552,991	598,459	2,171,169	1,642,869	104,444	242,320	296,000	(*)	-1.0	+2	+6	-1.3		
November.....		2,554,709	586,113	2,173,222	1,644,728	104,718	242,122	297,000	+1	-1	+3	-1	+3.8		
December.....		2,552,899	602,787	2,198,215	1,661,206	104,880	244,010	314,000	-1	+3	+1	+3	+5.9		
1956															
January.....		2,545,576	605,674	2,205,613	1,670,728	104,947	245,210	330,000	-3	+5	+1	+5	+5.1		
February.....		2,538,618	608,628	2,220,658	1,682,863	104,772	247,117	330,000	-3	+5	-2	+8	+1.7		
March.....		2,535,419	613,949	2,240,856	1,698,296	105,083	249,118	336,000	-1	+8	+3	+6	(*)		
April.....		2,530,720	615,985	2,253,738	1,708,484	105,229	251,533	322,000	-2	+4	+1	+1.0	-4.2		
May.....		2,527,753	617,058	2,258,858	1,713,503	105,459	255,954	303,000	-1	+2	+2	+1.8	-5.9		
June.....		2,523,716	613,720	2,250,229	1,707,629	105,796	258,279	290,000	-2	-6	+3	+9	-4.3		
Amount of assistance													Percentage change from previous month		
1955															
June.....	\$226,474,000	\$133,292,941	\$63,630,416	\$5,964,848	\$13,009,522	\$16,669,000	-0.4	+0.5	-0.7	+1.1	+0.9	-7.1			
July.....	227,688,000	134,267,969	62,998,023	5,906,567	13,188,555	16,946,000	-3	+7	-1.5	-1.0	+1.4	-4.3			
August.....	226,875,000	133,649,806	62,763,377	5,888,035	13,300,930	16,718,000	-4	-5	-4	-3	+9	-1.4			
September.....	227,079,000	133,999,430	62,851,601	5,945,057	13,284,871	16,558,000	+1	+3	+2	+1.0	-1	-2.3			
October.....	228,821,000	136,034,639	62,612,650	6,039,260	13,450,637	16,178,000	+8	+1.5	-6	+1.6	+1.7	-1.2			
November.....	230,400,000	136,805,741	62,890,182	6,054,277	13,458,492	16,849,000	+7	+6	+1	+3	+4	+4.4			
December.....	234,139,000	137,666,789	63,418,407	6,090,775	13,709,025	17,300,000	+1.6	+6	+1.6	+6	+1.9	+9.2			
1956															
January.....	235,480,000	138,276,533	63,474,008	6,100,996	13,784,271	18,012,000	+6	+4	+1	+2	+5	+4.1			
February.....	235,733,000	137,284,006	64,051,818	6,110,275	13,943,747	18,506,000	+1	-7	+1.1	+2	+1.2	+2.7			
March.....	237,187,000	137,313,059	64,818,422	6,144,744	14,082,191	18,586,000	+6	(*)	+1.4	+6	+1.0	+4			
April.....	236,596,000	137,412,901	65,239,202	6,170,896	14,272,922	17,407,000	-3	+1	+8	+4	+1.4	-6.3			
May.....	235,623,000	137,436,276	65,222,638	6,375,785	14,557,834	16,054,000	-3	(*)	(*)	+3.3	+2.0	-7.8			
June.....	233,766,000	137,005,608	64,785,725	6,392,529	14,649,950	15,051,000	-9	-3	-8	+3	+6	-6.2			

<sup>1</sup> For definition of terms see the *Bulletin*, January 1953, p. 16. All data subject to revision.

<sup>2</sup> Total exceeds sum of columns because of inclusion of vendor payments for medical care from general assistance funds and from special medical funds; data for such expenditures partly estimated for some States.

<sup>3</sup> Includes as recipients the children and 1 parent or other adult relative in families in which the requirements of at least 1 such adult were considered in determining the amount of assistance.

<sup>4</sup> Increase of less than 0.05 percent.

<sup>5</sup> Decrease of less than 0.05 percent.

**SOCIAL SECURITY AMENDMENTS**

(Continued from page 15)

vivors insurance coverage on a contributory basis be given "serious consideration." A similar Select Committee was appointed pursuant to House Resolution 35 (Eighty-fourth Congress, January 31, 1955). This Committee, under the chairmanship of Representative Hardy, after extensive public hearings and executive

sessions, reported H.R. 7089 favorably on June 28, 1955. The bill passed the House of Representatives on July 13 by a voice vote, unchanged except for an amendment concerning the crediting of military service under the railroad retirement program rather than under old-age and survivors insurance in certain cases.

The bill was referred to the Senate Committee on Finance, too late in the session for action during 1955.

The Committee held public hearings on the bill from June 4 to June 8, 1956, and reported the bill favorably, with relatively minor amendments, on June 28. The bill passed the Senate by a voice vote on July 2.

The conferees from the House and Senate completed their report, and the bill was adopted by both bodies on July 17. The President signed it on August 1, 1956, and the amendments became Public Law No. 831.