# *Notes and Brief Reports*

## Allotment Formula, Hospital Survey and Construction Act

Because of the current interest in Federal grant-in-aid programs and the formulas used in determining the State allotments, the following brief description[1] of the formula under the Hospital Survey and Construction Act of 1946 (the Hill-Burton Act) is presented for the information of BULLETIN readers.[2]

The allotment formula, as defined in the law, for determining each State's share of the Federal amount appropriated annually for hospital construction is based on (1) the population of each State weighted by (2) that State's relative fiscal ability, and (3) indirectly its relative need for hospital beds. At the time the Hill-Burton Act was passed there was evidence to indicate that States with the lowest per capita income had the greatest need for hospital beds, and that need is inversely related to the fiscal ability of a State. The measure of relative fiscal ability, referred to in the law as the "allotment percentage," is therefore used a second time in weighting the population in order to reflect need. This results in the formula: Population $x$ (allotment percentage)$^2$ = weighted population.

[1] Adapted from *Hearings Before the Committee on Interstate and Foreign Commerce, House of Representatives, Eighty-third Congress, Second Session, on H.R. 7431, A Bill To Amend the Hospital Survey and Construction Provisions of the Public Health Service Act* . . . February 4 and 5, 1954, page 88.

[2] See also Cecile Goldberg, "Development of Federal Grant Allocations," *Social Security Bulletin*, September 1947.

The allotment percentages are computed biennially; the base used is a State's per capita income as it relates to the average per capita income for the country as a whole. The law requires that the average per capita income data from the Department of Commerce for the three most recent consecutive years be used in computing the per capita income for each State.

If the average per capita income for the country as a whole is $1,500 and for the State with highest per capita income it is $2,000, the index for that State would be 133 (2,000 ÷ 1,500). Similarly, if the State with least fiscal capacity has per capita income of $750, the index would be 50 (750 ÷ 1,500). The average State would have a per capita income of $1,500 and an index of 100 (1,500 ÷ 1,500).

The law specifies that each index be halved and subtracted from 100 to arrive at the measure of fiscal ability called the allotment percentage.[3] Thus the pivot point—the allotment percentage for a State having a per capita income equal to the national average—is 50 percent. The subtraction from 100 yields an index that permits direct weighting of population so that the poorest State receives the heaviest weighting. The law further provides that the allotment percentage may not exceed 75 percent or be less than 33 1/3 percent.

[3] In the words of the 1946 act, the allotment percentage for any State "shall be 100 percentum less that percentage which bears the same ratio to 50 percentum as the per capita income of such State bears to the per capita income of the continental United States."

Since need for hospital beds is indirectly taken into account by assuming that need is greatest in the States with lowest per capita income, the measure of fiscal ability is used a second time in the formula. The weighted population is derived by multiplying the population of a State by the allotment percentage twice or, in other words, by the allotment percentage squared. The various steps in these computations are shown below:

| State with specified fiscal capacity | Per capita income (a) | Index of per capita income (b) | Half the index of per capita income (c) | Allotment percentage (100 less column c) (d) | Allotment percentage squared (e) |
|---|---|---|---|---|---|
| Highest | $2,000 | 133 | 66.7 | 33.3 | 11.09 |
| Average | 1,500 | 100 | 50.0 | 50.0 | 25.00 |
| Lowest | 750 | 50 | 25.0 | 75.0 | 56.25 |

The percentage that a State's weighted population is of the total weighted population determines the share of the annual appropriation a State is to receive, except that the minimum share cannot be less than $200,000.

**Table 1.—*Illustrative use of allotment percentage and population to determine State share of annual appropriation***

| State with specified fiscal capacity | Allotment percentage squared | Population | Weighted population | Percentage share | Share of $150,000,000 [1] |
|---|---|---|---|---|---|
| United States, total | | 150,000,000 | 42,000,000 | 100.00 | $150,000,000 |
| Highest | 11.09 | 3,000,000 | 332,700 | .79 | 1 850,000 |
| Average | 25.00 | 3,000,000 | 750,000 | 1.79 | 2,685,000 |
| Lowest | 56.25 | 3,000,000 | 1,687,500 | 4.02 | 6,030,000 |

[1] Total authorized by sec. 621, title 6, Public Health Service Act, as amended.

## Old Age and Retirement in Agriculture

Among the groups for whom President Eisenhower has requested coverage under old-age and survivors insurance are farm owners, as well as more farm workers than are covered under present legislation. For this reason the recent studies of old age and retirement in rural Connecticut and Wisconsin[1] are of par-

[1] *Old Age and Retirement in Rural Connecticut: 2, Economic Security of Farm Operators and Farm Laborers*, by Walter C. McKain, Jr., Elmer D. Baldwin, and Louis J. Ducoff (Storrs Agricultural Experiment Station, College of Agriculture, University of Connecticut, Bulletin No. 299, June 1953); and *Farmers Conceptions and Plans for Economic Security in Old Age*, by William H. Sewell, Charles E. Ramsey, and Louis J. Ducoff (Rural Sociology Department, Agricultural Experiment Station, University of Wisconsin, Research Bulletin No. 182, September 1953). Both reports were issued in cooperation with the Bureau of Agricultural Economics, U. S. Department of Agriculture.

ticular interest at this time. Both the Connecticut and Wisconsin projects were designed to answer certain major questions. What degree of economic security have farmers achieved, and what are the ways through which they try to achieve economic security? What provisions have farm operators made for economic security in their old age or for the security of their dependents in the event of the death or disability of the major breadwinner? Do they expect to withdraw from the labor force in their later years, and what retirement plans have they formulated? What are the current attitudes of farm operators toward the insurance program and toward its extension to persons in the agricultural working force who are not at present covered?

In the Connecticut survey, similar questions were asked of the regular hired farm workers. Both groups—farm operators and workers—were also asked what the recent extension of old-age and survivors insurance to regularly employed agricultural workers meant to them.

The Bureau of Agricultural Economics of the U.S. Department of Agriculture cooperated in both studies, as well as in a later, parallel study made by the Texas Agricultural Experiment Station; a staff member of the Social Security Administration gave technical assistance.

The following summaries are taken verbatim from the published reports of the Connecticut and Wisconsin surveys.

## Connecticut Report

A sample of Connecticut farmers and regular hired farm laborers were asked a variety of questions bearing on their financial security, their plans for retirement, and their views on the old-age and survivors insurance program.

Less than half of the operators and only a fourth of the laborers believe that farming today gives its people a better opportunity to provide for economic security in old age than do other occupations. Even so, most of the operators and many laborers as well plan to remain in agriculture indefinitely. Only 15 percent of the operators expect eventually to retire and very few have made any retirement plans. An even smaller proportion of laborers have made retirement plans.

About half of the operators believe that they will have enough income to live fairly comfortably in their old age. The remainder are not sure that they will be able to meet their needs as they grow older. Only a few of the hired laborers believe that they can support themselves in their later years.

Most of the operators hope to achieve security by investing their savings in their own farm business. About half of the farm laborers are counting heavily upon old-age benefits.

Most of the operators and hired laborers said that they would prefer to live in rural areas in case they had to retire. Very few expressed a desire to live with their children.

Not quite a third of the operators carried as much as $5,000 worth of life insurance and barely a fifth had accident insurance of any kind. One-half of the operators were enrolled in a group health plan or carried personal health insurance. The hired laborers have very little protection outside their participation in the old-age and survivors insurance program and the accident insurance provided by their employers.

Eighty percent of the farmers expressed general approval of the Federal old-age and survivors insurance program, and 88 percent of the regular hired workers approved of it. Even higher proportions of the younger men and of those living on residential farms were in favor of the program.

Only a few of the operators who employed regular workers experienced any difficulty in complying with the regulations. Both the operators and the workers favored the continued inclusion of regular hired workers. There was considerable doubt expressed over the inclusion of short-time hired workers. Only a fifth of the farmers and a fourth of the regular full-time workers favored the idea.

More than a half of the farmers thought that the old-age and survivors insurance program should be extended to farm operators and less than a third opposed the idea. The farm laborers also thought that farm operators should be included in the program.

## Wisconsin Report

This research report presents answers given by a sample of Wisconsin farm operators to questions bearing on their economic security in their retirement years, plans for retirement or curtailment of farming operations on reaching retirement age, and opinions on Old-Age and Survivors Insurance as a means of economic security in old age. A sample of 204 farm operators were interviewed in the six counties of the central sandy area in central Wisconsin (Economic Area 5) and 454 farm operators in the seven counties which comprise the intensive dairying area in east central Wisconsin (Economic Area 7).

Most farmers in both areas expected to depend upon their farm investment as the important source of income in old age. Less than one-fourth of the operators expected any other source of income.

One-half of the farm operators in Area 5 and two-thirds in Area 7 reported life insurance coverage. Less than 5 percent in either area had $10,000 or more. The younger operators more commonly than the older operators were insured and for larger amounts.

Less than half the operators had accident insurance. Such coverage was somewhat more frequently reported in Area 7 than in Area 5 and among younger farmers than among older ones. Only one-third of the operators had health insurance.

Two-thirds of the farmers interviewed had given little or no consideration to the problem of retirement. Only among farmers already at the retirement age was there much evidence of definite plans.

Most of the farm operators in Area 5 were uncertain as to whether they would cut down on farm operations as they became older. In Area 7 a large majority were either uncertain or expected not to curtail operations.

When asked whether they would some day retire and give up all work as farm operators, nearly half in Area 7 and about one-third in Area 5 were uncertain. In both areas about one-third definitely expected to retire, and approximately one-fourth expected not to retire.

Most of the operators expected to live with their spouse or alone on their present farm if they retired or were forced to retire.

Nearly half of the farmers interviewed would hazard no guess as to how much money they would need each month to retire on. Most of those making some estimate choose a figure between $75 and $149 per month.

One of the most important questions asked of the farm operators in this study was whether or not they felt they would be able to take care of themselves if they retired or were forced to retire. Forty percent in both areas were confident that they could. The rest were either uncertain or sure they could not. The proportion of those confident of their ability to retire increased with age. In only one age group, however, those 65 and over, did a majority feel confident they could retire.

Approximately 70 percent of the farmers in both economic areas felt that farming provides no more security in old age than other occupations.

Over one-half the farmers in Area 7 and over two-thirds in Area 5 thought that farm operators should be included in the OASI program.

# Financial Interchange Between Railroad Retirement Program and OASI

In February 1954 the first transfer of funds from the railroad retirement account was made to the old-age and survivors insurance trust fund under the terms of the 1951 amendments to the Railroad Retirement Act (Public Law No. 234, 82d Cong., 1st sess.). The legislation provides for a degree of coordination between the railroad retirement and old-age and survivors insurance programs.[1] Under the amendments the railroad wage credits of workers who die or retire with less than 10 years of railroad employment are transferred to the old-age and survivors insurance system, and benefits are paid by that system. Workers who acquire 10 years or more of railroad service are not affected by the legislation; that is, their survivors can, as under the 1946 amendments to the Railroad Retirement Act, receive benefits under one program or the other on the basis of the combined wage records, while retirement benefits will usually be payable under both systems to individuals with 10 or more years of railroad service who also qualify under old-age and survivors insurance.

With respect to the allocation of costs between the two systems, the amendments require the Railroad Retirement Board and the Secretary of Health, Education, and Welfare to "determine, no later than January 1, 1954, the amount which would place the Federal Old-Age and Survivors Insurance Trust Fund in the same position in which it would have been at the close of the fiscal year ending June 30, 1952, if service as an employee [of a railroad] after December 31, 1936, had been included in the term "employment" as defined in the Social Security Act and in the Federal Insurance Contributions Act."

The Social Security Administration and the Railroad Retirement Board recently completed a series of joint actuarial studies and analyses, required by this provision. The results show that the addition of $488 million to the old-age and survivors insurance trust fund would place it in the same position as of June 30, 1952, in which it would have been if railroad employment had always been covered under the Social Security Act.

Although the law does not authorize the transfer of the $488 million from the railroad retirement account to the trust fund, the legislation provides that, beginning with the fiscal year 1952–53, and for each fiscal year thereafter, annual interest payments on this amount (less any offsets[2]) are to be transferred from the railroad retirement account to the old-age and survivors insurance trust fund. Interest for the fiscal year ended June 30, 1953, amounted to $11.6 million, and the transfer to the trust fund was made in February 1954, as shown in table 3, page 19, of this issue of the BULLETIN.

[1] See Robert J. Myers, "Railroad Retirement Act Amendments of 1951: Financial and Actuarial Aspects," *Social Security Bulletin,* March 1952.

[2] Ibid., pp. 16–18.