

their Federal allotments. The allocation provision will tend to equalize hospital facilities, but the matching provision prevents equalization of State tax effort for the program.

The last Federal aid act approved in 1946 was for agricultural research, especially in marketing and distribution. Title I of the act provides for grants to State agricultural experiment stations. Of the funds authorized, 20 percent is to be divided equally among the States and Territories, 52 percent is to be allocated one-half according to rural population and one-half according to farm population, and 25 percent constitutes a regional research fund from which the Secretary of Agriculture may make discretionary grants when two or more States have embarked on a cooperative program. The remaining 3 percent goes to the Office of Experiment Stations of the U. S. Department of Agriculture to meet the cost of administering the act. The States must match dollar for dollar all grants but those from the regional fund.

Despite the fact that the variable

grants proposed for education, health, and welfare were not enacted (except those for school lunches), the Seventy-ninth Congress gave more consideration and support to the equalization principle than had ever been given before.

The Eightieth Congress in its first session took no grant-in-aid action other than to extend the public assistance financing amendments of 1946 through June 30, 1950. Serious consideration was given, however, to a bill for Federal aid to education, a bill for grants to States for the medically needy, and a bill for school health services.

A summary of the relative dollar importance of the various allocation and matching formulas being used today is shown in table 2. About 50 percent of all grants are distributed among States in relation to State and local expenditures. Another large share is allocated according to measures of need, such as population, area, mileage, and the cost of furnishing the aided services. Only a small part of total grants, about 7 percent, is allo-

cated with some consideration of relative State fiscal ability.

For every \$1 of Federal aid that does not entail State and local matching, roughly \$5 does require such matching. Of the matched grants, only one, that for school lunches, varies the ratio of State to Federal funds with the States' relative ability to raise these funds.

The present allocation among States of many grants has been criticized on the ground of inequity—inequity of service level and inequity of tax burdens called for by matching requirements. Moreover, in many programs the current manner of distribution is uneconomical in that need is often not met where it is found. Total grants for all programs today vary substantially among the States, but not directly with need and not inversely with ability. On these counts and because of the lack of uniformity in financial provisions among related Federal aid programs, serious reconsideration of the entire problem of Federal grants to States would seem to be necessary.

Social Security Legislation in 1947*

NO COMPREHENSIVE CHANGES in the social security program were enacted by the Eightieth Congress in its first session. Several measures affecting the operation of the program, however, were passed in the closing days of the session.

Social Security Act Amendments of 1947

Probably the most far-reaching of these measures was the Social Security Act Amendments of 1947 (Public, No. 379), signed by President Truman on August 6. These amendments freeze for 2 more years the contribution rate under the Federal Insurance Contributions Act at 1 percent each for employers and employees and raise the rate to 1½ percent for 1950 and 1951 and to 2 percent for 1952 and thereafter. In addition, Public Law No. 379 continues until June 30, 1950, the temporary increase in Fed-

eral grants to the States for the needy aged and blind and for dependent children, provided through December 1947 under the 1946 amendments to the Social Security Act.¹ It also extends through December 31, 1949, the authorization—which would otherwise have terminated June 30, 1947—for congressional appropriation to a special Federal unemployment account of the amounts by which the tax receipts from employers subject to the Federal Unemployment Tax Act exceed the costs of administering the State unemployment insurance laws. This account had been set up in 1944 under the War Mobilization and Reconversion Act to provide a fund from which the States could borrow for unemployment insurance payments when a State's own fund for that purpose became dangerously low.²

In reporting the amendments, both the Senate Finance Committee and

the House Committee on Ways and Means stressed the fact that immediate action was necessary both to forestall the scheduled increase in the Federal insurance contributions rate to 2½ percent—an aggregate of 5 percent—on January 1, 1948, and to continue the public assistance and unemployment insurance provisions.

The House of Representatives would have limited the rate under the Federal Insurance Contributions Act to 2 percent from 1957 on; it also proposed to make permanent the provisions respecting the Federal unemployment account, originally devised as an emergency measure to facilitate liberalization of State benefit provisions in preparation for the reconversion period. While the Ways and Means Committee reported (H. Rept. 594) "no immediate danger to the solvency of any State unemployment insurance reserve," it pointed out that "not all States can be sure they will be free of financial difficulties in the future. The 51 separate State reserves vary widely in their adequacy to meet the demands of mass unem-

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¹ See the *Bulletin*, September 1946.

² See the *Bulletin*, October 1944.

ployment." Thus the unemployment insurance program, the Committee concluded, would be "greatly strengthened by the inclusion of a permanent loan feature."

The Senate held, however, that no permanent changes in the social security system should be enacted at this time. Various proposals had been made, the Senate Finance Committee reported (S. Rept. 477), "for extending the coverage of the social security program, changing the benefits, providing insurance protection with respect to permanent disability, and revising the social security program in other respects. Your Committee believes that since all of these matters are intimately connected with the costs and methods of financing the program, they should be considered simultaneously."

Both Houses of Congress were agreed on the necessity of continuing through June 30, 1950, the present provisions for increased Federal financial participation in the three State-Federal assistance programs. The Senate report pointed out that the increased Federal participation has raised the level of public assistance in all parts of the country but that, as the States require some time to make fundamental changes in their programs, "the full effects of the 1946 amendments can be ascertained only after they have been in effect for a longer period." It was therefore the consensus that extension of the provisions until June 30, 1950, "will afford opportunity to appraise the operation of the revised matching formulas . . . and also opportunity for concurrent consideration of recommended revisions of the public assistance titles of the Social Security Act."

A conference between the two Houses resulted in compromises on the tax provisions and on the length of time that the special Federal unemployment account would be continued.

Voluntary Contributions

Public Law No. 266, signed by President Truman on July 24, amends the Federal Unemployment Tax Act. The legislation accomplishes two purposes: it substitutes a statutory pro-

vision for the present administrative interpretation with respect to the payment of voluntary contributions to State unemployment insurance funds; and it specifies the period within which these contributions may be paid.

The Federal Unemployment Tax Act specifies certain criteria that experience-rating provisions of State laws must observe if they are to be certified by the Federal Security Administrator as meeting Federal requirements for the allowance of additional credit against the tax which the act imposes. Generally, States are free under the Federal act to vary the rate of an employer's contribution under State unemployment insurance laws in accordance with his employment experience, and the employer may credit the amount of his rate reduction, as well as his actual contribution under the State law, against his tax under the Federal act up to an aggregate maximum of 90 percent of the Federal tax.³

Twelve State laws make provision for voluntary contributions by employers, such contributions to be allowed as offsets against benefits charged to the employers' respective accounts. The effect of such offsets is to better the experience of the employers and to entitle them to lower rates of contribution. Though the Federal Unemployment Tax Act contains no provision specifically authorizing the use of voluntary contributions in the computation of contribution rates, such use has been recognized administratively. The Social Security Administration has also considered the question of the period within which voluntary contributions must be paid in order to be used for rate determination purposes and had taken the position that such contributions may be used for rate determination purposes if they are paid before the first due date for required contributions for the new rate period.

In April of this year, Minnesota amended its unemployment insurance law to permit the use of voluntary contributions paid on or before June

30, 1947, or within 60 days thereafter, in the determination of rates for the years 1946 and 1947. The contributions were not to exceed the greater of \$300 or 0.1 percent of the employer's annual pay roll. The Commissioner for Social Security withheld approval of this amendment on the ground that under the Federal Unemployment Tax Act he did not have authority to approve a State provision that permitted payments to be made after the first due date for required contributions for the new rate period.

As enacted, Public Law No. 266 expressly permits the use of voluntary contributions in the computation of reduced rates of required contributions. It also provides that, with respect to rate years beginning in 1948 or thereafter, voluntary contributions paid within 120 days after the beginning of the year for which such rates are effective may be used in computing the reduced rate of contribution. The amendment made by the law, with respect to rate years beginning in 1946 or 1947, also permits the use of voluntary contributions for rate determination purposes if paid at any time before January 1, 1948, thereby permitting the certification of the Minnesota law.

Senate Study of Social Security

The Senate, implementing its conviction that a study of the social security program as a whole is necessary before the enactment of permanent legislation, passed a resolution (S. Res. 141) on July 23 authorizing an expenditure of \$25,000 for that purpose. The resolution calls for a "full and complete investigation of old-age and survivors insurance and all other aspects of the existing social security program, particularly in respect to coverage, benefits, and taxes, related thereto . . ." A similar resolution had been adopted by the Senate at the close of the Seventy-ninth Congress.

Exemption of Earnings, Old-Age Assistance

Under Public Law No. 131, signed by the President on July 30, certain aged recipients of assistance may continue until July 1, 1949, to work for wages either on a farm or in caring for the sick without having such

³ For an analysis of the types of experience-rating systems, see Rachel S. Gallagher, "State Differences in Unemployment Compensation Employer Taxes," *Social Security Bulletin*, October 1945.

wages jeopardize their assistance payment. As a wartime measure to increase the supply of agricultural workers and persons in the nursing service, the States were permitted under temporary legislation first enacted in 1943 to disregard earnings from agricultural labor in determining the need of certain old-age assistance recipients who were on the assistance rolls as of July 1943; a similar provision allowing the exemption of earnings as a nurse was included in the 1945 deficiency appropriation act. Both exemptions were due to expire July 1, 1947.

Exclusion of News Vendors Vetoed

A fourth bill (H. R. 3997) was vetoed by the President on August 6. The proposed legislation would have excluded from coverage under old-age and survivors insurance and the Federal Unemployment Tax Act services performed by newspaper and magazine vendors. The 1939 amendments had excluded "service performed by an individual under the age of 18 in the delivery of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution." The proposed legislation would have extended the exclusion to the services of an individual, of any age, in making sales of newspapers or magazines directly to the consumer at an established price, if the individual vendor's basic compensation "is the excess of such established price over the amount at which the newspapers or magazines are charged to him."

In *National Labor Relations Board v. Hearst Publications, Incorporated*, the Supreme Court in April 1944 held that such vendors making street sales at established spots and working full time for Hearst and other publishers in Los Angeles were employees of the newspapers for purposes of the National Labor Relations Act. On January 2, 1947, the District Court of the United States for the Northern District of California, Southern Division, in *Hearst Publications, Incorporated v. United States and The Chronicle Publishing Company v. United States*, held that such vendors engaged by the publishers to sell newspapers at particular street locations in San

Francisco were employees of the publishers for Federal employment tax purposes.

The Committee on Ways and Means, in reporting out the bill (H. Rept. 733), expressed the conviction that "the method of handling the retail sale of newspapers in many of our larger cities is peculiar, and your Committee does not believe that such services should be covered under the social security system where the basic method of compensation is that described."

Exclusion of these employees would have removed social security protection, the President said in explaining his veto, from men engaged in full-time jobs and with families, men "exposed to the same risks of loss of income from old age, premature death, or unemployment as are factory hands or day laborers." The measure, he stated, proceeds in "a direction which is exactly opposed to the one our Nation should pursue. It restricts and

narrows coverage, while our object should be to enlarge that coverage."

Mr. Truman answered the argument that publishers have difficulty keeping records and collecting the required contributions by pointing out that their situation does not differ from that of "many other employers of outside salesmen or, indeed, employers of other kinds of labor." The legislation would, he said, "invite other employers to seek exemptions wherever they can allege that the law is inconvenient or difficult for them to comply with. It would establish a precedent for special exemption and the exclusion of one group would lead to efforts to remove social security protection from workers in other activities. Demands for further special legislation would be inevitable. We must not open our social security structure to piecemeal attack and to slow undermining. We must, instead, devote our energies to expanding that system."

Insurance Payments to Survivors of the Texas City Disaster

By Robert J. Myers*

ON APRIL 16 a ship lying in the harbor just off Texas City, Texas, exploded. The flames spread to the city, and the resulting holocaust not only caused vast property damage but took the lives of about 575 persons. Many of the victims carried some type of private life insurance. More than half had sufficient wage credits under the Federal program of old-age and survivors insurance to ensure some protection to their survivors. In addition, many insurance claims were paid to injured persons under various forms of accident and health insurance and under workmen's compensation. This report summarizes briefly the insurance benefits, under both private insurance and old-age and survivors insurance, arising from loss of life in this disaster.

Private Insurance

The claims payable by all private insurance companies are estimated

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at a face value of between \$3 million and \$4 million for ordinary, industrial, and group insurance combined. The group insurance policies include both group life insurance and group accidental death and dismemberment insurance, which is a form of accident and health insurance. Workmen's compensation death benefits, included here because the insurance was carried with private insurance companies, will total more than \$1 million in present, or discounted, value. Although the claims involved many companies with individual, ordinary, and industrial life insurance policies, three companies had particularly heavy losses under group insurance cases.

The Metropolitan Life Insurance Company (New York) had group life and accidental death and dismemberment contracts with the Monsanto Chemical Company, which was the hardest hit of any large industrial plant in Texas City, and as a result had about 120 death claims. These