

particular it must not be a special-purpose unit. This definition excludes school districts, special utility districts, library districts, and agencies of local governments, even though these agencies may be relatively autonomous."<sup>2</sup> Private organizations and nongovernmental agencies or such other governmental units as fire districts may request and receive revenue sharing funds from State and local governments if the laws of the latter permit such transfers.

Any recipient government may waive its right to participate in the revenue sharing program, one entitlement period at a time, on an irrevocable basis. Funds thus waived will be added to the entitlement of the next highest eligible unit of government in the State. In the unlikely event that the waiving government is a State, the funds revert to the Federal Government.

## ACTUAL EXPENDITURES

Approximately 32,700 of the 38,000 governmental units receiving general revenue sharing funds reported on their actual (as opposed to planned) use of these funds through the end of fiscal year 1973. Of the \$6.6 billion disbursed in revenue sharing—including payments retroactive to January 1, 1972—States and localities reported expenditures totaling \$2.8 billion, or 42.5 percent of the total.<sup>3</sup> Table 2 on page 28 of this issue gives a breakdown of the actual uses of the \$2.8 billion by function.

Although no permissible expenditure category was totally neglected, the bulk of the funds went for education, public safety, and public transportation, in that order. State governments alone made 65 percent of their revenue sharing expenditures in the education area.

Two-thirds of the reported expenditures were for operation and maintenance, and only one-third were for capital projects, contrary to the planned-

<sup>2</sup> Joint Committee on Internal Revenue Taxation, *General Explanation of the State and Local Fiscal Assistance Act*, February 12, 1973, page 36, as quoted from *What is General Revenue Sharing?* (Department of the Treasury, Office of Revenue Sharing), page 6.

<sup>3</sup> All data on actual expenditures are taken from David A. Caputo and Richard L. Cole, *Revenue Sharing: The First Actual Use Reports* (prepared for the Office of Revenue Sharing, Department of the Treasury), March 1, 1974.

use reports for entitlement periods 3 and 4. State governments alone used 94 percent of their funds for operation and maintenance expenditures. New services, which accounted for 20 percent of all reported revenue sharing expenditures, were highest in education (39 percent), recreation and culture (25 percent), and financial administration (25 percent). More than 44 percent of all units of government reported that revenue sharing had reduced taxes or avoided tax increases, and one-third reported that these funds had either avoided or lessened debt increases.

The widespread use of revenue sharing funds for tax reduction does have some far-reaching implications. Under the allocation formula, States and localities that reduce taxes or reduce their tax effort receive a smaller slice of the available general revenue sharing funds. In addition, as some economists have noted, reduction of certain taxes as opposed to others can have an unfavorable effect on the objectives of revenue sharing itself: "The redistributive goal of revenue sharing can be thwarted if States and localities use the receipts to reduce their most progressive taxes. . . ."<sup>4</sup>

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## Effect of OASDI Benefit Increases, 1974\*

Amendments to the Social Security Act passed in December 1973 provided for an 11-percent increase in monthly cash benefits under the old-age, survivors, disability, and health insurance program. The law specified that the increase would be payable in two parts—7 percent to be effective in March 1974 and 4 percent in June 1974.

### MARCH INCREASE

The checks for the March benefit, delivered to beneficiaries during the first week of April, reflected the first installment of the increase. The monthly benefit amounts as of the end of February and those after the 7-percent increase

<sup>4</sup> Edward R. Fried et al, *Setting National Priorities: The 1974 Budget*, Brookings Institution, 1973, page 276.

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are shown in table 1. The new rates meant an additional \$313 million a month in benefits for the 29.9 million beneficiaries on the rolls at the end of February.

The rise in the benefit rates brought the average benefit amount for retired workers up to \$179.25—an increase of \$12.21. For disabled workers, the average amount rose to \$196.40—\$12.95 more than the February amount. The average increase in benefits for entitled dependents of these workers ranged from \$3.63 for the children of disabled workers to \$6.50 for the spouses of retired workers. Among survivor beneficiaries, the benefit increases averaged highest for non-disabled widows and widowers (\$11.80) and lowest for children of deceased workers (\$7.90).

Although the December legislation specified a 7-percent across-the-board increase in benefits, the actual increase was somewhat higher than that for persons receiving benefits actuarially reduced because they were claimed before age 65. This additional increase resulted from the fact that the 7-percent rise was applied to the beneficiary's "primary" or basic benefit amount; it was thus larger than it would have been if calculated on his reduced benefit amount and more than 7 percent of his benefit payment under the old rate. The greater-than-7-percent rise for persons with reduced benefits who were aged 65 or older by March 1974 reflected their receipt of the full amount of the calculated increase, since no reduction for the months before age 65 was necessary. But even for those with reduced benefits

who were under age 65 and thus had a reduction in the amount of their increase for the months before they would reach age 65, the March benefit was more than 7 percent higher than the benefit amount under the old rate.

Because the number of actuarially reduced benefits is large, the overall increase in benefits payments amounted to 7.3 percent. The beneficiary group with the largest percentage increase was the group subject to the largest actuarial reduction—disabled widows and widowers.

## JUNE INCREASE

June benefit checks, delivered to beneficiaries in the first week of July 1974 included the second installment of the 11-percent benefit increase authorized by the December 1973 legislation. This increase was intended to raise benefits to 11 percent above the pre-March 1974 levels—that is, 4 percent in addition to the 7-percent increase for March benefits. In terms of the higher post-March 1974 levels, the rise was only 3.7 percent.

For the 30.1 million beneficiaries on the rolls at the end of May 1974, the data in table 2 show the total and average monthly benefit amounts both before and after the second increase. For these individuals, the new rates meant an additional \$179 million a month in benefits.

The higher rate raised the average monthly benefit amount for retired workers to \$204.45 for

TABLE 1.—Monthly cash benefits in current-payment status at end of February 1974 and under new rates effective March 1974, and percentage increase, by type of beneficiary

| Type of beneficiary                   | Total number | Total benefit amount<br>(in thousands) |             | Average benefit amount |          | Percentage<br>increase |
|---------------------------------------|--------------|--|-------------|------------------------|----------|------------------------|
|                                       |              | Old rate                               | New rate    | Old rate               | New rate |                        |
| All beneficiaries.....                | 29,885,537   | \$4,290,658                            | \$4,603,839 | -----                  | -----    | 7.3                    |
| Retired workers and dependents.....   | 18,826,869   | 2,851,339                              | 3,060,373   | -----                  | -----    | 7.3                    |
| Retired workers.....                  | 15,424,281   | 2,576,486                              | 2,764,733   | \$187.04               | \$179.25 | 7.3                    |
| Wives and husbands.....               | 2,793,001    | 237,384                                | 256,542     | 84.99                  | 91.40    | 7.6                    |
| Children.....                         | 609,587      | 37,469                                 | 40,098      | 61.47                  | 65.78    | 7.0                    |
| Disabled workers and dependents.....  | 3,574,863    | 451,971                                | 484,023     | -----                  | -----    | 7.1                    |
| Disabled workers.....                 | 2,027,249    | 371,889                                | 398,153     | 183.45                 | 196.40   | 7.1                    |
| Wives and husbands.....               | 380,669      | 21,107                                 | 22,657      | 55.45                  | 59.62    | 7.3                    |
| Children.....                         | 1,166,945    | 58,975                                 | 63,213      | 50.54                  | 54.17    | 7.2                    |
| Survivors of deceased workers.....    | 7,138,139    | 967,571                                | 1,038,267   | -----                  | -----    | 7.3                    |
| Widowed mothers.....                  | 662,271      | 66,456                                 | 71,134      | 118.19                 | 128.61   | 7.0                    |
| Children.....                         | 2,886,920    | 323,663                                | 346,445     | 112.11                 | 120.01   | 7.0                    |
| Widows and widowers, nondisabled..... | 3,584,645    | 565,131                                | 607,417     | 157.65                 | 169.45   | 7.5                    |
| Widows and widowers, disabled.....    | 79,967       | 8,895                                  | 9,604       | 111.23                 | 120.10   | 8.0                    |
| Parents.....                          | 24,336       | 3,426                                  | 3,667       | 140.78                 | 150.67   | 7.0                    |
| "Special age-72" beneficiaries.....   | 345,666      | 19,777                                 | 21,176      | -----                  | -----    | 7.1                    |
| Primary.....                          | 339,599      | 19,602                                 | 20,988      | 57.72                  | 61.80    | 7.1                    |
| Wives.....                            | 6,067        | 175                                    | 188         | 28.98                  | 31.07    | 7.2                    |

TABLE 2.—Monthly cash benefits in current-payment status at end of May 1974 and under new rates effective June 1974 and average increase, by type of beneficiary, sex, and reduction status

| Type of beneficiary, sex,<br>and reduction status | Total number | Total benefit amount<br>(in thousands) |             | Average benefit amount |          | Average benefit increase |        |
|---|--------------|--|-------------|------------------------|----------|--------------------------|--------|
|   |              | Old rate                               | New rate    | Old rate               | New rate | Percent                  | Amount |
| All beneficiaries.....                            | 30,071,124   | \$4,638,452                            | \$4,817,334 |                        |          | 3.9                      |        |
| Retired workers and dependents.....               | 18,901,373   | 3,075,873                              | 3,195,010   |                        |          | 3.9                      |        |
| Retired workers.....                              | 15,486,696   | 2,779,128                              | 2,886,449   | \$179.45               | \$186.38 | 3.9                      | \$6.93 |
| Men.....  | 8,650,307    | 1,703,213                              | 1,768,587   | 196.90                 | 204.45   | 3.8                      | 7.55   |
| Benefits actuarially reduced.....                 | 3,899,897    | 668,904                                | 721,641     | 177.93                 | 185.04   | 4.0                      | 7.11   |
| Benefits not actuarially reduced.....             | 4,750,410    | 1,009,309                              | 1,046,946   | 212.47                 | 220.39   | 3.7                      | 7.92   |
| Women.....  | 6,836,389    | 1,075,915                              | 1,117,862   | 157.39                 | 163.52   | 3.9                      | 6.14   |
| Benefits actuarially reduced.....                 | 4,382,607    | 643,911                                | 669,783     | 146.93                 | 152.83   | 4.0                      | 5.90   |
| Benefits not actuarially reduced.....             | 2,453,882    | 432,004                                | 448,079     | 176.05                 | 182.60   | 3.7                      | 6.55   |
| Wives and husbands.....                           | 2,792,015    | 255,383                                | 265,691     | 91.47                  | 95.16    | 4.0                      | 3.69   |
| Benefits actuarially reduced.....                 | 1,836,413    | 161,192                                | 167,999     | 87.78                  | 91.48    | 4.2                      | 3.70   |
| Benefits not actuarially reduced.....             | 955,602      | 94,191                                 | 97,693      | 96.57                  | 102.23   | 3.7                      | 3.66   |
| Children.....                                     | 622,662      | 41,362                                 | 42,870      | 66.43                  | 68.85    | 3.6                      | 2.42   |
| Disabled workers and dependents.....              | 3,665,221    | 497,133                                | 515,788     |                        |          | 3.8                      |        |
| Disabled workers.....                             | 2,076,608    | 409,170                                | 424,484     | 197.05                 | 204.41   | 3.7                      | 7.36   |
| Men.....  | 1,453,140    | 306,989                                | 318,493     | 211.26                 | 219.18   | 3.7                      | 7.92   |
| Women.....  | 623,468      | 102,181                                | 105,991     | 163.90                 | 170.00   | 3.7                      | 6.10   |
| Wives and husbands.....                           | 387,566      | 22,968                                 | 23,862      | 59.26                  | 61.57    | 3.9                      | 2.31   |
| Children.....                                     | 1,201,047    | 64,994                                 | 67,443      | 54.12                  | 58.15    | 3.8                      | 2.03   |
| Survivors of deceased workers.....                | 7,172,656    | 1,045,114                              | 1,085,451   |                        |          | 3.9                      |        |
| Widowed mothers.....                              | 556,866      | 70,200                                 | 72,878      | 126.06                 | 130.87   | 3.8                      | 4.81   |
| Children.....                                     | 2,912,342    | 360,821                                | 363,785     | 120.46                 | 124.91   | 3.7                      | 4.45   |
| Widows and widowers, nondisabled.....             | 3,598,011    | 610,450                                | 634,489     | 169.78                 | 176.47   | 4.0                      | 6.71   |
| Benefits actuarially reduced.....                 | 1,773,004    | 294,782                                | 307,120     | 166.26                 | 173.22   | 4.2                      | 6.96   |
| Benefits not actuarially reduced.....             | 1,823,007    | 315,668                                | 327,469     | 173.16                 | 179.63   | 3.7                      | 6.47   |
| Widows and widowers, disabled.....                | 83,676       | 10,038                                 | 10,462      | 120.10                 | 125.18   | 4.2                      | 5.08   |
| Parents.....                                      | 23,861       | 3,605                                  | 3,737       | 151.06                 | 156.63   | 3.7                      | 5.57   |
| "Special age-72" beneficiaries.....               | 331,874      | 20,333                                 | 21,063      |                        |          | 3.7                      |        |
| Primary.....                                      | 326,113      | 20,154                                 | 20,898      | 61.80                  | 64.08    | 3.7                      | 2.28   |
| Wives.....  | 5,761        | 179                                    | 185         | 31.07                  | 32.17    | 3.5                      | 1.10   |

men (up \$7.55) and to \$163.52 for women (\$6.14 more). Among disabled workers, average benefits rose to \$219.18 for men and to \$170.00 for women—increases of \$7.92 and \$6.10, respectively. The average benefit rise for the entitled dependents of these workers ranged from \$2.03 for the children of disabled workers to \$3.69 for the wives and husbands of retired workers. Among the survivors of deceased workers, average benefit increases were highest for nondisabled widows and widowers (\$6.71) and lowest for children (\$4.45).

Since the benefit increases for persons with actuarially reduced benefits were calculated on the basic benefit amount before reduction, the new benefit amounts for these beneficiaries are more than 3.7 percent higher than the amounts before the increase—both for persons who had reached age 65 before June 1974 and for those still under age 65.

For retired workers with unreduced benefits, the June increase in benefit amount was 3.7 percent; it was 4 percent for retired workers with reduced benefits. Similarly, among nondisabled widows and widowers, the benefit increase was 3.7 percent for those without benefit reductions

and 4.2 percent for those whose benefits have been reduced.

The overall rate of increase in the average benefit amounted to 3.9 percent. This rate reflects the large number of benefits actuarially reduced at award.

## Social Security Act Amendments, 1974

On August 7, 1974, the President signed Public Law 93-368, containing amendments that affect supplementary security income (SSI), Medicare, and social security coverage provisions. Public Law 93-335, signed July 6, 1974, extended and changed food stamp provisions for SSI recipients.

*Cost-of-living increases for persons receiving SSI payments.*—The August legislation provides for automatic increases in SSI payment levels (and income limitations) whenever automatic increases in social security cash benefits occur. The same percentages will apply to increases for both programs, and increases for both are