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# Committee on Economic Security

Walker-Johnson Building
1734 New York Avenue N.W.
Washington



May 6, 1935

Hon. Harry L. Hopkins
Director, FERA
Washington, D. C.

Dear Sir:

We are sending you herewith a copy of the Social Security Bill as it passed the House of Representatives on April 19, and also two charts summarizing the provisions of particular interest to states. The Social Security Bill is now before the Senate, and, of course, is subject to amendment before final action.

If the Social Security Bill is enacted the Federal grants-in-aid to the states will be available on July 1 of this year. The conditions imposed in connection with these aids are summarized in the charts. Most of the state legislatures which have adjourned have already amended their old age pension laws to conform to the conditions imposed by the pending Federal legislation. A number have enacted entirely new old age pension laws. Three states - New York, Utah, and Washington - have adopted unemployment compensation laws which become effective at the same time as the Federal tax for this purpose - January 1, 1936.

The Federal Social Security Bill has been referred to the Finance Committee of the Senate, which held public hearings on it in January and February. The large majority in favor of the bill in the House of Representatives, 372 to 33, is evidence that there are excellent chances for it to be passed in this session of Congress. We therefore consider that the states can confidently proceed with their plans to enact legislation which will take advantage of the benefits accruing from the Social Security Bill. If this Committee can be of any assistance in connection with your state legislation dealing with social security, we shall be glad to have you call upon us.

Very truly yours,

COMMITTEE ON ECONOMIC SECURITY

Joseph P. Harris

Assistant Director

# SUMMARY OF THE SOCIAL SECURITY BILL H. R. 7260

April 10, 1935

This bill now pending before Congress embodies the administration's program for social security. It is based upon the recommendations of the President's Committee on Economic Security, although the Wagner-Doughton-Lewis Bill as originally introduced has been greatly revised by the Ways and Means Committee.

The bill may be divided into five broad divisions as follows:

1. Old Age Security
2. Unemployment Compensation
3. Aid to Dependent Children
4. Maternal and Child Welfare
5. Extension of Public Health Services

The provisions of the bill dealing with these subjects will be outlined briefly.

## I

## Old Age Security

Two separate but complementary measures are provided to assure against dependency and want in old age:

A. Grants-in-aid by the federal government to the states for state old-age assistance (Title I): The federal aid provides for 50 percent matching of state and local expenditures for old age assistance of persons over 65 years of age, but the federal aid will not exceed $15 per month in any case. Conditions required of the state in order to receive federal aid are:

1. A state-wide old age plan;

2. Some financial support by the state;

3. State administration or supervision of the plan;

4. Permission to persons denied pensions to appeal to state agency;

5. Methods of administration (other than personnel) found necessary by the Social Security Board for the efficient operation of the plan;

6. Reports to the Social Security Board;

7. One-half of any collections made by the state from the estate of a recipient of old-age assistance, to be paid to the United States;

8. Old-age assistance granted to persons of 65 years of age after January 1, 1940, but until that time it is permissible to limit assistance to persons who are 70 years of age or over;

9. Residence requirement may not exceed five years within the preceding nine years;

10. No disqualification of citizens of the United States - for example, a requirement of citizenship for a period of years.

The appropriation authorized for old-age assistance for the first year, ending July 1, 1936 is $49,750,000. Thereafter there is authorized to be appropriated a sum sufficient to carry out the purposes of this part of the act.

B. Federal Old-Age Benefits (Title II): In order to make more adequate provision for old age than can ever be provided under gratuitous old-age assistance paid for by taxation - local state and federal - the Social Security Bill

also provides for federal old-age benefits. The principal features of this plan are as follows:

1. Coverage: all employees under 60 years of age on January 1, 1937, except those engaged in:

   a. Agriculture,

   b. Domestic service in a private home

   c. Casual labor not in the course of the employer's trade or business,

   d. Operating vessels, as officers and members of the crew,

   e. Public employment,

   f. Religious, charitable, scientific and educational work for institutions not operated for profit.

2. Benefits:

   a. Begin - 1942

   b. Amount - minimum - $10 per month; maximum - $85 per month, based upon wages received after December 31, 1936, and before employee reaches 65 years. Employees who enter the system while young and pay taxes upon their wages over the normal span of 40 to 45 working years receive much larger benefits than employees who are now middle aged or older, and who consequently have fewer years under the system, but there are adjustments favoring the workers who, by reason of their present ages will be under the plan less than

the normal length of time.

c. Illustrative scale of benefits for worker with 40 years of employment under the system:

| average salary per month | average monthly benefits |
|---|---|
| $ 50 | $32.50 |
| 100 | 51.25 |
| 150 | 61.25 |
| 200 | 71.25 |
| 250 | 81.25 |

3. Administration: by the Social Security Board.

4. Financial support; taxes levied in Title VIII on employers and employees, starting at 1 percent on each in 1937, and increasing at three year intervals to 3 percent each in 1949.

5. Death benefits: an employee who dies before age 65 has paid to his estate 3½ percent of his wages as defined under the act, which represents approximately the taxes which he has paid plus interest. If he dies after 65 his estate is entitled to receive 3½ percent of his wages prior to 65 years, less the amount of benefits already paid to him.

6. Minimum qualifications for benefits: five years employment and a total of $2000 wages (as defined under act). Employees unable to qualify for benefits receive a lump sum payment of 3½ percent of wages at 65 years.

These two complementary measures constitute the program for old age security. State old-age assistance with the help of the federal

government, will provide for those who are now old and are dependent upon the public for support, and also for needy aged persons in the future who are not under the federal old-age benefits system. The latter system will enable employed persons who are not yet old, with the help of their employers, to make their own provision for old age, which they will receive as a right upon reaching 65, and not as a public charity.

II

Unemployment Compensation

Two titles of the bill deal with unemployment compensation (less accurately called unemployment insurance). Title III provides federal grants in aid to the states for the administration of unemployment compensation plans. Title IX levies a tax upon employers against which contributions to state unemployment compensation plans may be credited up to 90 percent of the federal tax. This tax is designed to remove the principal obstacle to the adoption of state unemployment compensation systems by providing a uniform tax upon employers throughout the country for this purpose. The principal features of this tax are as follows:

1. Coverage: Employers of ten or more employees within 20 weeks of any year, with the same exemptions as the tax to pay for old-age benefits.

2. Rates: 1936 - 1 percent; 1937 - 2 percent; 1938 and thereafter - 3 percent.

3. Credit of up to 90 percent of tax allowed for payments to state unemployment compensation plans under the following conditions:

a. Compensation to be paid through public employment offices;

b. No compensation to be payable until after two years;

c. State unemployment fund to be deposited with the Unemployment Trust Fund of the United States Treasury;

d. State fund to be used exclusively for unemployment compensation;

e. Compensation not to be denied any eligible person for refusal to accept work if (1) the position vacant is due to a strike, lockout, or labor dispute, (2) the wages, hours, or conditions of work are substantially less favorable to the worker than those prevailing in the locality, or (3) if the worker would be required to join a company union or to refrain from joining a bona fide labor organization;

f. State to retain the right to repeal or modify its system.

Federal aid to the states for the administration of unemployment compensation plans is provided in title III of the bill. It is assumed that this will be sufficient to pay the cost of administering the state unemployment compensation plans, no matching by the state being required. The 10 percent of the federal payroll tax for unemployment compensation, which is not subject to a credit and must be paid into the United States Treasury, will about equal the federal aid for this purpose. In order to qualify for this aid the state plans for unem-

ployment compensation must conform to about the same conditions as provided for credit against the unemployment compensation payroll tax.

These two measures are designed to encourage the states to enact unemployment compensation legislation. The uniform tax throughout the country will remove the principal obstacle. The federal aid will permit a necessary minimum of federal assistance and supervision.

III

Aid to Dependent Children (Title IV)

A federal appropriation of $24,750,000 is authorized for 1936, and as much annually thereafter as may be needed, to aid states in maintaining dependent children in their own homes. This aid is primarily designed to take care of children in homes without a wage earner, usually headed by a widowed, divorced, or deserted mother. 45 states have such legislation usually known as "mothers' pension laws".

The federal aid is limited to one-third of the total amount paid, and to certain maximum limits fixed in the bill. The state must conform to certain conditions, similar to those provided for old-age assistance.

IV

Maternal and Child Welfare (Title V)

The appropriations authorized for these purposes are as follows:

| | | |
|---|---|---|
| A. | Maternal and Child Health Services | $3,800,000 |
| B. | Crippled Children | 2,850,000 |
| C. | Child Welfare | 1,500,000 |
| D. | Vocational Rehabilitation | 841,000 |

In each of these appropriations state that matching is required.

The Children's Bureau has charge of the administration of the appropriations, except that for vocational rehabilitation.

V

Public Health Services (Title VI)

Of the $10,000,000 authorized for extension of public health services, $8,000,000 is for grants-in-aid to the states. These grants are designed to aid the states in establishing and maintaining adequate public health services and the training of personnel. They are to be administered by the Public Health Service.

Summary

The Social Security Bill is an important step toward a well rounded plan for social security. The social insurance features of the measure have been based upon careful actuarial studies, as well as experience in other countries. The bill provides practicable measures for protection against the greatest hazards of industrial society causing dependency and want, namely, unemployment and old age. It also provides measures of protection to children, and for an extension of public health measures.

Additional copies available on request
to the
Committee on Economic Security
1734 New York Avenue, N.W.,
Washington, D.C.

SUMMARY OF THE PROVISIONS OF THE SOCIAL SECURITY BILL (H.R. 7260) RELATING TO FEDERAL AIDS TO THE STATES
(As passed by the House of Representatives, April 19, 1935.)

| | OLD AGE ASSISTANCE | AID TO DEPENDENT CHILDREN | MATERNAL AND CHILD HEALTH | CRIPPLED CHILDREN | CHILD WELFARE | PUBLIC HEALTH |
|---|---|---|---|---|---|---|
| Federal appropriation available July 1, 1935 | $ 49,750,000 | $ 24,750,000 | $ 3,800,000 | $ 2,850,000 | $ 1,500,000 | $ 8,000,000 |
| Sections of Social Security Bill (inclusive) | 1 - 6 | 401 - 406 | 501 - 505 | 511 - 515 | 521 | 601 - 603 |
| Federal Agency | Social Security Board | | Children's Bureau | | | Public Health Service |
| Amount of aid to States and basis of allotment | (a) Not to exceed 50% of total payments; payments in excess of $30 per month per person not counted in determining Federal aid.<br>(b) 5% of total payments for administration and/or assistance. | Not to exceed 33 1/3% of total payments; payments in excess of $18 per month for first child and $12 per month for additional children not counted in determining Federal aid. | (a) $20,000 to each State<br>(b) $1,800,000 allotted in proportion to live births<br>(c) $980,000 allotted on basis of need of individual State. | $20,000 allotted to each State; remainder allotted on basis of need, taking into account the number of crippled children in need of such service and the cost thereof. | $10,000 allotted to each State; remainder allotted in proportion to rural population. | Entire sum allotted on basis of (1) population, (2) special health problems, and (3) financial needs, after consultation with the State health authorities. |
| State matching required | (a) - 50%<br>(b) - Not required | 66 2/3% | (a) and (b) - 50%<br>(c) - Not required | 50% | Not required | Not required |
| Method of making allotments | Allotments made quarterly on basis of estimated expenditures and investigations by the Federal agency. | | | | Allotted annually. | Allotted annually. |
| Definitions | Assistance to individual 65 years or older not an inmate of a public institution. | Assistance to child under 16 years living with enumerated relatives in a residence maintained as a home. | Assistance in promoting health of mothers and children. | Services to crippled children or to children suffering from conditions leading to crippling. | See below under conditions. | See below under conditions. |
| Conditions for Approval of State plans | 1. A State plan. For old age assistance and aid to dependent children, the plan must be State-wide, and if administered by local subdivisions, be mandatory.<br>2. A State agency must be appointed or designated to administer or to supervise the administration. For maternal and child health, the State health agency must be used.<br>3. Financial participation by the State.<br>4. Methods of administration (other than those relating to selection, tenure, and compensation of personnel) found necessary for the efficient operation of the plan.<br>5. The submission of reports in such form and containing such information as may be prescribed by to the Federal agency. | | | | The only conditions are those involved in the purposes of the act, which are to cooperate with the States "in establishing, extending, and strengthening, in rural areas, public-welfare services for the protection and care of homeless, dependent, and neglected children, and children in danger of becoming delinquent." | The only conditions are those involved in the purposes of the act, which are to assist States "in establishing and maintaining adequate public-health services, including the training of personnel for State and local health work." |
| | 6. Persons denied assistance must be permitted to appeal to the State agency.<br>7. One-half of any recovery by the State from the recipient or his estate to be paid to the United States.<br>8. After January 1940 State laws must provide an age limit of not over 65 years, but until then a 70 year limit is permissible.<br>9. State residence requirements may not exceed 5 years within last 9 years. One year of residence immediately preceding application may be required.<br>10. Citizens of the United States may not be disqualified, as, for example, by a requirement of 10 years of citizenship. | 6. Persons denied aid must be permitted to appeal to the State agency.<br>7. State residence requirement must not disqualify a child who has resided in the State for a year or who was born within the State during the preceding year. | 6. Provides for the extension and improvement of local maternal and child health services administered by local units.<br>7. Provides for cooperation with medical, nursing and welfare groups and organizations.<br>8. Provides for development of demonstration services in needy areas and among groups in special need. | 6. Provides for carrying out the purposes of the appropriation.<br>7. Provides cooperation with medical, health, nursing, and welfare organizations and with agencies charged with vocational rehabilitation of physically handicapped children. | | |

NOTE: In case of the failure of a State with an approved plan to comply substantially with the provisions of the law, the Federal agency may withhold further payments, but is required to give notice and opportunity for hearing to the State agency, except for which welfare and public health aids.

The Social Security Bill also authorizes an appropriation of $841,000 for grants to the States for vocational rehabilitation under the provisions of existing law.

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# SUMMARY OF PROVISIONS OF THE FEDERAL SOCIAL SECURITY BILL RELATING TO UNEMPLOYMENT COMPENSATION

(H. R. 7260 as passed by the House of Representatives, April 19, 1935)

## FEDERAL TAX UPON EMPLOYERS (TITLE IX)

### Coverage (Sec. 907c)

Employers of ten or more employees within 20 weeks of any year, except the following employments:

1. Agricultural labor.
2. Domestic service in a private home.
3. Service as officer or member of the crew of a vessel on the navigable waters of the United States.
4. Service performed by an individual in the employ of his son, daughter or spouse or by a child under 21 years in the employ of his father or mother.
5. Public employees.
6. Employees of religious, charitable, scientific, literary or educational institutions which are non-profit.

### Rates (Sec. 901) — 1936 - 1%; 1937 - 2%; 1938 and thereafter - 3%.

### Credit Allowed for Payments to State Unemployment Compensation Plans (Sec. 902)

Not to exceed 90% of Federal tax.

### Conditions Required of State Unemployment Plans for Allowance of Credit (Sec. 903a)

1. Compensation to be paid through public employment offices;
2. No compensation to be payable until after two years;
3. State unemployment fund to be deposited with the Unemployment Trust Fund of the United States Treasury;
4. State fund to be used exclusively for unemployment compensation;
5. Compensation not to be denied any eligible individual for refusal to accept work if (1) the position vacant is due to a strike, lockout, or labor dispute, (2) the wages, hours, or conditions of work are substantially less favorable to the individual than those prevailing in the locality, or (3) if the individual would be required to join a company union or to resign from or refrain from joining a bona fide labor organization;
6. State must retain the right to repeal or modify its system;
7. The State unemployment compensation fund must be a general, state-wide, pooled fund. (Sec. 907e)

### Revocation of Approval of State Plans (Sec. 903b)

The Social Security Board may at the end of any year refuse to certify any State whose plan has been previously approved in case the State law has been changed so that it no longer complies with the above conditions, or if the State has failed to comply substantially with these conditions.

### Unemployment Trust Fund (Sec. 904)

All moneys received in the State unemployment fund must be deposited in the Federal Unemployment Trust Fund maintained by the United States Treasury, subject to requisition of the State. The Secretary of the Treasury has no discretion to refuse to pay out funds requisitioned by a State. These funds are invested by the Treasury and bear interest at the average rate paid by the United States upon all interest-bearing obligations. A separate account is maintained for each State.

## FEDERAL GRANTS TO THE STATES FOR THE ADMINISTRATION OF UNEMPLOYMENT COMPENSATION (TITLE III)

### Amount Federal Appropriation Authorized (Sec. 301)

Fiscal year ending June 30, 1936--$4,000,000; thereafter--$49,000,000 annually

### Amount of Grants to Each State (Sec. 302a)

"Such amount as the Social Security Board determines to be necessary for the proper administration of the State plan", taking into account:

1. Population of the State;
2. Number of persons covered by State law and the cost of proper administration thereof;
3. Such other factors as the Board finds relevant.

### State Matching Required

None. It is anticipated that the Federal grants will cover the entire administrative costs.

### Conditions Required of State Unemployment Compensation Administration to Receive Federal Grants (Sec. 303a)

1. "Such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be reasonably calculated to insure full payment of unemployment compensation when due; and
2. "Payment of unemployment compensation solely through public employment offices in the State; and
3. "Opportunity for a fair hearing, before an impartial tribunal, for all individuals whose claims for unemployment compensation are denied; and
4. "The payment of all money received in the unemployment fund of such State, immediately upon such receipt, to the Secretary of the Treasury to the credit of the Unemployment Trust Fund established by section 904; and
5. "Expenditure of all money requisitioned by the State agency from the Unemployment Trust Fund, in the payment of unemployment compensation, exclusive of expenses of administration."
6. The making of reports to the Social Security Board.
7. Making available the employment records of individuals to any agency of the United States charged with the administration of public works or assistance.

### Revocation of Grants (Sec. 303b)

If the Social Security Board finds, after notice and opportunity for hearing to the State agency, either (1) that a substantial number of persons entitled to compensation are being denied compensation, or (2) that the State has failed to comply substantially with the Federal law, it may refuse to make further payments until such matters are rectified.

SUMMARY OF PROVISIONS OF THE FEDERAL SOCIAL SECURITY BILL RELATING TO UNEMPLOYMENT COMPENSATION
(H. R. 7260 as reported out by the Senate Finance Committee, May 20, 1935)

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2. "Payment of unemployment compensation through public employment offices in the State to the extent that such offices exist and are designated by the State for the purpose; and
3. "Opportunity for a fair hearing, before an impartial tribunal, for all individuals whose claims for unemployment compensation are denied; and
4. "The payment of all money received in the unemployment fund of such State, immediately upon such receipt, to the Secretary of the Treasury to the credit of the Unemployment Trust Fund established by section 904; and
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## TITLE IX

### FEDERAL TAX UPON EMPLOYERS

Coverage (Sec. 907)

Employers of four or more employees within 13 weeks of any year, within the United States or upon vessels documented under the laws of the United States except the following employments:

1. Agricultural labor.
2. Domestic service in a private home.
3. Service performed by an individual in the employ of his son, daughter or spouse or by a child under 21 years in the employ of his father or mother.
4. Public employees.
5. Employees of institutions operated for religious, charitable, scientific, literary or educational purposes, or for the prevention of cruelty to children or animals, and which are non-profit.

Rates (Sec. 901) — 1936 - 1% of wages paid; 1937 - 2%; 1938 and thereafter - 3%.

Credit Allowed for Payments to State Unemployment Compensation Plans

1. Amount paid into State unemployment compensation fund, but not to exceed 90% of the Federal tax. (Sec. 902)
2. After 1937 additional credit is also allowable to any employer who because of favorable employment experience or adequate reserves is permitted by the State law to reduce his payments, subject to the following conditions:

   (a) If the employer contributes to a State pooled fund, the lower rate is based upon not less than three years compensation experience.

   (b) If the employer contributes to a guaranteed employment the lower rate is permitted only if the guaranty was fulfilled during the preceding year and the account amounts to not less than 7½% of total wages paid during the preceding calendar year.

   (c) If the employer contributes to a separate reserve account, the lower rate is permitted only if (1) compensation has been payable from the account throughout the preceding calendar year, (2) the account amounts to not less than five times the largest amount of compensation paid during any one of the three preceding calendar years, and (3) such account amounts to 7½% of the wages paid during the preceding year.
3. A guaranteed employment account is defined as a separate account which guarantees in advance 30 hours of wages for 40 calendar weeks, and gives assurance to the State agency for the fulfillment of such guaranties. (Sec. 909)

Conditions Required of State Unemployment Plans for Allowance of Credit (Sec. 903a)

1. Compensation to be paid through designated public employment offices in the State;
2. No compensation to be payable until after two years;
3. State unemployment fund to be deposited with the Unemployment Trust Fund of the United States Treasury;
4. State fund to be used exclusively for unemployment compensation;
5. Compensation not to be denied any eligible individual for refusal to accept work if (1) the position vacant is due to a strike, lockout, or labor dispute, (2) the wages, hours, or conditions of work are substantially less favorable to the individual than those prevailing in the locality, or (3) if the individual would be required to join a company union or to resign from or refrain from joining a bona fide labor organization;
6. State must retain the right to repeal or modify its system

Revocation of Approval of State Plans (Sec. 903b)

The Social Security Board may, at the end of any year after reasonable notice and opportunity for hearing, refuse to certify any State whose plan has been previously approved in case the State law has been changed so that it no longer complies with the above conditions, or if the State has failed to comply substantially with these conditions.

Unemployment Trust Fund (Sec. 904)

All moneys received in the State unemployment fund must be deposited in the Federal Unemployment Trust Fund maintained by the United States Treasury, subject to requisition of the State. The Secretary of the Treasury has no discretion to refuse to pay out funds requisitioned by a State. These funds are invested by the Treasury and bear interest at the average rate paid by the United States upon all interest-bearing obligations. A separate account is maintained for each State.