



SOCIAL SECURITY

The Commissioner

August 29, 2005

The Honorable J. Dennis Hastert
Speaker of the House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

Enclosed for consideration by Congress is the Administration's draft bill to amend the Old-Age, Survivors, and Disability Insurance (OASDI) and the Supplemental Security Income (SSI) programs in support of the President's fiscal year (FY) 2006 budget. A section-by-section description of all four of the proposals is also enclosed with this letter. I would note that two of the three SSI proposals were sent to Congress in past years in connection with the President's FYs 2004 and 2005 budgets. The third proposal relating to SSI dedicated accounts is slightly narrower than a proposal included in the draft "Supplemental Security Income Program Amendments of 2002," which was sent to Congress in September 2002. The 2002 proposal would have eliminated the dedicated account provision in all cases, while the current proposal maintains the requirement when someone other than a parent is the representative payee of a disabled or blind child.

The Administration is committed to encouraging continued education and personal responsibility. The proposal in section 101 of the draft bill would address both issues by requiring that children ages 16 and 17 who are able to attend school do so as a condition of their receiving OASDI benefits. Currently, children who receive OASDI benefits as dependents or survivors of workers may receive benefits up to age 18 regardless of school attendance and up to age 19 if a full-time elementary or secondary school student. The expectation is that reducing the age for the school-attendance requirement for child's benefits will act as an incentive for many children to at least complete high school.

An immediate objective of the President's Management Agenda is to reduce improper benefit program payments--a goal that the Social Security Administration (SSA) fully supports--SSA has a number of ongoing efforts designed to prevent, identify, and correct improper payments. However, we continue to seek additional ways to protect the integrity of the OASDI and SSI programs. The proposal in section 203 of the draft bill would ensure greater accuracy in SSI disability determinations by requiring SSI pre-effectuation reviews in 50 percent of State agency disability and blindness allowances of adult cases. The projected SSI estimated savings over 10 years is \$493 million, and additional significant savings in the Medicaid program of nearly \$639 million. By the 10th year after enactment, the pre-effectuation reviews would have identified and prevented improper payments in an estimated 25,000 incorrect SSI disability and blindness determinations.

Page 2 - The Honorable J. Dennis Hastert

The draft legislation would implement—among other things—mandatory savings proposals in the President's FY 2006 Budget. The Administration looks forward to working with the Congress to enact reconciliation legislation this year that contains the savings called for by the Congressional budget resolution for FY 2006.

The Office of Management and Budget has advised that there is no objection to the transmittal of this draft bill to the Congress, and its enactment would be in accord with the program of the President. We urge the Congress to give the draft bill prompt and favorable consideration.

I am sending an identical letter to the Honorable Richard B. Cheney, President of the Senate.

Sincerely,

/s/

Jo Anne B. Barnhart

Enclosures



SOCIAL SECURITY

The Commissioner

August 29, 2005

The Honorable Richard B. Cheney
President of the Senate
Washington, D.C. 20510

Dear Mr. Cheney:

Enclosed for consideration by Congress is the Administration's draft bill to amend the Old-Age, Survivors, and Disability Insurance (OASDI) and the Supplemental Security Income (SSI) programs in support of the President's fiscal year (FY) 2006 budget. A section-by-section description of all four of the proposals is also enclosed with this letter. I would note that two of the three SSI proposals were sent to Congress in past years in connection with the President's FYs 2004 and 2005 budgets. The third proposal relating to SSI dedicated accounts is slightly narrower than a proposal included in the draft "Supplemental Security Income Program Amendments of 2002," which was sent to Congress in September 2002. The 2002 proposal would have eliminated the dedicated account provision in all cases, while the current proposal maintains the requirement when someone other than a parent is the representative payee of a disabled or blind child.

The Administration is committed to encouraging continued education and personal responsibility. The proposal in section 101 of the draft bill would address both issues by requiring that children ages 16 and 17 who are able to attend school do so as a condition of their receiving OASDI benefits. Currently, children who receive OASDI benefits as dependents or survivors of workers may receive benefits up to age 18 regardless of school attendance and up to age 19 if a full-time elementary or secondary school student. The expectation is that reducing the age for the school-attendance requirement for child's benefits will act as an incentive for many children to at least complete high school.

An immediate objective of the President's Management Agenda is to reduce improper benefit program payments--a goal that the Social Security Administration (SSA) fully supports--SSA has a number of ongoing efforts designed to prevent, identify, and correct improper payments. However, we continue to seek additional ways to protect the integrity of the OASDI and SSI programs. The proposal in section 203 of the draft bill would ensure greater accuracy in SSI disability determinations by requiring SSI pre-effectuation reviews in 50 percent of State agency disability and blindness allowances of adult cases. The projected SSI estimated savings over 10 years is \$493 million, and additional significant savings in the Medicaid program of nearly \$639 million. By the 10th year after enactment, the pre-effectuation reviews would have identified and prevented improper payments in an estimated 25,000 incorrect SSI disability and blindness determinations.

Page 2 - The Honorable Richard B.Cheney

The draft legislation would implement—among other things—mandatory savings proposals in the President’s FY 2006 Budget. The Administration looks forward to working with the Congress to enact reconciliation legislation this year that contains the savings called for by the Congressional budget resolution for FY 2006.

The Office of Management and Budget has advised that there is no objection to the transmittal of this draft bill to the Congress, and its enactment would be in accord with the program of the President. We urge the Congress to give the draft bill prompt and favorable consideration.

I am sending an identical letter to the Honorable J. Dennis Hastert, Speaker of the House.

Sincerely,

/s/

Jo Anne B. Barnhart

Enclosures

Section-By-Section Descriptions

“The Social Security Amendments of 2005”

Short Title and Table of Contents

Section 1 provides that upon enactment the bill may be cited as the “Social Security Amendments of 2005.” This section also includes the table of contents.

Full-Time School Attendance Requirement for Child’s Benefits at Age 16

Section 101 would require that in order to receive an OASDI child’s benefit for a month, an individual who has attained age 16 but not age 18 must be a full-time elementary or secondary school student. This would expand upon an existing full time school attendance provision applicable to individuals between 18 and 19. An exception to the requirement would be made in the case of an individual who is unable to attend school full time due to a disability, or who is under age 18 and has received a diploma or equivalent from a secondary school. The proposal recognizes for children ages 16 and 17 the importance of continuing education through the high school level. The expectation is that the lowering of age for the student requirement for children’s benefits will serve as an incentive for many children to remain in school and complete their education at least through high school.

The provision would be effective with respect to individuals who attain age 16 after September 2005.

Modification of the Dedicated Account Requirement

Section 201 would modify the dedicated account requirement so that it would not apply in cases in which a parent of a disabled child lives with the child and is his or her representative payee. The provision would also eliminate the dedicated account requirement if the individual is or becomes his or her own payee. For individuals with dedicated accounts established (either before or after enactment of this provision), the provision would permit the accounts to continue to be excluded from the eligible individuals’ resources for a period of 18 months beginning the month after the month that the requirements for the account end. Interest or other earnings on such account would be excluded from income for the same period. For parents who are representative payees, there would be no restrictions on the use of the funds in the account, other than the normal restrictions that apply to representative payees’ use of a recipient’s benefits (i.e., that the benefits be used in the best interest of the beneficiary).

Removing the dedicated account requirement in cases of parents and children would be family friendly in that it recognizes that parents know how best to allocate money for

their children's needs. It also would acknowledge the personal responsibility that parents have for the welfare of their children.

The provision would be effective the first day of the month that begins after the date enactment.

Treatment of Uniformed Service Compensation

Section 202 would treat most cash military compensation as wages and, thus, as earned income. The distinction between earned and unearned income is important in determining the amounts to be deemed from a parent or spouse in military service. Higher disregard amounts apply to earned income yielding less countable income and, often, higher SSI benefits. The provision would treat cash military compensation and civilian wages alike, and thus eliminate the present unfair and disadvantageous treatment of cash military compensation other than basic pay under SSI. However, allowances for military and certain on-base privatized housing would continue to be counted as unearned income subject to the rules for in-kind support and maintenance, including the rule that caps the counting of the in-kind income at an amount equal to one-third of the SSI Federal benefit rate. This continued consideration of housing allowances is appropriate in such cases because the full amount of the service member's housing allowance is deducted directly from his or her pay and paid to the landlord of the privatized housing by military payroll.

The provision is effective with respect to benefits payable for months beginning at least 90 days after the date of enactment.

Review of State Agency Blindness and Disability Determinations

Section 203 would require the Commissioner of Social Security to conduct reviews of a specific percentage of SSI initial disability and blindness cases of individuals aged 18 and older that were allowed by State disability determination agencies. The reviews would be done to ensure the accuracy of such allowances, and would be completed before the individuals were awarded benefits. The provision would be substantially the same as the current-law Social Security disability pre-effectuation review requirement. That is, the Commissioner would be required to review at least 50 percent of initial State disability determination agency allowances.

The provision would be phased in as follows. For fiscal year 2006, the Commissioner would be required to review 25 percent of the allowances made after March 31, 2006 or, if later, the date of the bill's enactment. Beginning in fiscal year 2007 and thereafter, 50 percent of all allowances would be reviewed.

A B I L L

To amend the Social Security Act and enact other changes related to the old-age, survivors and disability insurance program and the supplemental security income program, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.

(a) Short Title.--This Act may be cited as the "Social Security Amendments of 2005".

(b) Table of Contents.--The table of contents for this Act is as follows:

Sec. 1. Short title and table of contents.

TITLE I--PROVISION RELATING TO THE

OLD-AGE, SURVIVORS AND DISABILITY INSURANCE PROGRAM

Sec. 101. Full-Time School Attendance Requirement for Child's Benefits at Age 16.

TITLE II--PROVISIONS RELATING TO THE

SUPPLEMENTAL SECURITY INCOME PROGRAM

Sec. 201. Modification of the dedicated account requirement.

Sec. 202. Treatment of uniformed service compensation.

Sec. 203. Review of State agency blindness and disability determinations.

TITLE I--PROVISION RELATING TO THE

OLD-AGE, SURVIVORS AND DISABILITY INSURANCE PROGRAM

SEC. 101. FULL-TIME SCHOOL ATTENDANCE REQUIREMENT FOR CHILD'S BENEFITS AT AGE 16.

(a) In General.--Section 202(d) of the Social Security Act (42

U.S.C. 402(d)) is amended--

(1) by striking "Every" and inserting "Except as provided in paragraph (11), every"; and

(2) by adding at the end the following new paragraph:

"(11)(A) Except as provided in subparagraph (B), no benefit otherwise payable under this subsection shall be paid to any individual who has attained the age of 16 and has not attained the age of 18 for any month in which such individual is not a full-time elementary or secondary school student, as defined in paragraph (7), during any part of such month.

"(B) Subparagraph (A) shall not apply to any individual who--

"(i) is receiving a free, appropriate public education in accordance with the Individuals with Disabilities Education Act (20 U.S.C. 1400 et seq.), based on the individual meeting the definition of a 'child with a disability', as defined in part A, section 602(3) of the Individuals with Disabilities Education Improvement Act (20 U.S.C. 1401(3)) and determined pursuant to section 614(b)(4) of such Act (20 U.S.C. 1414(b)(4));

"(ii) has a certification from a physician or qualified psychologist that such individual has a medical condition that precludes full-time elementary or secondary school attendance;

"(iii) is under a disability as defined in section 223(d)

of this Act; or

“(iv) has completed the requirements for, or received a diploma or equivalent certificate from a secondary school.

“(C) For purposes of the application of section 203(a), an individual with respect to whom no benefit under this subsection is payable for any month as a result of the application of subparagraph (A) shall be deemed to have received such benefit for such month.”.

(b) Effective Date.--The amendment made by this section shall be effective with respect to individuals who attain age 16 after September 2005.

TITLE II--PROVISIONS RELATING TO THE
SUPPLEMENTAL SECURITY INCOME PROGRAM

SEC. 201. MODIFICATION OF THE DEDICATED ACCOUNT REQUIREMENT.

(a) In General.--

(1) Inapplicability in Case of Parental Representative Payee.--Section 1631(a)(2)(F)(i) of the Social Security Act (42 U.S.C. 1383(a)(2)(F)(i)) is amended--

(A) in subclause (I), by inserting “(other than a representative payee described in subclause (III))” after “payee”; and

(B) by inserting after subclause (II) the following new subclause:

“(III) The representative payee described in this subclause is any representative payee who--

“(aa) is the parent (or spouse of such parent) of the

eligible individual described in subclause (I), and

“(bb) is living in the same household as such eligible individual.”.

(2) Inapplicability in Case of Eligible Individual Who Ceases to Have a Representative Payee.--

(A) Section 1631(a)(2)(F)(ii)(III) of such Act (42 U.S.C.1383(a)(2)(F)(ii)(III)) is amended--

(i) by striking “clause--“ through “by” and inserting “clause by”;

(ii) by striking “benefits; and” at the end of division (aa) and inserting “benefits.”; and

(iii) by striking division (bb).

(B) Section 1631(a)(2)(F)(ii)(IV) of such Act (42 U.S.C. 1383(a)(2)(F)(ii)(IV)) is amended to read as follows:

“(IV) This clause shall continue to apply to funds in the account after the eligible individual, on whose behalf such account was required by subclause (I) to be established and maintained, attains the age of 18 for so long as the benefits for which such individual is eligible continue to be paid through a representative payee.”.

(b) Transitional Treatment of Funds Previously Subject to the Dedicated Account Requirement.--

(1) Income.--Section 1612(b)(21) of such Act (42 U.S.C. 1382a(b)(21)) is amended to read as follows:

“(21) the interest or other earnings on any account--

“(A) required to be maintained in accordance with

section 1631(a)(2)(F); or

“(B) formerly required to be maintained in accordance with such section, but only during the period that begins on the date that the maintenance requirement in such section ceases to apply to such account and ends on the last day of the eighteenth month that begins on or after such date;”.

(2) Resources.--Section 1613(a)(12) of such Act (42 U.S.C. 1382b(a)(12) is amended to read as follows:

“(12) any account, including accrued interest or other earnings thereon--

“(A) required to be maintained in accordance with section 1631(a)(2)(F); or

“(B) formerly required to be maintained in accordance with such section, but only--

“(i) during the period that begins on the date that the maintenance requirement in such section ceases to apply to such account and ends on the last day of the eighteenth month that begins on or after such date; and

“(ii) to the extent the assets in such account do not exceed the assets held in such account on the day preceding such date;”.

(c) Effective Date.--The amendments made by this section shall be effective on the first day of the first month that begins after the date of enactment of this Act.

SEC. 202. TREATMENT OF UNIFORMED SERVICE COMPENSATION.

(a) Treatment of Special Pay and Allowances.--

(1) Section 1612(a)(1)(A) of the Social Security Act (42 U.S.C. 1382a(a)(1)(A)) is amended by inserting "(and cash remuneration paid for service as a member of a uniformed service (other than payments described in paragraph (2)(H)), without regard to the limitations contained in section 209(d))" immediately before the semi-colon.

(2) Section 1612(a)(2) of such Act (42 U.S.C. 1382a(a)(2)) is amended--

(A) by striking "and" at the end of subparagraph (F);

(B) by striking the period at the end of subparagraph (G) and inserting "; and"; and

(C) by adding at the end the following new subparagraph:

"(H) payments to or on behalf of a member of a uniformed service for housing of such member (and his or her dependents, if any) on a facility of a uniformed service, including payments provided under section 403 of title 37, United States Code, for housing that is acquired or constructed under subchapter IV of chapter 169 of part IV of subtitle A of title 10, United States Code, or any related provision of law, which shall be deemed to be support and maintenance in-kind subject to the provisions of subparagraph (A).".

(b) Effective Date.--The amendments made by this section shall

be effective with respect to benefits payable for months beginning 90 or more days after the date of the enactment of this Act.

SEC. 203. REVIEW OF STATE AGENCY BLINDNESS AND DISABILITY DETERMINATIONS.

Section 1633 of the Social Security Act (42 U.S.C. 1383b) is amended by adding at the end the following new subsection:

“(e) (1) The Commissioner of Social Security shall review determinations, made by State agencies pursuant to subsection (a) in connection with applications for benefits under this title on the basis of blindness or disability, that an individual who has attained 18 years of age is blind or disabled. Any such review shall be completed before any action is taken with respect to the implementation of any such determination.

“(2) In carrying out paragraph (1), the Commissioner of Social Security shall--

“(A) review--

“(i) with respect to fiscal year 2006, at least 25 percent of all such determinations that are made in such year after March 31 thereof or, if later, the date of the enactment of this Act; and

“(ii) with respect to any fiscal year after 2006, at least 50 percent of all such determinations that are made in such year; and

“(B) to the extent feasible, select for review those determinations which the Commissioner of Social Security identifies as being the most likely to be incorrect.”.