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.

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.

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	6,040,000

[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] 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.

[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."

[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.