

*Program Legislation Enacted in Early 1996**

During the first half of 1996, major changes in Social Security were enacted as part of two bills: one allowing certain senior citizens who work to earn more without reducing their retirement benefits and the other, a long overdue appropriations bill.

Public Law 104-121

The first bill, "The Contract with America Advancement Act of 1996," was signed into law on March 29, 1996 (Public Law (P.L.)104-121), and contained four titles: the Senior Citizens' Right to Work Act of 1996, the Line-Item Veto Act, the Small Business Growth and Fairness Act of 1966, and a provision to permanently increase the public debt ceiling from \$4.9 trillion to \$5.5 trillion. Only the first title, the Senior Citizens' Right to Work Act of 1996, is important to Social Security.

Increase in Earnings Threshold

Under prior law, Social Security beneficiaries between the ages of 65-69 had their Social Security benefits reduced by \$1 for every \$3 earned in excess of \$11,520 in 1996. The legislation increases the amount a beneficiary can earn before benefits are reduced in increments over a 7-year period. Beginning in 1996, the threshold rises to \$12,500 and will reach \$30,000 in the year 2002, as follows:

Earnings test thresholds, 1996-2002

Year	Exempt earnings new law	Estimated exempt earnings under prior law
1996.....	\$12,500	\$11,520
1997.....	13,500	12,120
1998.....	14,500	12,600
1999.....	15,500	13,080
2000.....	17,000	13,560
2001.....	25,000	14,160
2002.....	30,000	14,760

After 2002, the annual exempt amount will be indexed to

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the growth in average wages. Approximately 1 million people will be affected by this provision.

There are no changes in the earnings test for beneficiaries aged 62-64 who can earn up to \$8,280 in 1996 before their benefits are reduced \$1 for every \$2 earned above this lower threshold. Retirees aged 70 or older are not subject to the earnings test.

The "substantial gainful activity" amount applicable to individuals who are statutorily blind, which determines how much they can earn without losing disability benefits, was previously linked to the retirement earnings test threshold for individuals aged 65-69. However, it will not increase in step with the new law. Instead, the amount will remain at the old-law threshold, adjusted annually based on the national average wage index.

To offset the costs of raising the earnings limit, two major changes were made in present law dealing with ending entitlement to certain categories of disability benefits and to stepchildren.

Denial of Disability Benefits to Drug Addicts and Alcoholics

As a result of the new law, payment of benefits for disabilities resulting from drug addiction and alcoholism are being eliminated.

- Drug addiction and alcoholism are eliminated as a basis for disability under both the Disability Insurance (DI) program and the Supplemental Security Income (SSI) program. This provision applies to individuals whose claims are finally adjudicated on or after March 29, 1996. For current beneficiaries, this provision will apply on January 1, 1997. The Social Security Administration must: (1) notify current drug addiction and/or alcoholic beneficiaries of the new provisions by June 27, 1996; and (2) complete new medical determinations by January 1, 1997, for affected current beneficiaries who request a new determination within 120 days after enactment of the legislation.
- Individuals with a drug addiction or alcoholism condition who are disabled for purposes of receiving Social Security or SSI disability benefits based on other impairments will still be able to qualify for benefits based on that disability. However, in these cases the new law requires that benefits be paid to a representative payee if the Commissioner of Social Security determines that the individual is incapable

of managing benefits. These beneficiaries will also be referred to the appropriate State agency for substance abuse treatment. These provisions apply to applications filed on or after June 1996.

- Under the Substance Abuse Prevention and Treatment Block Grant of the Public Health Service Act, an appropriation of \$50 million for each of fiscal years 1997 and 1998 is added, on a priority basis, for activities relating to the treatment of drug and alcohol abuse.

Dependency Test for Stepchildren

Two restrictions are placed on a stepchild's eligibility for benefits based on their stepparent's account, to ensure that benefits are only paid to stepchildren who are truly dependent on the stepparent for their support, and only as long as the natural parent and stepparent are married.

- The stepparent must provide at least 50 percent of the stepchild's support; for survivor's benefits, the stepparent must have provided at least 50 percent of the child's support immediately prior to death. (The option for finding dependency based on "was living with" is to be eliminated). This provision is effective for benefits of individuals who become entitled after June 1996.
- If the natural parent and the stepparent of an entitled stepchild divorce, benefits to the stepchild based on the work record of the stepparent will terminate the month after the month in which the divorce becomes final. This provision is effective for final divorces occurring after June 1996.

Additional Social Security-related provisions of P.L. 104-121 are listed below.

Continuing Disability Reviews.—For fiscal years 1996-2002, additional funds are authorized to be appropriated for the purpose of conducting Continuing Disability Reviews (CDRs) for the Disability Insurance and Supplemental Security Income programs, as well as disability eligibility redeterminations. For this purpose, the amount of funds available for appropriations outside the discretionary spending cap in the Budget Enforcement Act will be increased by \$60 million for fiscal year 1996 and \$100 million for fiscal year 1997.

The Commissioner of Social Security is directed to ensure that the funds made available under this provision are used, to the greatest extent practicable, to maximize the combined savings to the Old-Age, Survivors, and Disability Insurance (OASDI), SSI, Medicare, and Medicaid programs.

For fiscal years 1996-2002, the Commissioner is required to report annually to Congress on the amount of money spent on CDRs, the number of reviews conducted (by category), the disposition of such reviews (by program), and the estimated savings over the short-, medium-, and long-term for OASDI, SSI, Medicare, and Medicaid programs from CDRs which result in cessations, and the estimated present value of such savings.

Chief Actuary.—Effective March 29, 1996, the position of Chief Actuary, appointed by and reporting directly to the Commissioner, is established statutorily. The Chief Actuary shall be compensated at the highest rate of basic pay for the Senior Executive Service and may only be removed for cause.

Benefit and tax statements.—The Social Security Administration is required to conduct a pilot study of the efficacy of providing retired workers with information about their Social Security benefits and taxes. The study is to involve a sample of retirement beneficiaries whose entitlement began in or after 1984. They will be sent estimates of their aggregate covered earnings, their aggregate Social Security taxes (including the employer share), and the total amount of benefits paid on their record.

This study is to be conducted within a 2-year period beginning as soon as practicable in 1996, and a report on the results are to be provided to Congress within 60 days of completion.

Investment of Social Security and Medicare Trust Funds.—Effective March 29, 1996, the legislation codifies Congress' understanding that the Secretary of the Treasury and other Federal officials are not authorized to use Social Security and Medicare funds for debt management purposes under any circumstances. Specifically, the Secretary of the Treasury and other Federal officials are required not to delay or otherwise underinvest incoming receipts to the Social Security and Medicare Trust Funds. They are also required not to sell, redeem, or otherwise disinvest securities, obligations, or other assets of these Trust Funds except when necessary to provide for the payment of benefits and administrative expenses of the programs. These restrictions apply to the Federal Old-Age and Survivors Insurance (OASI) Trust Fund; the Federal Hospital Insurance (HI) Trust Fund; and the Federal Supplementary Medical Insurance (SMI) Trust Fund.

Professional staff for the Social Security Advisory Board.—The Social Security Advisory Board is authorized to appoint three professional staff employees, one of whom is to be appointed from among individuals approved by Advisory Board members, and who does not belong to the political party represented by the majority of the Board.

Review of Federal regulations.—This provision requires that Federal regulations, including some issued by SSA, undergo an additional review of their economic impact. At various stages of the development of a regulation, this review may be conducted by the Small Business Administration, the Courts, and the Congress.

Public Law 104-134

The second bill of importance to SSA that has been recently enacted into law was a broad-based appropriations bill. During the first 7 months of fiscal year 1996 (which began on October 1, 1995, and ends September 30, 1996), the majority of Federal agencies operated without a formal budget due to policy differences between Congress and the Administration.

On April 26, 1996, The Omnibus Consolidated Rescissions and Appropriations Act of 1996 was signed into law (P.L. 104-134). This legislation provides funding for the remainder of fiscal year 1996 and brings to an end the series of continuing resolutions—12 in all—under which SSA has operated since October 1, 1995.

For funding the administrative expenses of SSA, Congress provided a limitation of \$5.882 billion. (As authorized by P.L. 104-121 (noted earlier), an additional \$60 million for fiscal year 1996 was provided for the processing of periodic CDRs for the DI and the SSI programs, bringing the total CDR appropriation to \$260 million. Unexpended sums will be carried into fiscal year 1997).

In addition to funding already available for SSA and the State Disability Determination Services, an additional \$167 million was appropriated for a state-of-the-art computing network. Unobligated balances at the end of fiscal year 1996 shall remain available until expended, including related equipment and administrative expenses associated solely with this network.

Listed below are other provisions of interest in P.L. 104-134.

Debt collection.—To maximize collection of delinquent debts owed to the U.S. Government, the Social Security Administration and other Federal agencies are provided with permanent debt collection authorities, which include administratively offsetting other Federal benefit payments, Federal salaries, reporting delinquent debt to credit bureaus, using private collection agencies, and assessing late charges. The first \$9,000 per year of an individual's Federal benefit payments are exempt from administrative offset.

Electronic funds transfer.—After July 1996, persons receiving recurring Federal payments, including Social Security and SSI benefits, are to be paid by Electronic Funds Transfer (EFT) in lieu of paper checks. However, the head of each agency can waive the requirement for recipients who certify that they do not have a bank account or payment agent. All recurring Federal payments made after January 1, 1999, will be made by EFT. Under certain circumstances, the Secretary of the Treasury may waive this requirement.