



Legislative Bulletin.....April 2, 2003

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H.R. 522 — Federal Deposit Insurance Reform Act of 2003 (Bachus)

Order of Business: The bill is scheduled for consideration on Wednesday, April 2nd, pursuant to a unanimous consent agreement. Under the agreement, general debate is limited to one hour, equally divided, and two amendments are made in order (see Amendments below) and debatable for 20 minutes, equally divided. The agreement also allows for a motion to recommit.

Summary: H.R. 522 makes the following changes to federal deposit insurance:

- Increases the standard maximum deposit insurance limit from \$100,000 to \$130,000, and indexes it every 5 years for inflation beginning on April 1, 2005 (future inflation adjustments would take place on the first of the year). This new coverage level is doubled for certain retirement accounts to \$260,000. **Note: The Administration and Federal Reserve Chairman Greenspan oppose this provision (see Administration Position below);**
- Merges the two insurance funds through which federal deposit insurance is provided, the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF), and creates a new Deposit Insurance Fund (DIF);
- Increases the coverage amount for in-state municipal deposits to the lesser of \$2 million or “the sum of the standard maximum deposit insurance amount and 80 percent of the amount of any deposits in excess of the standard maximum deposit insurance amount;”
- Provides federally chartered credit unions with parity in general standard maximum deposit insurance coverage, coverage for retirement accounts and municipal deposits;
- Removes legal constraints on the authority of the Federal Deposit Insurance Corporation (FDIC) to charge risk-based premium assessments, so that all insured depository institutions pay for the value and benefit of deposit insurance fairly and equitably;
- Authorizes the FDIC to set the ratio of reserves to estimated insured deposits in the DIF within a range of 1.15-1.40 percent, replacing the 1.25 percent ‘hard target’ mandated by current law;

- Returns assessments in the form of refunds, credits, and dividends to insured depository institutions for overpayments they have made and/or whenever the fund's level is considered strong and the financial and economic outlook is considered favorable. Dividends are provided to qualified insured depository institutions whenever the upper limits of the designated reserve ratio (DRR) are exceeded;
- Requires the FDIC to develop a “Deposit Insurance Fund Restoration Plan” if reserve ratios fall below or are projected to fall below designated levels;
- Directs the FDIC to study its administrative and managerial processes, including “the appropriateness of the organizational structure of the Federal Deposit Insurance Corporation” and alternative means for administering the deposit insurance system.

Amendments Made in Order:

Ose/Maloney - Returns coverage level to \$100,000 per individual account and removes indexing the coverage level to inflation. Does not amend other provisions of the bill such as municipal coverage and doubling of retirement account coverage.

Rohrabacher - Strikes all of section 3, which increases deposit insurance coverage for individual accounts, retirement accounts, and municipal accounts.

Additional Background: The bill is identical to legislation (H.R. 3717) that passed the House in the 107th Congress on May 22, 2002, by a vote of 408-18 (Roll Call #190).

Committee Action: The Committee on Financial Services reported H.R. 522 by voice vote on March 13, 2003.

Administration Position: While the Administration generally supports the reforms included in H.R. 522, **it does not support the increase in FDIC coverage limits or indexing the limits for inflation.** Federal Reserve Chairman Alan Greenspan testified before the Senate Banking Committee on February 26, 2003, “the Board opposes any increase in coverage.” At the same hearing, a representative from the Treasury Department stated, **“The Administration strongly opposes any increases in deposit insurance coverage limits.”**

Cost to Taxpayers: CBO estimates that H.R. 522 would increase net direct spending by \$1.9 billion over the 2004-2013 period. **A manager’s amendment on the floor, according to the sponsor, will “correct a misinterpretation of the bill's provisions by CBO” and will likely lead to a final cost similar to the CBO estimate of H.R. 3717, which was estimated to reduce direct spending by \$700 million over ten years.**

Does the Bill Create New Federal Programs or Rules?: The bill consolidates two deposit insurance funds into one and makes other changes to deposit insurance programs, as described above.

Constitutional Authority: The Committee on Financial Services, in House Report 108-50, cites Article 1, Section 8, Clause 1 (relating to the general welfare of the United States) and Clause 3 (relating to the power to regulate interstate commerce).

Staff Contact: Lisa Bos, lisa.bos@mail.house.gov, (202) 226-1630

H.R. 743 — Social Security Protection Act of 2003 (Shaw)

Order of Business: The bill is scheduled for consideration on Wednesday, April 2nd, under a modified closed rule. Under the rule, a substitute amendment would be in order. The rule also makes in order a motion to recommit.

Summary: H.R. 743 makes a variety of changes to the Social Security Act intended to protect recipients and program integrity.

Social Security beneficiaries who are unable to manage their own financial affairs use representative payees to safeguard their benefits. Under H.R. 743, the Social Security Administration (SSA) is required to reissue benefits to beneficiaries whose funds were misused by a representative payee. The bill would require SSA to enhance its oversight of representative payees, using onsite review, and require representative payees to be both bonded and licensed (current law requires them to be either bonded or licensed). In addition, the bill would hold representative payees liable in instances where benefits are misused and require them to forfeit their fees.

Other changes to the Social Security program in H.R. 743 include the following:

- Clarifies that civil monetary penalties can be imposed if a beneficiary fails to notify SSA of changes in circumstance that affect eligibility or benefit amount;
- Fully denies benefits to fugitive felons and individuals fleeing prosecution;
- Requires those who offer Social Security services for a fee to include in solicitations a statement that such services are available from SSA free of charge;
- Imposes a fine of up to \$5000 and imprisonment of up to three years on any individual who “by force or threats of force (including any threatening letter or communication) attempts to intimidate or impede any officer, employee, or contractor of the Social Security Administration;”
- Caps the assessment imposed by SSA on attorney fees paid out of past-due benefits (rather than directly by the beneficiary) at \$100;
- Clarifies that demonstration projects under the Ticket to Work Incentives Improvement Act of 1999 may continue beyond December 17, 2004, if the project began on or before that date; and
- Reinstates reports sunset in the Federal Reports Elimination and Sunset Act of 1995.

Another clarification to current law in H.R. 743 is included in Section 418. This section acts on a GAO study published last year, which is highlighted in President Bush's FY04 budget. It closes the government pension offset (GPO) loophole (which has recently come to light in Texas, Georgia, and other states) by changing the requirement for exemption from the GPO from one day to five years of working in a position. Current law has allowed individuals to work only one day in a position that pays into Social Security (after primarily working in a

job not covered by Social Security) in order to qualify for benefits. GAO estimated in their report that the loophole has allowed public educators, primarily in Texas, to claim \$96,000 in benefits after paying \$3 in Social Security taxes. (For more information on this issue, [click here](#) to view a report by the Heritage Foundation).

Additional Background: The House voted on H.R. 743 on March 5, 2003, under suspension of the rules. The bill failed to receive the required 2/3-majority vote, failing 249-180 ([Roll Call #44](#)).

Amendment: The substitute amendment made in order by the Rules Committee (to be offered by Mr. Green of Texas or his designee) would strike the provisions in Section 418, which eliminate the GPO loophole described above, and return to the current law last-day exemption.

Committee Action: The bill was referred to the Committee on Ways and Means, and reported on March 13, 2003, by a vote of 35-2.

Cost to Taxpayers: A CBO estimates H.R. 743 “would lead to small net costs in 2004 but net savings thereafter—by amounts that grow from \$16 million in 2005 to \$147 million in 2013. In total, CBO estimates that enacting **the bill would trim direct spending and boost revenue by a combined \$655 million over the 2004–2013 period.**”

Does the Bill Create New Federal Programs or Rules?: The bill makes clarifying and technical changes to the Social Security Act.

Constitutional Authority: The Ways and Means Committee, in House Report 108-46, cites Article I, Section 8 (“The Congress shall have Power to lay and collect Taxes, Duties, Imposts and Excises”), and from the 16th Amendment to the Constitution.

Staff Contact: Lisa Bos, lisa.bos@mail.house.gov, (202) 226-1630
