the floor earlier today with respect to the size of the direct loan program. The Federal Direct Student Loan Program was originally authorized to administer 5 percent of total loan volume as a demonstration program. In 1993–94, the first year of the Direct Lending Program, the Department of Education was authorized to administer 5 percent of total loan volume. The Balanced Budget Act of 1995 imposes a 10-percent cap on direct loans, and ensures that all schools who participated in the first year of the program will continue to serve as the demonstration group, thereby allowing a proper test to take place.

I would also like to be very clear about the impact of the proposed 10-percent cap: a 10-percent cap on direct loans will in no way affect any student's ability to receive a student loan. The law requires that the eligibility requirements for both loan programs be identical, and therefore a 10-percent cap on direct loans will not limit any student's ability to receive the loans they need to attend college. The administration continues to try to frighten students and their families by implying that a cap on direct lending will limit student loans, but this is simply not the case: a cap on direct lending only affects how the loans are delivered—it does not affect loan access or availability.

THE SENIOR CITIZENS' FREEDOM TO WORK ACT OF 1995

Mr. ROTH. Mr. President, yesterday the Finance Committee reported out S. 1470 with technical changes. The committee will not file a written report. For the benefit of my colleagues, the following is a synopsis of the bill's provisions.

The Social Security retirement earnings limit for senior citizens age 65 to 69 is gradually increased from the 1995 level of $11,280 to $30,000 by the year 2002. The cost of the retirement earnings limit proposal is offset by the following reforms: Drug addicts and alcoholics will no longer qualify for SSI and SSDI disability benefits solely by reason of their addiction; and stepchildren will no longer qualify for Social Security dependents' benefits unless their stepparent provides at least 50 percent of the stepchild's support; such benefits will terminate the month following the divorce.

A new revolving fund is created within the SSDI Trust Fund to provide a stable source of funds for the Social Security Administration to conduct continuing disability reviews of SSDI recipients.

The legislation clarifies that the Secretary of the Treasury and other Federal officials are not authorized to underinvest and/or disinvest Social Security and Medicare funds in Federal securities or obligations in order to avoid the limitations on the public debt.

Mr. President, I ask unanimous consent that the synopsis of S. 1470 be printed in the RECORD, together with a letter from John D. Hawke, Under Secretary of the Treasury.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

DESCRIPTION OF PROPOSALS

1. Increase to Social Security retirement earnings limitation

Present Law

Senior citizens age 70 and older receive full Social Security benefits regardless of the amount of earnings they have from wages or self employment.

Senior citizens age 65 to 69 receive full Social Security benefits only if their wages or self-employment income are lower than a retirement earnings limit. The earnings limit is increased annually based on the rate of average wage growth. The estimated limitation amounts under present law for 1995 and the following seven years are:

Year	*Present Law*
1995	$11,280
1996	11,520
1997	11,880
1998	12,240
1999	12,270
2000	13,200
2001	13,800
2002	24,400

Senior citizens age 65 to 69 who earn more than the limit for a year lose $1 in Social Security benefits for every $3 in wages or self-employment income they earn over the limitation amount.

Reason for Change

According to the Social Security Administration, 925,000 beneficiaries between age 65 and 69 lose some or all of their benefits as a result of the earnings limit. Given the combined effects of Federal, State and local income taxes, Social Security payroll taxes, income taxes on benefits, and the earnings limit, senior citizens who earn even moderate amounts over the limit may realize very little financial gain from their labor. These rates are a disincentive to work and penalize retirees who often need to work out of economic need.

Proposed Change

The retirement earnings limit for workers age 65 to 69 is gradually raised to $30,000 by the year 2002 as follows;

Year	*Proposed*
1996	$14,000
1997	15,000
1998	16,000
1999	17,000
2000	18,000
2001	25,000
2002	30,000

After 2002, the limitation amount will increase annually based on the rate of average wage growth.

Senior citizens age 65 to 69 who have wages or self-employment income in excess of the earnings limit continue to lose $1 in Social Security benefits for every $3 earned over the limit.

The substantial gainful activity (SGA) amount used in determining whether an individual under age 65 is eligible for disability benefits on the basis of blindness is not changed. Therefore, it will no longer equal the Social Security retirement earnings limit for senior citizens age 65 to 69. The SGA amount for blind individuals under age 65 will continue at the present law amount ($11,280 for 1995— and will continue to be wage-indexed in future years.

Effective Date

The proposal, phased in gradually over 7 years, would be effective beginning in 1996.

2. Denial of disability benefits to drug addicts and alcoholics

Present Law

Individuals whose drug addition or alcoholism is a contributing factor material to their disability may receive cash disability benefits under the Social Security Disability Insurance (SSDI) program or the Supplemental Security Income (SSI) program through a representative payee for up to three years. These recipients must participate in an approved treatment program when available, and must allow their participation in a treatment program to be monitored. Cash benefits (SSDI or SSI)) end after 36 months, although medical benefits (Medicare or Medicaid) continue if an individual remains disabled by drug addiction or alcoholism.

Reason for Change

The Committee is concerned that the current policy of paying cash Social Security and SSI disability benefits to individuals whose sole severe disabling condition is drug addiction or alcoholism is false compassion and only helps those individuals sustain his/her addiction. Treatment is needed instead. The legislation diverts part of the savings to additional Federal funding to States for drug and alcohol treatment, providing an incentive for States to provide treatment to former recipients.

Proposed Change

The proposal would end entitlement to SSDI and SSI disability benefits if drug addiction or alcoholism is the contributing factor material to the individual's disability. Individuals with drug addiction and/or alcoholism who have another severe disabling condition can qualify for benefits based on that disabling condition.

If a person qualifying for disability benefits based on another disability is also determined to be an alcoholic or drug addict and unable to manage their benefits, a representative payee would be appointed to receive and handle the individual's checks. In the case of any individual whose benefits are paid through a representative payee, the Commissioner of Social Security shall refer that individual to the appropriate State agency for substance abuse treatment services approved under the Public Health Service Act Substance Abuse Prevention and Treatment Block Grant.

For each of fiscal years 1997 and 1998, $50 million will be available to fund additional treatment programs and services through Substance Abuse Prevention and Treatment Block Grant.

Effective Date

Generally, changes apply to benefits for months beginning on or after the date of enactment. However, an individual entitled to benefits before the month of enactment would continue to be eligible for benefits until January 1, 1997. The Commissioner of Social Security must notify such individuals within three months of the date of enactment. The Committee's intent in providing this partial grandfather is to allow current beneficiaries to complete treatment and to allow the Social Security Administration to determine in an orderly fashion if such individuals are disabled by another condition.

Those who wish to reapply for benefits must do so within four months after the date of enactment in order to qualify for priority redetermination of eligibility. The Commissioner must make these determinations within one year after the date of enactment for individuals who reapply.

In addition, in the case of an individual with an alcoholism or drug addiction condition who is entitled to Social Security or SSI disability benefits on the date of enactment, the representative payee and referral to treatment requirement will apply on or after the first continuing disability review occurring after enactment.

3. Entitlement of stepchildren to Social Security dependent benefits

Present Law

Generally a child, including a stepchild, under age 18 (or under age 19 in the case of an individual attending elementary or secondary school full-time) may be entitled to receive Social Security benefits as the dependent child of a worker when the worker retires, becomes disabled, or dies.

A stepchild is deemed dependent on a stepparent if he/she lives with the stepparent or receives one-half of his/her support from the stepparent. Social Security dependent benefits continue to be paid to a stepchild after the child's natural parent and the stepparent divorce. Continuation of those benefits after divorce may reduce the amount available for payment to other children entitled to receive Social Security Dependent benefits based on the worker's record.

Reason for Change

Under current law children who are entitled on a worker's record may be unnecessarily penalized by the entitlement of a stepchild who has other means of support. This change would result in the payment of benefits only to stepchildren who are truly dependent on the stepparent for their support, and only as long as the natural parent and stepparent are married.

Proposed Change

Social Security dependents' benefits are payable to a stepchild only when the stepparent provides at least 50 percent of the stepchild's support upon application for benefits. A stepchild is eligible for survivors' benefits upon the death of a stepparent if the stepparent provided at least 50 percent of the stepchild's support immediately preceding death.

In addition, a stepchild's Social Security benefits based on the work record of his/her stepparent are terminated the month following the divorce of the child's natural parent and stepparent. The stepparent must also notify the Social Security Administration of the divorce and the Social Security Administration is required to notify annually those potentially affected by this provision.

Effective Date

The proposal is generally effective three months after date of enactment for new entitlement of stepchildren to benefits and for divorces finalized after that period.

4. SSDI revolving fund for continuing disability reviews

Present Law

The administrative costs of conducting continuing disability reviews (CDRs) of individuals receiving Social Security disability benefits are provided through an appropriation of trust fund monies, and are considered discretionary spending subject to the domestic discretionary spending cap of the Budget Enforcement Act.

Reason for Change

Limited administrative resources have prevented the Social Security Administration from keeping up with CDRs, which estimates that for every $1 spent conducting CDRs, $6 are saved in benefits that would otherwise be paid to individuals who are no longer disabled. The Social Security Administration estimates that the failure to perform timely CDRs between 1990 and 1995 will cost the SSDI Trust Fund $2.3 billion by 1999. The proposed revolving fund would be a source of non-appropriated administrative resources to finance CDRs, enabling SSA to perform this essential program-integrity work.

Proposed Change

A revolving fund is established in the Social Security Disability Insurance (SSDI) Trust Fund as a source of non-appropriated administrative funds to finance Social Security CDRs. At the start of each fiscal year, the revolving fund will be credited with an amount equal to the estimated present value of savings to the SSDI and Medicare trust funds achieved as a result of CDRs of beneficiaries conducted in the prior fiscal year—except for the first year, during which $300 million will be credited. These amounts will be calculated by the Social Security Administration's Chief Actuary, with appropriate adjustments made annually in subsequent years. Amounts credited to the revolving fund are available for all expenditures related to conducting CDRs by the Social Security Administration and appropriate State agencies.

In addition, the position of Chief Actuary in the Social Security Administration is established in law.

Effective Date

The revolving fund is effective for fiscal years beginning after September 30, 1995, and sunsets September 30, 2005.

5. Protection of Social Security and Medicare trust funds

Present Law

The various authorizing statutes of the major Federal trust funds require that any program income not needed to meet current expenditures be invested in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. The vast majority of these securities are ''special issue'' non-marketable obligations of the United States. Virtually the entire amount of securities held by the Federal trust funds is considered Federal debt subject to the statutory debt limit.

Reason for Change

Since late October, the total amount of the public debt obligations has been very close to the public debt limit. This has given rise to concerns that the Social Security and Medicare Trust Funds might be under invested or disinvested for debt management purposes. While the Administration has stated that it would not take such action, the Committee concluded that it was desirable to make clear in law that these funds could not be used for debt management purposes. In clarifying this, the Committee does not intend that the legislation authorize conduct in contravention of any other applicable provision of law, such as the public debt limit.

The Committee seeks to assure that, to the maximum extent possible under the statutory debt limit, the Secretary of the Treasury and other Federal officials shall invest and disinvest Social Security and Medicare trust funds solely for the purposes of accounting for the income and disbursements of these programs. The Committee further intends that the investments of the trust funds are made timely, in accordance with the normal investment practices of the Treasury, and are not drawn down prematurely for the purposes of avoiding limitations on the public debt or to make room under the statutory debt limit for the Secretary of the Treasury to issue new debt obligations in order to cover other expenditures of the Government.

Proposed Change

The legislation codifies Congress' understanding of present law that the Secretary of the Treasury and other Federal officials are not authorized to use Social Security and Medicare funds for debt management purposes. 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 cash benefit programs. The Committee intends that these requirements be carried out to the maximum extent possible under the statutory debt limit. The legislation applies to the following trust funds:

1. Federal Old-Age and Survivors Insurance (OASI) Trust Fund;
2. Federal Disability Insurance (DI) Trust Fund;
3. Federal Hospital Insurance (HI) Trust Fund; and
4. Federal Supplementary Medical Insurance (SMI) Trust Fund.

Effective Date

The proposal is effective upon date of enactment.

BUDGET EFFECTS OF THE BILL

According to preliminary estimates of the Congressional Budget office, the legislation will reduce mandatory spending by $200 million over seven years (FY 1996–2002) and by $2.7 billion over ten years (FY 1996–2005).

MISCELLANEOUS

Attached is a letter from John D. Hawke, Jr., Under Secretary of the Treasury for Domestic Finance, providing comments on the proposal to protect the Social Security and Medicare trust funds as originally introduced. The legislation reported by the Committee includes a modification of this proposal to address these concerns.

DEPARTMENT OF THE TREASURY,
Washington, DC, December 15, 1995.

Hon. WILLIAM V. ROTH, JR.
Chairman, Senate Finance Committee
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: Our comments have been requested with respect to the provisions of Section 6 of S. 1470, the ''Senior Citizens' Freedom to Work Act of 1995.'' This section of the bill is intended to provide protections to the Social Security and Medicare trust funds at times when the public debt limit might otherwise cause certain adverse consequences with respect to those funds.

The Administration shares the objective of protecting the beneficiaries of these funds. As you know, both the President and the Secretary of the Treasury have stated that the Secretary has no authority to redeem securities from the Social Security fund for any purpose other than to assure the payment of benefits. The same principle would apply as well to the other 178 trust funds that are not subject to the Secretary's express debt management powers.

Section 6 would do the following:

It would require that all revenues received or held by these funds be invested in public debt obligations, ''notwithstanding any other provision of law.'' Thus, it would effectively create an exception to the debt limit to permit the investment of incoming receipts of these funds.

It would forbid the ''disinvestment''—that is, the redemption prior to maturity—of securities held by the funds if a purpose thereof were ''to reduce the amount of outstanding public debt obligations.''

It would allow Treasury to disinvest the funds and to issue corresponding new public debt, ''notwithstanding the public debt limit,'' to the extent necessary to raise cash to pay benefits to fund beneficiaries.

The provision of Section 6 would, however, have serious adverse consequences, and would present certain practical problems that could frustrate or impede the realization of its objectives:

First, the continued investment of new fund receipts, notwithstanding the debt limit, would cause outstanding Treasury debt to exceed the debt limit in an ever increasing amount. This would prohibit Treasury from issuing any other new Treasury debt. Even the rollover of maturing debt would be precluded so long as outstanding debt remained over the debt limit. As a consequence we would face imminent default on all other outstanding obligations.

Because no other new debt could be issued, the bill would also remove Treasury's ability to raise cash to pay benefits from other trust funds, even after a disinvestment of securities held by such funds.

Second, while the bill intends to protect the ability to make payments to fund beneficiaries at times when the debt limit would otherwise preclude such payments, as a practical matter it cannot be assured that the protected payments could actually be made, given the current methods of paying government obligations.

The Federal Reserve's current procedure, when government checks are presented for payment, is to give immediate credit to the presenting bank. Incoming checks are not actually sorted for several days after presentment. There is not presently in place any operational capability that would permit a distinction to be made between protected benefit checks and all other checks being presented for payment.

While the bill would require the Secretary to institute procedures to assure that the protected benefits are paid when due, we estimate that it would take a minimum of three months, and perhaps longer, to institute the changes in the payments system necessary to provide this assurance.

Finally, the protected payment procedures prescribed by this legislation would only be triggered when we were in, or on the brink of, default.

Since the country has never in its history experienced a default, it is impossible to determine whether or to what extent it would be possible for Treasury to sell new debt to the public to make the protected payments.

In such a situation, all other payment obligations of the United States would either be in default or would be ''queued up'' for payment as cash became available.

We would be pleased to work with the Committee to try to develop legislative language that would carry out the objectives that we share, while avoiding the adverse consequences we see flowing from the language in the current bill.

We continue to believe, however, that the most effective and certain means for assuring that the interests of beneficiaries of Social Security and Medicare—as well as all other trust funds—are fully protected, is promptly to enact a clean permanent increase in the debt limit.

Sincerely,

JOHN D. HAWKE, Jr.,
Under Secretary of the Treasury for Domestic Finance.

THE BAD DEBT BOX SCORE

Mr. HELMS. Mr. President, as of the close of business yesterday, December 14, the Federal debt stood at $4,989,708,383,241.14, a little more than $10 billion shy of the $5 trillion mark, which the Federal debt will exceed in a few weeks.

On a per capita basis, every man, woman, and child in America owes $18,941.02 as his or her share of that debt.

THE LAUTENBERG AMENDMENT

Mr. SIMPSON. Mr. President, earlier today, Senator LAUTENBERG responded to a statement I made yesterday regarding the so-called Lautenberg amendment.

In defending this abused program, which has made a farce of the Refugee Act, my friend and colleague claimed that the beneficiaries ''have to prove a credible fear'' of persecution before they qualify.

Yet, in fact, these people do not have to prove a credible fear of persecution; rather all they have to do is assert a fear of discrimination. Discrimination, Mr. President, is not persecution; and asserting a fear is not proving it. All other refugees in the world who are coming to this country are required to prove a ''well-founded fear of persecution.''

Senator LAUTENBERG responded to the reports of criminals using this program to enter the United States by saying it wasn't designed to ''allow criminals to enter.'' He said it is the responsibility of the INS and the State Department to prevent criminals from using the program.

I would remind my good friend that when the INS tried its level best to effectively screen these people, representatives of ''the groups'' went directly to Moscow to insist upon lower standards. Do not blame the Justice and the State Departments alone for this fiasco. ''The groups'' and their skilled lobbyists created this one from whole cloth.

Senator LAUTENBERG said he was surprised to hear me refer to Russia as our ''best friend.'' Perhaps best friend was a bit of an overstatement, but they are certainly among our friends, and certainly this administration and this President as well as the previous administration have gone out of their way to cultivate friendly relations with that country. Whether it is a best friend or a good friend, there is certainly no justification whatever—at this present day—for some blanket ''presumption'' of ''refugeeness'' for any of their citizens who happen to belong to one of several religious groups, some of whose members have been subject to discrimination or even persecution in the past.

However, the most astounding thing the Senator from New Jersey said was that the program ought to be extended for another year. Even if we cut this off today, there are 100,000 of these beneficiaries of the Lautenberg amendment already ''in the pipeline.'' That means that even without an extension we will have 35,000 entering every year for the next 3 years.

I can only reply to my friend that he should read again the article I placed into the CONGRESSIONAL RECORD yesterday, and I respectfully recommend that he should talk to the Immigration Service about the current traffic from Moscow regarding this program.

How can any of us support a program where only one-half of 1 percent of those applying now could qualify as a ''refugee'' under the American and the international law definition of ''refugee''? We make a mockery of the law if we do so.

Why should the American taxpayer provide our severely limited refugee aid for these persons, who are actually regular ''immigrants,'' not ''refugees.''

These ''asserters'' are not even required to prove a well-founded fear of persecution, so we have absolutely no assurance that they are, in fact, refugees. And more importantly please recall that when they do receive permission to enter the United States, they take months, even sometimes more than a year, to decide whether or not they really want to come here.

About 40,000 of them who are authorized to come here are lingering in the former Soviet Union, weighing their options. They are clearly in no hurry. That is what an immigrant ordinarily does—to calmly, and without urging, weigh all the pluses and minuses of staying or going to the United States. A true refugee does not have any possible luxury of such a lengthy, deliberative process. After all they are required to be ''fleeing'' or have a ''well founded fear'' of persecution.

Again, I urge the conferees on the State Department reauthorization bill to insist upon the Senate provisions and not continue this misused program any longer.

RETIREMENT OF LEE M. NACKMAN

Mr. SIMPSON. Mr. President, I appreciate the opportunity to take a few brief moments of the Senate's time to acknowledge the impending retirement of Mr. Lee M. Nackman from Federal service.

For nearly 10 years, Mr. Nackman has served as the Director of the Los Angeles VA Outpatient Clinic. During his tenure, he has taken his clinic from substandard basement quarters to a $40 million, state-of-the-art, ambulatory care center in the heart of downtown Los Angeles.

The constituency served by the clinic brings to it a myriad of medical and psychosocial problems. Many of the veterans care for are homeless, living on the streets literally within sight of Los Angeles' City Hall. In large measure because of his leadership, each of the veterans cared by the clinic is treated with the dignity and respect they have earned through service to their country. This is a difficult patient population, yet Lee Nackman has assured that it is one that is well served by the Department of Veterans Affairs health care system.

Mr. President, on January 3, 1996, Mr. Nackman is ending a distinguished 35-year career of service to America's veterans. He began as a pharmacy intern at the Manhattan VA Medical Center upon completion of his B.S. degree from Columbia University. While working as a pharmacy resident at what is now the West Los Angeles VA Medical