Restoration of Certain Minimum Benefits and Other OASDI Program Changes: Legislative History and Summary of Provisions

by John A. Svahn*

The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35), enacted on August 13, 1981, contained a provision to eliminate the minimum-benefit provision under the Social Security program for both current and future beneficiaries. Although a large majority of the members of both Houses of Congress accepted the measure in the broad context of the Reconciliation Act, there was considerable reaction against it and the provision was reconsidered. On December 29, 1981, new legislation restored the minimum benefit for current, but not future, beneficiaries. To lessen the cash-flow problems of the Old-Age and Survivors Insurance (OASI) program, Public Law 97-123 also authorizes borrowing among the several trust funds and calls for the coverage, for Social Security tax and benefit purposes, of sick pay during the first 6 months of nonwork. In this article, the Commissioner of Social Security traces the legislative development of these and other provisions contained in the new law. He points out that, although the added expenditures for minimum benefits ultimately will be offset by the coverage of sick pay, the net short-term effect of the two provisions will be higher program costs. The interfund borrowing provision, however, could permit the payment of benefits on a timely basis throughout 1982 and the first 6 months of 1983.

Under the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35), enacted on August 13, 1981, persons initially becoming eligible for Social Security after October 1981 were to be entitled only to a wage-related benefit, not the regular minimum benefit, if higher. For all other beneficiaries, the minimum benefit was similarly eliminated for months after February 1982. Persons aged 60-64 whose benefits were reduced under this provision and who would have been eligible for Supplemental Security Income (SSI) payments had they been aged 65 or older were to be eligible for a special SSI payment in an amount not to exceed the difference between their newly reduced Social Security benefit and the amount that they had been receiving under prior law.[1]

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[1] For details on the provisions of Public Law 97-35, see John A. Svahn, "Omnibus Reconciliation Act of 1981: Legislative History and Summary of the OASDI and Medicare Provisions," **Social Security Bulletin**, October 1981, pages 3-24.

On December 29, 1981, President Reagan signed into law H.R. 4331, a bill "to amend the Omnibus Budget Reconciliation Act of 1981 to restore minimum benefits under the Social Security Act" (Public Law 97-123). The new legislation restores such benefits to those who became eligible for them before January 1982 and makes changes that will lessen the cash-flow problems of the Old-Age and Survivors Insurance Trust Fund in 1982. The major provisions of Public Law 97-123 are:

(1) **Minimum benefit.** The minimum benefit is restored for persons who became eligible in 1981 or earlier. The minimum benefit is eliminated only for new beneficiaries—those who reach age 62 or become disabled after 1981 and the survivors of those who die after that year. However, under a special exception, the minimum benefit is retained for individuals eligible after 1981 and before 1992 who are members of a religious order under a vow of poverty which

had elected to be covered under Social Security before December 29, 1981 (the date of enactment).

(2) **Interfund borrowing.** The Old-Age and Survivors Insurance (OASI), Disability Insurance (DI), and Hospital Insurance (HI) Trust Funds are authorized to borrow from one another through December 31, 1982 (with provision for repayment with interest).

(3) **Sick pay.** Coverage as wages for Social Security tax and benefit purposes is provided for all sick pay through the first 6 calendar months of nonwork. Included are payments by insurance companies and payments under State temporary disability insurance laws (and under the railroad temporary disability insurance program). Any portion of such sickness benefits paid for by employee contributions will not be covered.

Background and Legislative History

Throughout the first half of 1981, while the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) was under consideration, there was substantial discussion about the proposal to eliminate the Social Security minimum benefit, which was included in that legislation. For example, Chairman Pickle of the Subcommittee on Social Security of the House Ways and Means Committee introduced a bill (H.R. 3207) which would have retained the minimum benefit for those on the rolls, but not for future eligibles. In June, the Senate defeated, by a vote of 53 to 45, a proposal by Senator Riegle that would have retained the minimum benefit for those on the rolls. As briefly discussed in the October issue of the **Social Security Bulletin**,[2] the House of Representatives passed on July 31—the same day that it gave final approval to the Omnibus Budget Reconciliation Act of 1981—a bill (H.R. 4331) to fully restore the minimum Social Security benefit, not only for those on the rolls, but also for all future eligibles.

Also, as the time remaining for additional substantial legislation in 1981 grew shorter, there was increasing interest in action to deal with the fact that the financing projections for Social Security continued to show that the OASI Trust Fund would be unable to meet its benefit obligations in a timely manner in late 1982. In September, the Senate Finance Committee held hearings to review the financial status of the program and alternative proposals for dealing with the long-range problems. In a nationwide address on September 24, President Reagan discussed the financial condition of the Social Security program and took note of the concern that the provision for the elimination of the minimum benefit (which provision had been enacted in the Omnibus Budget Reconciliation Act) may have affected some people who were, in fact, in financial need. He stated: "I am therefore asking . . . for restoration of the minimum payment and for interfund borrowing as a temporary measure to give us some time to seek a permanent solution." The President also announced the establishment of a 15-member bipartisan commission—with five members nominated by the House of Representatives, five by the Senate, and five appointed by him—to review the status of the OASDI program and make recommendations to assure the financial integrity of the system. (This National Commission on Social Security Reform, which was appointed on December 16, 1981, after final congressional consideration of H.R. 4331, is due to submit its final report by December 31, 1982.[3])

Action in the House of Representatives

As noted earlier, on July 31, 1981, the House passed (404 to 20) H.R. 4331, a bill to restore the minimum Social Security benefit as in effect before enactment of the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) for all current and future beneficiaries. The House did not again consider major Social Security legislation until after Senate consideration of H.R. 4331.

Action in the Senate

The House-passed bill was sent to the Senate on July 31, where it was "held at the desk" so that it could be called up for consideration at any time, rather than being referred to the Senate Finance Committee.

Senate Finance Committee action. On July 7, Secretary of Health and Human Services Richard S. Schweiker testified before the Subcommittee on Social Security and Income Maintenance Programs of the Senate Finance Committee on the financial status of the OASDI program and on the Administration's long-range proposals. The Finance Committee held further public hearings on July 9 and 10. Subsequently, on September 23 and 24, the Committee met to discuss further the overall financial status of the program and alternative proposals which, with new legislation relating to the restoration of the minimum benefit, might at least maintain the near-term financial situation. In other words, it was believed that any increased cost arising from the restoration of the minimum-benefit provision should be met by other changes (either decreasing benefit outgo or increasing tax income, or both).

[2] John A. Svahn, **op. cit**.

[3] The names of Commission members appear on page 1 of the January 1982 issue of the **Social Security Bulletin**.

On September 24, the Senate Finance Committee approved (19 to 0) a Social Security package that proposed:

(1) Restoring the minimum benefit for persons eligible before November 1981, except for those who were receiving Federal, State, or local government-employee pensions in excess of $300 a month and those residing outside the United States. Persons receiving government-employee pensions of more than $300 a month would have been entitled to a Social Security benefit based on their actual covered earnings or, if larger, the minimum benefit reduced by the amount by which their government-employee pension exceeded $300. Also, entitlement to the minimum benefit would have been retained for individuals eligible after October 1981 and before November 1991 if they were covered under the 1972 provision which permits coverage of members of religious orders under a vow of poverty, at the election of the order.

(2) Reallocating Social Security taxes among the OASI, DI, and HI Trust Funds to address the short-range financing problems of the 1980's.

(3) Providing authority for interfund borrowing between the OASI and DI Trust Funds as a fallback measure. (The HI Trust Fund, however, would not have been permitted to borrow from or lend to the OASI and DI Trust Funds.) Such authorization would have been effective only through December 31, 1990.

(4) Extending Social Security coverage and taxes to sick pay through the first 6 calendar months of sick pay in certain cases (generally, when paid directly by the employer under a plan and from the regular wage and salary account of the employer).

(5) Extending the disability maximum family benefit—150 percent of the Primary Insurance Amount (PIA), but not more than 85 percent of average indexed monthly earnings (and not less than 100 percent of PIA)—to retirement and survivor cases.

Proposals somewhat similar to the last four of these provisions had been included in the Administration's tentative long-range package as announced on May 12.[4]

Senate floor action. There was, in late September, some uncertainty as to the form that floor action might take. For example, some thought was given to possibly adding the Social Security proposals to other legislation, such as a bill to extend the debt ceiling, which was expected to be passed very quickly. It was decided, however, that the Social Security changes would be drafted in the form of a substitute for the House-passed provisions of H.R. 4331, the bill to restore the Social Security minimum benefit.

When the Senate took up H.R. 4331 on October 14, Senator Dole, Chairman of the Senate Finance Committee, offered the Committee's amendment as a complete substitute for the House bill. The Senate accepted the Committee amendment by voice vote. In the course of the Senate floor debate, a number of additional proposals and a substitute sick pay provision were agreed to. As passed by the Senate (95 to 0) on October 15, H.R. 4331 contained the following provisions in addition to those agreed to by the Senate Finance Committee:

(1) Extend Social Security coverage of sick pay. Under a floor amendment, all sick pay paid through the first 6 calendar months would have been covered, except payments under a State temporary disability insurance law or workers' compensation plan, or certain payments made by insurance companies.

(2) Require the General Accounting Office to study the management efficiency, employee productivity, and technical capacities of the Social Security Administration.

(3) Require a new separate annual statement of requests for new budget authority, estimates of outlays and revenues, and estimates of deficits or surpluses for the Social Security trust funds.

(4) Require agencies of the U.S. Government or of any State or locality to release information necessary to carry out the provision relating to the prohibition of payments to prisoners.

(5) Require a report within 90 days on the optimum system to improve the current "report of death" procedures.

(6) Increase the maximum penalties for the misuse of Social Security numbers and other Social Security related offenses.

(7) Resolve that it is the sense of the Congress that future legislative changes will not reduce the OASDI benefits to which individuals are entitled in the month of enactment.

(8) Require that Social Security cards be issued on banknote-quality paper.

(9) Require the establishment of at least seven demonstration projects involving the use of AFDC recipients as home health aides.

(10) Provide increased revenues for the Highway Trust Fund (an unrelated Department of Transportation matter).

[4] See John A. Svahn, **op cit.**, page 6.

Subsequent Action in the House of Representatives

When H.R. 4331 was passed by the Senate and sent back to the House of Representatives, the House did not immediately act on the bill and appoint conferees. Instead, the House leadership and the Committee on Ways and Means deliberated on whether there might be support for adopting more far-reaching financing and benefit changes as part of H.R. 4331. On November 4, the Ways and Means Committee voted on several alternative approaches, as follows:

(1) A proposal by Chairman Pickle of the Subcommittee on Social Security and Representative Conable which would have (a) adjusted the dollar bend points in the PIA benefit formula each year in 1983-85 by 50 percent (rather than 100 percent) of wage increases,[5] (b) increased the age of eligibility for full benefits from 65 to 67 over the period 1990-2000, and (c) based cost-of-living increases on the lesser of wage or price increases, beginning in 1983. This proposal was defeated 18 to 14.

(2) A proposal by Representative Gradison to separate the operations of the Social Security trust funds from the unified budget. This proposal was defeated 18 to 15.

Thus, the decision was to go to conference with the Senate, on the basis of the complete restoration of the minimum benefit, as in H.R. 4331 as passed by the House of Representatives in July.

Later on November 4, the House formally appointed conferees on H.R. 4331. They were instructed, under a motion by Representative Conable (ranking minority member on the Ways and Means Committee), to assure that persons currently receiving Social Security would not have their benefits reduced and to reject provisions relating to changes in Social Security tax allocations.

Action in House-Senate Conference

The Conference Committee on H.R. 4331 met on November 4 and 16 and again on December 14, when it reached agreement. Although the staffs of the House Ways and Means and the Senate Finance Committees were active throughout November in seeking to work out compromises, the conferees were close to deadlock over the extent to which the legislation should include measures to offset the cost of restoring the minimum benefit.

Some House conferees took the position that (a) the repeal of the minimum benefit under Public Law 97-35 had simply been a mistake, (b) no "savings" should have been attributed to that change initially, and (c) therefore, no additional financing or offsetting reductions in future benefits should be required to restore the minimum. (Restoration of the minimum benefit for current beneficiaries was expected to cost from $6 billion to $7 billion over the period 1982-86.) Some House conferees thought that if the House accepted the Senate proposal for sick-pay coverage (involving additional income of, at most, $4.4 billion over the 5-year period) and yielded to the Senate with respect to elimination of the minimum benefit for future beneficiaries, it should not also accept the Senate provision that would have limited the amount of the maximum family benefit for families of workers who reached age 62 or who died before reaching age 62 in 1982 or later. Also, some House conferees thought that it would be undesirable to include in this bill financing or other measures that might reduce pressures for more lasting financing solutions in 1982.

On the other hand, the Senate conferees believed that they could not accept a bill partially restoring the minimum benefit unless it would leave the OASI and DI Trust Funds in at least as strong a position as they would have been in if the provision eliminating the minimum benefit for those currently on the rolls and for future new eligibles were to have remained in effect. Because the additional revenues from the extension of coverage to certain sick pay would not be sufficient over the short range to cover the cost of restoration of the minimum benefit for those on the rolls, they believed that some further limitation on family benefits for future cases over that in existing law should be included in the bill.

As time for action on the minimum benefit grew short and as it was increasingly clear that, regardless of what actions were taken with respect to the maximum family benefit, the Congress would need to consider basic Social Security financing and benefit proposals soon again, the minimum-benefit issue took precedence over the issue of the net short-range fiscal impact of the changes in H.R. 4331. The Senate conferees agreed to drop the proposed prospective lower maximum family benefits for families of retired and deceased workers.

Another area of difficulty concerned the Senate-passed provisions for reallocation of OASDI-HI tax rates. Shortly after the revised tax schedules had been adopted by the Senate Finance Committee (in the form later passed by the Senate), significant revisions in the cost estimates for the Hospital Insurance program were released. On the basis of these new estimates, the proposed revisions in the tax schedules would no longer be appropriate. Therefore, to overcome difficulties associated with precise shifts in the tax-rate schedules, the

[5] This approach was similar to a May 1981 Administration proposal, except that the latter reduction would have been effective in 1982-87. See John A. Svahn, **op cit.**, page 6.

Conference Committee agreed to drop the Senate provision relating to these schedules, and to include the Hospital Insurance Trust Fund in the provision for interfund borrowing authority. Although in a technical sense this agreement went somewhat beyond the scope of the conference, it was clearly in line with the intent of the Senate bill and the instruction to the House conferees. Thus, it was acceptable to the conferees. During the conference, and later when this provision was considered on the floor of both Houses, there was discussion of the likelihood that the December 31, 1982, termination date for the borrowing authority might lead to further financing legislation late in the second session of the 97th Congress—possibly by a lameduck, post-election session.

Once agreement was reached on the major benefit and financing aspects of the bill, and in the press of business of the concluding few days of the first session of the 97th Congress, the conferees moved quickly to resolve remaining differences, dropping a number of the items that had been adopted on the Senate floor, but including others. The final bill, as agreed to by the conferees on December 14, was passed by the Senate on December 15 (96 to 0) and, on December 16, by the House of Representatives (412 to 10). Thus, in its final form, the bill contained the following provisions:

(1) **Minimum benefit.** Restoration of the minimum benefit for current beneficiaries. The minimum would be eliminated only for new beneficiaries—persons who reach age 62 or become disabled before reaching age 62 after 1981 and the survivors of those who die after that year (1991 in the case of certain persons under a vow of poverty—as in the Senate version of the bill).

   (a) Since no current beneficiaries would be affected, the provision to provide special SSI payments (under Public Law 97-35) was eliminated.

   (b) The Senate version of the bill would not have fully restored the minimum benefit for those receiving government-employee pensions in excess of $300 a month or those residing outside the United States. These provisions were dropped in the conference agreement.

(2) **Interfund borrowing.** Authority for the OASI, DI, and HI Trust Funds to borrow from one another through December 31, 1982 (with provision for repayment with interest).

(3) **Sick pay.** Coverage of all sick pay (other than workers' compensation and sickness benefits attributable to employee contributions) paid through the first 6 calendar months of nonwork as wages for Social Security tax and benefit purposes.

(4) **Penalties for misuse of Social Security numbers and other Social Security related offenses.** An increase in the maximum penalties for misuse of Social Security numbers and other Social Security related offenses.

(5) **Demonstration projects under section 1115.** A requirement that there be at least seven demonstration projects involving the hiring of AFDC recipients to serve as home health aides, as authorized under the Omnibus Reconciliation Act of 1980.

(6) **Information to implement prisoner legislation.** Authorization for Federal and State agencies to furnish information needed to implement the 1980 legislation limiting benefit payments to certain prisoners.

(7) **Reports of death.** A requirement that the Secretary of Health and Human Services submit a report within 90 days of enactment on ways to improve current "report of death" procedures.

The Conference Committee agreed to drop a number of provisions that had been included in H.R. 4331 as passed by the Senate. The omitted provisions relate to a reduction in the maximum family benefit in OASI cases (to the maximum applicable for DI cases), revised taxrate allocations among the trust funds, issuance of Social Security cards on banknote-quality paper, a General Accounting Office study of the administrative capacity of the Social Security Administration, modification of budget accounting procedures for the trust funds, a resolution relating to future preservation of benefit rights for persons on the rolls when amendments to the Social Security Act are enacted, and extension of excise taxes for the Highway Trust Fund.

Summary of Provisions

Restoration of Minimum Benefits

The new law restores the Social Security minimum benefit for individuals who first became eligible for benefits (that is, attained age 62 or became disabled) before January 1982 or whose benefits are based on a worker's eligibility or death before January 1982. (With the restoration of the minimum benefit for current beneficiaries, the special SSI payments for persons under age 65 provided under Public Law 97-35, the Omnibus Budget Reconciliation Act of 1981, were eliminated.) Other persons will have their benefits computed on the basis of actual covered earnings with no minimumbenefit provision (the method provided under Public

Law 97-35). With respect to members of a religious order under a vow of poverty which had elected to be covered under Social Security before December 29, 1981 (the date of enactment), the elimination of the minimum benefit for future beneficiaries applies only to those who will become eligible after 1991.

Interfund Borrowing

Public Law 97-123 authorizes borrowing among the Old-Age and Survivors Insurance Trust Fund, the Disability Insurance Trust Fund, and the Hospital Insurance Trust Fund until January 1983, whenever the Managing Trustee[6] determines that such borrowing is appropriate to finance the benefit payments from the borrowing trust fund. The Conference Report states in this respect that "In no case shall such interfund borrowing make adjustments in the trust funds insuring benefit payments for a period more than 6 months beyond the date of such determination."[7]

Whenever borrowing occurs, the borrowing trust fund must pay the lending trust fund interest at a rate equal to that which the lending trust fund would have earned if the monies loaned had been invested. Repayment of principal is to be made whenever the Managing Trustee determines that the assets of the borrowing trust fund are sufficient to permit repayment of all or part of any loans outstanding.

Coverage of Sick Pay

Public Law 97-123 removes the exclusion from the definition of wages for tax and coverage purposes of certain sick pay under a plan or system through the first 6 calendar months that the employee is off work. It includes in the definition of wages those payments made under a sick pay plan to an employee or dependent by a third party and payments under a State temporary disability insurance law. In cases where a third party makes the sick payments, the third party is liable for paying the Social Security taxes and for reporting the payments for Social Security wage-record purposes; however, the law provides that third parties may be relieved of liability for Social Security employer taxes on sick payments under regulations to be prescribed by the Secretary of the Treasury. Under the prescribed regulations, liability for the Social Security employer taxes would shift from the third party to the employer once the third party withheld and deposited the employee portion of the Social Security taxes and notified the employer of the amount of sick pay paid. The bill also amends the Railroad Retirement Tax Act to achieve a comparable result with respect to the taxation of sick pay under that Act.

Payments under a workers' compensation law and sick pay paid more than 6 calendar months after the employee last worked will continue to be excluded from the definition of wages, as under present law. Payments attributed to an employee's contributions to the plan will also be excluded.

The removal of the coverage exclusion is generally effective with respect to remuneration paid after 1981. The conferees recognized that the January 1, 1982, effective date could pose some difficulties for employers and agreed therefore to provide that no penalties or interest will be assessed for failure to make timely payments of taxes on sick pay paid between January 1 and June 30, 1982, if the failure is not due to willful neglect. (Technically, the law specifies that such failure must be "due to reasonable cause and not to willful neglect" and the Conference Report fails to provide clarifying language. However, a colloquy on the Senate floor between Senators Dole and Heinz makes it clear that the reference to "reasonable cause" was included inadvertently, that the conferees did not intend any burden on the employer to show reasonable cause, and that the only determination to be made (by the enforcing agency) was intended to be one of "willful neglect."[8]) Further, sick pay will not be taxed or credited for Social Security purposes if it is paid by a third party pursuant to a contract between the employer and the third party entered into before December 14, 1981, if the third party's coverage for that employer's group ceases before March 1, 1982, and no payment is made to the employee under the contract after February 28, 1982.

Penalties for Misuse of Social Security Cards

The new law adds to the list of actions that constitute misuse of Social Security cards by making it unlawful to buy, sell, alter, or counterfeit a Social Security card or to possess a valid or counterfeit card with intent to sell or alter it. It also changes the classification of the crimes enumerated in section 208 of the Social Security Act (including misuse of Social Security cards and numbers) from misdemeanor to felony, increases the maximum fine from $1,000 to $5,000, and increases the maximum prison term from 1 year to 5 years. The provision is effective with respect to violations committed after December 29, 1981.

Demonstration Projects Using AFDC Recipients as Home Health Aides

This provision amends the Omnibus Reconciliation Act of 1980 (as previously amended by section 2156 of

[6] By law, the Board of Trustees consists of the Secretaries of Health and Human Services, Treasury, and Labor, with the Secretary of the Treasury serving as the Managing Trustee.

[7] House Report No. 97-409, 97th Congress, page 10.

[8] **Congressional Record**, Dec. 15, 1981, page S. 15279.

the Omnibus Budget Reconciliation Act of 1981) to require the Secretary to enter into agreements with at least seven States for demonstration projects relating to the training of AFDC recipients as home health aides by the deadline of January 1, 1982.

Prisoners

Federal, State, and local government agencies are required to make available to the Secretary of Health and Human Services the name and Social Security number of any felon imprisoned under the jurisdiction of the agency whenever the Secretary requests, in writing, the information to carry out the provisions of section 223(f) of the Social Security Act concerning the suspension of benefits to certain imprisoned felons, effective December 29, 1981.

Report to Congress

The Secretary is required to report to the Congress by March 29, 1982 (90 days after enactment) on actions being taken to prevent the payment of Social Security checks with respect to deceased individuals, including the use of death records available under the Medicare program.

Financial Implications of Public Law 97-123

Public Law 97-123 could have the effect of assuring, through the provision for interfund borrowing, that the OASI Trust Fund (as well as the DI and HI Trust Funds) will be able to meet all benefit obligations on a timely basis throughout 1982 and for as much as the first 6 months of 1983. However, the legislation will result in increased expenditures for minimum benefits that will more than exceed the increase in revenues due to the coverage of sick pay for a number of years into the future. Eventually, the additional revenues arising as a result of the legislation will exceed expenditures thereunder—by an average of about 0.02 percent of taxable payroll over the 75-year valuation period.

The short-range financial status of the Social Security program, in summary, is adversely affected on a **net** basis by the combined effect of the minimum benefit and sick-pay provisions. However, it is in a better position on an overall basis when the restricted interfund borrowing is also considered, because OASI benefit payments could continue for a longer period than under prior law. But the OASI Trust Fund is still expected to be unable to meet benefit payments beginning after mid-1983, and additional corrective legislation is a necessity in the near future.

Short-Range Implications

The tables in this article summarize the estimated short-range financial effects of Public Law 97-123. Tables 1-3 show the estimated additional Old-Age, Survivors, and Disability Insurance (OASDI) benefit payments and additional Old-Age, Survivors, Disability, and Hospital Insurance (OASDHI) tax income (resulting from the minimum benefit and sick-pay provisions) under three alternative sets of assumptions—the Alternative II-B and "worst-case" assumptions of the 1981 Trustees Report and the assumptions underlying the President's 1983 Budget. The 1983 Budget assumptions are somewhat more optimistic than the Alternative II-B assumptions of the 1981 Trustees Report over the period considered but are less optimistic than the Alternative II-A assumptions. As indicated, the combined effect of these two provisions is an estimated net loss to the trust funds of about $2.0 billion to $2.6 billion over the period 1982-86, depending on future economic conditions.

The estimated operations of the OASI, DI, and HI Trust Funds under Public Law 97-123 on the basis of the three sets of assumptions, taking account of the maximum potential effects of interfund borrowing, are shown in tables 4-6.

With regard to the operation of the interfund borrowing provision, it should be noted that such things as the specific loans, repayments, timing of interest payments, and so forth are largely at the Managing Trustee's discretion. For purposes of illustration, the effect of a

Table 1.—Estimated short-range financial effect of Public Law 97-123 on the basis of the **Alternative II-B** assumptions of the 1981 Trustees Report, 1982-86

[In millions]

OASDI-HI provision	Calendar year 1982	1983	1984	1985	1986	Total, 1982-86
Additional OASDI benefit payments resulting from restoration of minimum benefits for persons eligible for benefits before 1982	$930	$1,275	$1,300	$1,330	$1,320	$6,155
Additional OASDI and HI tax income resulting from coverage of first 6 months of sick leave, self-insurance, private insurance, and mandated public insurance benefits not attributable to employee contributions [1]....	641	703	765	874	956	3,939

[1] The removal of the coverage exclusion went into effect on Jan. 1, 1982. Estimates shown are based on the assumption that substantial tax avoidance would occur as a result of an accounting procedure involving the packaging of sick pay plans with other forms of protection toward the cost of which the employee may make a direct contribution. If no tax avoidance were to take place, the total tax income for this provision is estimated to be $4.3 billion in 1982-86, or about 10 percent greater than the estimate shown.

"maximum" borrowing approach is included in tables 4 through 6.

Lesser borrowing is also theoretically possible. Under a "minimum" borrowing approach, for example, the OASI Trust Fund would borrow just the amount needed at the beginning of any particular month in order to permit OASI benefits to be paid on time. After December 31, 1982, borrowing is no longer authorized and, under this "minimum" approach, benefits for January or February 1983 could not be paid on time.

Under the "maximum" approach, in December 1982 the Managing Trustee would make large transfers from the DI and HI Trust Funds to the OASI Trust Fund so that timely payment of OASI benefits could be made for the maximum period prescribed by the Conference Report, as described previously. For the "maximum" approach, then, it is assumed that on December 31, 1982, the OASI Trust Fund would borrow sufficient amounts from the other two trust funds to permit timely payment of benefits through June 3, 1983.

Table 2.—Estimated short-range financial effect of Public Law 97-123 on the basis of the **"Worst-case"** assumptions of the 1981 Trustees Report, 1982-86

[In millions]

OASDI-HI provision	Calendar year 1982	1983	1984	1985	1986	Total, 1982-86
Additional OASDI benefit payments resulting from restoration of minimum benefits for persons eligible for benefits before 1982	$960	$1,340	$1,400	$1,470	$1,490	$6,660
Additional OASDI and HI tax income resulting from coverage of first 6 months of sick leave, self-insurance, private insurance, and mandated public insurance benefits not attributable to employee contributions [1]....	641	698	776	905	1,007	4,027

[1] The removal of the coverage exclusion went into effect on Jan. 1, 1982. Estimates shown are based on the assumption that substantial tax avoidance would occur as a result of an accounting procedure involving the packaging of sick pay plans with other forms of protection toward the cost of which the employee may make a direct contribution. If no tax avoidance were to take place, the total tax income for this provision is estimated to be $4.4 billion in 1982-86, or about 10 percent greater than the estimate shown.

Table 3.—Estimated short-range financial effect of Public Law 97-123 on the basis of the assumptions underlying the **President's 1983 Budget**, 1982-86

[In millions]

OASDI-HI provision	Calendar year 1982	1983	1984	1985	1986	Total, 1982-86
Additional OASDI benefit payments resulting from restoration of minimum benefits for persons eligible for benefits before 1982	$930	$1,250	$1,240	$1,215	$1,165	$5,800
Additional OASDI and HI tax income resulting from coverage of first 6 months of sick leave, self-insurance, private insurance, and mandated public insurance benefits not attributable to employee contributions [1]....	641	690	739	841	924	3,835

[1] The removal of the coverage exclusion went into effect on Jan. 1, 1982. Estimates shown are based on the assumption that substantial tax avoidance would occur as a result of an accounting procedure involving the packaging of sick pay plans with other forms of protection toward the cost of which the employee may make a direct contribution. If no tax avoidance were to take place, the total tax income for this provision is estimated to be $4.2 billion in 1982-86, or about 10 percent greater than the estimate shown.

Table 4.—Estimated operations of the OASI, DI, and HI Trust Funds under Public Law 97-123 (assuming maximum interfund borrowing) on the basis of the **Alternative II-B** assumptions of the 1981 Trustees Report, 1980-90

[Amounts in billions]

Calendar year	OASI	DI	OASDI	HI	OASDI-HI
	Income				
1980	$105.8	$13.9	$119.7	$26.1	$145.8
1981	123.3	17.0	140.2	35.2	175.5
1982	137.9	19.4	157.3	40.2	197.5
1983	147.3	27.7	174.9	45.1	220.0
1984	161.5	31.2	192.6	49.9	242.5
1985	183.0	39.8	222.7	56.6	279.3
1986	198.8	44.7	243.5	65.7	309.2
1987	214.2	49.6	263.8	71.2	335.0
1988	229.2	54.5	283.7	76.2	359.9
1989	243.7	59.5	303.2	80.7	384.0
1990	278.7	73.1	351.8	85.1	436.9
	Outgo				
1980	$107.7	$15.9	$123.5	$25.6	$149.1
1981	127.0	18.0	145.0	30.6	175.5
1982	143.0	19.3	162.3	35.1	197.4
1983	161.0	20.6	181.5	40.8	222.3
1984	180.0	22.2	202.2	47.3	249.5
1985	200.3	23.9	224.2	54.9	279.1
1986	220.8	25.7	246.5	63.2	309.6
1987	241.3	27.6	268.9	72.2	341.1
1988	261.4	29.8	291.2	81.8	373.0
1989	280.6	31.9	312.4	91.7	404.1
1990	299.3	34.0	333.4	103.0	436.4
	Net increase in funds				
1980	−$1.8	−$2.0	−$3.8	$0.5	−$3.3
1981	−3.7	−1.1	−4.7	4.7	−.1
1982	−5.2	.1	−5.0	5.1	.1
1983	−13.7	7.1	−6.6	4.3	−2.3
1984	−18.6	9.0	−9.6	2.6	−7.0
1985	−17.4	15.9	−1.5	1.7	.2
1986	−22.1	19.1	−3.0	2.5	−.5
1987	−27.2	22.0	−5.2	−.9	−6.1
1988	−32.2	24.8	−7.5	−5.6	−13.1
1989	−36.9	27.6	−9.2	−10.9	−20.1
1990	−20.6	39.0	18.4	−17.9	.5

See footnotes at end of table.

Table 4.—Estimated operations of the OASI, DI, and HI Trust Funds under Public Law 97-123 (assuming maximum interfund borrowing) on the basis of the **Alternative II-B** assumptions of the 1981 Trustees Report, 1980-90—**Continued**

[Amounts in billions]

Calendar year	OASI	DI	OASDI	HI	OASDI-HI
	Funds at end of year				
1980	$22.8	$3.6	$26.5	$13.7	$40.2
1981	19.1	2.6	21.7	18.4	40.1
1982	14.0	2.7	16.7	23.6	40.2
1983	.3	9.8	10.1	27.9	37.9
1984	-18.3	18.8	.5	30.5	31.0
1985	-35.7	34.7	-1.0	32.2	31.2
1986	-57.7	53.7	-4.0	34.8	30.7
1987	-84.9	75.7	-9.2	33.8	24.6
1988	-117.1	100.4	-16.7	28.2	11.5
1989	-154.0	128.1	-25.9	17.3	-8.6
1990	-174.6	167.1	-7.5	-.6	-8.1
	Assets at beginning of year as percentage of outgo during year				
1980	23	35	25	52	29
1981	18	20	18	45	23
1982	13	13	13	52	20
1983	9	13	9	58	18
1984	(1)	44	5	59	15
1985	-9	79	(1)	56	11
1986	-16	135	(2)	51	10
1987	-24	194	-2	48	9
1988	-32	254	-3	41	7
1989	-42	315	-5	31	3
1990	-51	376	-8	17	-2

[1] Between 0 and 0.5 percent.
[2] Between 0 and -0.5 percent.

Notes: (1) The income figures for 1982, and the end-of-year asset figures for 1982 and later, reflect the transfer of $4.5 billion from the DI Trust Fund to the OASI Trust Fund under the interfund borrowing authority provided by P. L. 97-123.

(2) The estimated operations for OASI, OASDI, and total OASDI and HI in 1983 and later are theoretical since, following the expiration of the present law interfund borrowing authority, the OASI Trust Fund would become depleted in the second half of 1983 when assets become insufficient to pay benefits when due.

Long-Range Implications

Over the 75-year projection period, average OASDI expenditures as a percentage of taxable payroll are estimated to decrease by 0.02 percent. This change represents the combined effect of (1) higher expenditures due to the restoration of the minimum benefit for current beneficiaries and to additional benefits arising from coverage of sick pay and (2) an increase in taxable payroll from the coverage of sick pay. On balance, the additional tax income would more than offset the additional benefit payments in the long run. The interfund borrowing authority would have no net effect on the long-range status of the OASDI program.

Table 5.—Estimated operations of the OASI, DI, and HI Trust Funds under Public Law 97-123 (assuming maximum interfund borrowing) on the basis of the "**Worst-case**" assumptions of the 1981 Trustees Report, 1980-86

[Amounts in billions]

Calendar year	OASI	DI	OASDI	HI	OASDI-HI
	Income				
1980	$105.8	$13.9	$119.7	$26.1	$145.8
1981	122.8	17.0	139.8	35.2	175.0
1982	145.1	18.8	163.9	33.6	197.5
1983	143.9	27.3	171.2	44.5	215.7
1984	160.9	31.6	192.5	50.5	243.0
1985	186.5	41.5	227.9	58.8	286.7
1986	206.9	47.9	254.8	69.9	324.7
	Outgo				
1980	$107.7	$15.9	$123.5	$25.6	$149.1
1981	127.0	18.0	145.0	30.6	175.5
1982	146.1	19.7	165.8	35.5	201.4
1983	169.7	21.7	191.4	41.8	233.2
1984	194.5	23.8	218.4	49.5	267.8
1985	221.4	26.1	247.5	58.1	305.5
1986	248.7	28.4	277.1	67.6	344.7
	Net increase in funds				
1980	-$1.8	-$2.0	-$3.8	$0.5	-$3.3
1981	-4.2	-1.0	-5.2	4.7	-.6
1982	-1.0	-.9	-1.9	-1.9	-3.9
1983	-25.8	5.6	-20.2	2.7	-17.5
1984	-33.6	7.8	-25.8	1.0	-24.8
1985	-34.9	15.4	-19.5	.7	-18.8
1986	-41.8	19.5	-22.3	2.3	-20.0
	Funds at end of year				
1980	$22.8	$3.6	$26.5	$13.7	$40.2
1981	18.6	2.6	21.2	18.4	39.6
1982	17.6	1.7	19.3	16.5	35.7
1983	-8.2	7.3	-.9	19.1	18.2
1984	-41.8	15.1	-26.7	20.2	-6.6
1985	-76.7	30.5	-46.2	20.8	-25.4
1986	-118.6	50.0	-68.6	23.1	-45.5
	Assets at beginning of year as percentage of outgo during year				
1980	23	35	25	52	29
1981	18	20	18	45	23
1982	13	13	13	52	20
1983	10	8	10	39	15
1984	-4	31	(1)	38	7
1985	-19	58	-11	35	-2
1986	-31	107	-17	31	-7

[1] Between 0 and -0.5 percent.

Notes: (1) The income figures for 1982, and the end-of-year asset figures for 1982 and later, reflect the transfer of funds from the DI and HI Trust Funds to the OASI Trust Fund under the interfund borrowing authority provided by P. L. 97-123. Under this set of assumptions, a total of $11.8 billion would be transfered to OASI in 1982, $5.2 billion from DI, and $6.6 billion from HI.

(2) The estimated operations for OASI, OASDI, and total OASDI and HI in 1983 and later are theoretical since, following the expiration of the present law interfund borrowing authority, the OASI Trust Fund would become depleted in the second half of 1983 when assets become insufficient to pay benefits when due.

Table 6.—Estimated operations of the OASI, DI, and HI Trust Funds under Public Law 97-123 (assuming maximum interfund borrowing) on the basis of the assumptions underlying the **President's 1983 Budget**, 1980-87

[Amounts in billions]

Calendar year	OASI	DI	OASDI	HI	OASDI-HI
	Income				
1980	$105.8	$13.9	$119.7	$26.1	$145.8
1981	124.8	17.1	141.9	35.7	177.6
1982	136.6	17.2	153.8	39.0	192.8
1983	139.4	26.7	166.1	42.7	208.8
1984	149.4	29.8	179.2	46.1	225.3
1985	167.9	38.0	205.8	51.8	257.6
1986	182.4	43.0	225.4	59.9	285.3
1987	198.4	47.9	246.4	65.0	311.4
	Outgo				
1980	$107.7	$15.9	$123.5	$25.6	$149.1
1981	126.7	17.6	144.3	30.7	175.1
1982	141.8	18.6	160.4	35.6	196.0
1983	156.2	19.1	175.3	40.9	216.2
1984	169.8	19.7	189.6	46.6	236.2
1985	183.1	20.6	203.7	53.6	257.4
1986	196.6	21.7	218.3	61.2	279.6
1987	211.2	22.9	234.1	69.8	303.9
	Net increase in funds				
1980	-$1.8	-$2.0	-$3.8	0.5	-$3.3
1981	-1.9	-.5	-2.4	5.0	2.6
1982	-5.2	-1.4	-6.6	3.5	-3.1
1983	-16.7	7.6	-9.1	1.8	-7.4
1984	-20.4	10.0	-10.3	-.5	-10.9
1985	-15.2	17.4	2.1	-1.9	.2
1986	-14.2	21.3	7.1	-1.4	5.7
1987	-12.8	25.1	12.3	-4.8	7.5

See footnotes at end of table.

Table 6.—Estimated operations of the OASI, DI, and HI Trust Funds under Public Law 97-123 (assuming maximum interfund borrowing) on the basis of the assumptions underlying the **President's 1983 Budget**, 1980-87—**Continued**

[Amounts in billions]

Calendar year	OASI	DI	OASDI	HI	OASDI-HI
	Funds at end of year				
1980	$22.8	$3.6	$26.5	$13.7	$40.2
1981	20.9	3.1	24.0	18.7	42.8
1982	15.7	1.7	17.4	22.2	39.6
1983	-1.0	9.2	8.2	24.0	32.3
1984	-21.4	19.3	-2.1	23.5	21.4
1985	-36.6	36.6	(1)	21.6	21.6
1986	-50.8	57.9	7.1	20.2	27.3
1987	-63.6	83.0	19.4	15.4	34.8
	Assets at beginning of year as percentage of outgo during year				
1980	23	35	25	52	29
1981	18	21	18	45	23
1982	15	17	15	53	22
1983	10	9	10	54	18
1984	-1	47	4	51	14
1985	-12	93	-1	44	8
1986	-19	169	(2)	35	8
1987	-24	253	3	29	9

[1] Between $0 and $50 million.

[2] Between 0 and 0.5 percent.

Notes: (1) The income figures for 1982, and the end-of-year asset figures for 1982 and later, reflect the transfer of $6.4 billion from the DI Trust Fund to the OASI Trust Fund under the interfund borrowing authority provided by P. L. 97-123.

(2) The estimated operations for OASI, and total OASDI and HI in 1983 and later are theoretical since, following the expiration of the present law interfund borrowing authority, the OASI Trust Fund would become depleted in the second half of 1983 when assets become insufficient to pay benefits when due.