

News from Senator

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SOCIAL SECURITY RESCUED



Kansas Senator Bob Dole, Representative Claude Pepper, Senator Daniel P. Moynihan, Representative Barber Conable, and House Speaker "Tip" O'Neill watch as President Reagan signs the "Social Security Amendments of 1983" into law. Senator Dole introduced the bill on January 26.

Dear Friend:

Few government programs are as important to the well-being of the American people as social security. Yet, over the past two years, the trust funds which pay social security benefits were allowed to move dangerously close to insolvency. Responsible reform was blocked by political partisanship.

With the cooperation and leadership of the President and the Speaker of the House, all of this changed in recent months. In January, the President's National Commission on Social Security Reform, of which I was a member, developed a consensus reform plan with broad bipartisan support. Only two months later, on March 25, Congress passed the "Social Security Amendments of 1983" to implement the recommendations of the National Commission. Major groups representing the elderly, working people, and business have come out in support of the legislation.

No one, myself included, is happy with each and every aspect of the bill. The system's financial condition had become so grave, however, that easy or painless solutions were impossible. The important fact is that a consensus was reached on restoring the solvency of social security. Without this legislation, the retirement fund would have been unable to pay full benefits beginning in July. The remainder of the system -- including disability insurance and medicare -- would have been insolvent before the end of the year.

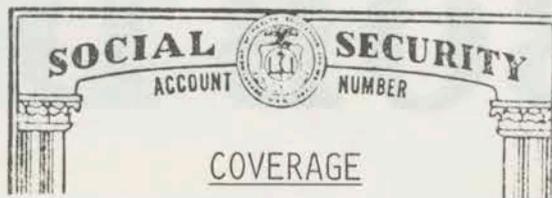
The social security bill requires concessions from everyone who has a stake in social security -- current beneficiaries, the working people who support the system as well as government workers who do not now contribute to the system. Great care was taken to protect those least able to bear an additional burden. Given the choices we faced in the National Commission and in Congress, I believe the social security bill is fair and responsible. I hope you agree.

Sincerely,

Bob Dole



- For current beneficiaries, the annual cost of living adjustment (COLA) will now be payable in January each year rather than July. The full COLA will be paid, but 6 months later. Total benefits in 1984 will still be higher than in 1983 -- by about \$300.
- To protect the elderly poor, Supplemental Security Income (SSI) payments will be increased by \$20 monthly (\$30 for couples) beginning in July. This change will help all elderly, blind, and disabled poor who are on SSI, and will more than compensate for the COLA delay.



- Beginning January 1, 1984, all members of Congress, the President, Vice President and high level political appointees will be covered by social security. All other federal employees hired on or after January 1 will also be covered.
- Current federal employees and those already retired will not be affected.
- Employees of nonprofit organizations will also be covered. State and local governments will no longer be permitted to opt out of social security.



ELIMINATING INAPPROPRIATE BENEFITS/ IMPROVING EQUITY

- In addition to all the "big issues" addressed by this legislation, this bill makes a number of small, but important, improvements in the way benefits are distributed. There are five provisions, for example, which will improve the adequacy of benefits for divorced and widowed women, thereby making headway toward a more equitable system for women.
- At the same time, scarce dollars will no longer be spent on inappropriate benefits. The administration of the program will be improved to help ensure that benefits will not be paid to deceased people. Also, benefits will no longer be paid to convicted felons who are in jail. Finally, benefits will be suspended to aliens abroad who are drawing benefits as dependents or survivors without having lived in the U.S. as a relative to the wage earner on whose account they are drawing benefits.



EMERGENCY EXTENSION OF UNEMPLOYMENT BENEFITS

A provision of the Social Security Amendments of 1983 extends the temporary Federal Supplemental Compensation (FSC) Program for six months, through September 30, 1983. Without this extension, unemployment benefits for over 9,300 Kansans would have ended on March 31. Under the extension, unemployed workers in Kansas receiving FSC for the first time after April 1, are eligible for 10 weeks of benefits. For unemployed workers who exhaust their FSC entitlement before April 1, an additional 8 weeks of benefits is available. These benefits are financed by the federal government and do not impose an additional tax burden on Kansas employers. Over the 12-month life of the FSC program (September 1982-September 1983), unemployed workers in Kansas will receive an estimated \$50-55 million in benefits. By the end of the program, some 40,000 Kansans will have received unemployment benefits under FSC.

Judging from my recent constituent mail, there appears to be a misunderstanding about congressional salaries. For the record, the Senate has not received a pay raise. Members are allowed to earn outside income, from which they pay regular income taxes, just as they do on their Senate salary.

MISSION IMPOSSIBLE ACCOMPLISHED
BIPARTISAN EFFORTS SAVE SOCIAL SECURITY

In the early hours of March 25, Congress surprised the skeptics by approving the social security rescue plan, which I introduced on January 26, 1983.

As a member of the President's National Commission on Social Security Reform, and Chairman of the Senate Finance Committee, which has jurisdiction over social security, I took a special interest in the passage of the rescue package.

The landmark legislation is the result of a true bipartisan effort to save the 48-year-old retirement system.

The compromise combined Republicans and Democrats, from President Reagan to Speaker Tip O'Neill; labor leaders and senior citizens, from Lane Kirkland of the AFL-CIO to distinguished spokesman for the elderly, Claude Pepper; and dedicated men like noted economist Alan Greenspan.

Representative Claude Pepper

"The changes made in the Commission agreement are designed to make the social security system safe, solvent, sound and secure for now and for future generations."

Pittsburg Sun - Pittsburg, Kansas

"Dole deserves strong commendation for taking the lead in social security reform."

President Ronald Reagan

"My fellow Americans, I think we've got a great deal. Our elderly need no longer fear that the checks they depend on will be stopped or reduced."

Senate Majority Leader Howard Baker

"On occasion we can rise above politics and confrontations and address on a bipartisan basis the great challenges and issues that confront the republic. The preservation of social security is one of those issues."

Speaker of the House of Representatives Thomas P. "Tip" O'Neill, Jr.

"(The signing of the Social Security Amendments) was a happy day for America."

Los Angeles Times

"Congress has moved the social security system closer to a safe harbor where it should be protected...."

James J. Kilpatrick, Syndicated Columnist

"...the compromises worked out by the Commission probably are the best that can be politically achieved."



Included in the Social Security Amendments were a series of changes which will revolutionize the way medicare pays hospitals.

Despite program reductions in 1981 and 1982, medicare outlays are projected to grow rapidly in future years. These outlays, which are expected to increase at an average of 14 percent per year, are a serious problem not only for the budget as a whole, but also for the solvency of the medicare health insurance trust fund. One of the reasons cited for these increases has been the way medicare pays hospitals. Currently, the more costs hospitals incur, the more they are paid. The Social Security Amendments address this particular problem through the establishment of a prospective payment system for hospitals.

TAXES

- For working people, part of the social security tax increases already scheduled in the law (by legislation passed in 1977) will be accelerated. There will be no increase in the permanent tax rate scheduled for 1990, however. In recognition of the fact that social security taxes are already a heavy burden, a tax credit will be provided against the full amount of the increase in the employee tax in 1984.
- The self-employed will also have their taxes increased. This was necessary to equalize their contribution to the trust funds with that of a worker and his employer. Again, the added burden of these tax increases will be moderated by credits against self-employed taxes between 1984 and 1989, replaced by income tax deductibility of self-employed taxes in 1990.
- For high income beneficiaries, half of social security benefits will become subject to federal income tax. Only those people whose adjusted gross income, plus tax-free interest income, plus half of social security benefits exceeds \$25,000 (\$32,000 for couples) will be affected in any way.

LONG-RANGE REFORM/

ELIMINATION OF WORK DISINCENTIVES

- The age at which full retirement benefits are paid will be gradually increased from 65 to 67. Early retirement benefits will continue to be payable at age 62. Only those attaining 62 after the turn of the century will be affected.
- Beginning in 1990, people who voluntarily delay retirement will have their benefits increased. The delayed retirement credit will be gradually raised from 3 percent to 8 percent a year.
- Also beginning in 1990, the retirement-earnings test -- which penalizes older Americans who continue to work -- will be liberalized. Benefits will only be reduced by \$1 for each \$3 earned in excess of the exempt amount (which is \$6,600 this year).
- Together, these three reforms will adjust the system to take account of the increased life expectancy of Americans and will provide real incentives for older people to continue working.

United States Senate

WASHINGTON, D.C. 20510

Bob Dole

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Address Correction Requested