

Notes and Brief Reports

State and Local Assistance Expenditures in Relation to Income Payments

Since 1940 a decrease in the number of different programs providing public aid¹ has meant a heavier load for the public assistance programs. This increased load and the rise in living costs have led to greater expenditures for public assistance. Despite sizable increases in Federal participation in meeting assistance costs as a result of amendments to the Social Security Act in 1946 and 1948, the States and localities have also found it necessary to raise their contribution—by 77 percent, or \$558 million, from 1940 to 1950. This discussion compares the rise in assistance expenditures with the improvement in the States' fiscal ability, as reflected in per capita income, and shows the relative standing of the States in the percent of income payments devoted to public assistance in 1940, 1949, and 1950.

The percentage relationship between expenditures for assistance payments from State and local funds and State income payments affords a rough measure of the fiscal effort made by the States to support the assistance programs—old-age assistance, aid to dependent children, aid to the blind, and general assistance. Accordingly, assistance expenditures from State and local funds for the calendar year 1940 and the fiscal years 1949 and 1950 have been related to income payments for the calendar years 1940, 1948, and 1949, respectively. The year 1940 was chosen for comparison with current expenditures because it was the last year before the influence of the defense effort became manifest. The latest figures on assistance expenditures are related to the latest data on income payments, which are for the calendar year 1949.

¹ Public aid in 1940 included payments under the following special programs, since discontinued: subsistence payments certified by the Farm Security Administration and earnings under the Civilian Conservation Corps, National Youth Administration, Work Projects Administration, and other Federal work programs.

Between 1940 and 1949, income payments increased 160 percent—

more than twice the proportionate rise in public assistance expenditures. As a result, the ratio of assistance expenditures to income payments declined about a third from 1940 to

Table 1.—State and local expenditures for public assistance payments in relation to income payments and amount expended per inhabitant, by region and State, 1950¹

Region and State	Percentage change in—		State and local expenditures for assistance					
	Income payments, 1949 from 1948	State and local expenditures for assistance, 1950 from 1949	As percent of income payments					Per inhabitant, 1950
			1940	1949	1950	Percentage change		
						1950 from 1940	1950 from 1949	
Continental United States ²	-2.4	+21.4	0.96	0.52	0.65	-32	+25	\$8.54
New England.....	-1.6	+28.9	1.05	.62	.81	-23	+31	11.50
Connecticut.....	-2.7	+44.1	.63	.31	.46	-27	+48	7.48
Maine.....	-5.1	+21.1	1.27	.51	.65	-49	+27	7.16
Massachusetts.....	-2	+25.1	1.25	.82	1.03	-18	+26	15.09
New Hampshire.....	-2.1	+20.0	1.10	.49	.60	-45	+22	7.04
Rhode Island.....	-2.4	+55.5	.93	.55	.88	-5	+60	12.48
Vermont.....	-5.0	+4.2	.61	.40	.44	-28	+10	4.67
Middle East.....	-1.2	+23.6	1.06	.43	.53	-50	+23	8.30
Delaware.....	+5.5	+29.5	.26	.16	.19	-27	+19	3.29
District of Columbia.....	+5.2	+11.9	.15	.12	.13	-13	+8	3.07
Maryland.....	+4	+12.3	.47	.23	.26	-45	+13	3.42
New Jersey.....	-3	+32.3	.60	.19	.26	-57	+37	3.72
New York.....	-1.1	+17.1	1.17	.62	.62	-47	+19	10.99
Pennsylvania.....	-2.2	+33.3	1.42	.48	.66	-54	+38	9.16
West Virginia.....	-7.8	+65.9	.52	.21	.37	-29	+76	3.58
Southeast.....	-2.7	+19.2	.36	.41	.50	+39	+22	4.28
Alabama.....	-7.0	-1.2	.25	.33	.35	+40	+6	2.67
Arkansas.....	-9.4	+48.5	.30	.35	.57	+90	+63	4.32
Florida.....	+4.7	+12.5	.44	.57	.62	+41	+9	6.64
Georgia.....	-2.1	+20.8	.26	.29	.35	+35	+21	3.04
Kentucky.....	-4.0	+18.8	.37	.26	.32	-14	+23	2.74
Louisiana.....	+5.0	+19.5	.76	1.58	1.80	+137	+14	17.88
Mississippi.....	-14.0	+23.5	.26	.25	.36	+38	+44	2.19
North Carolina.....	-2.6	+25.0	.33	.17	.22	-33	+29	1.86
South Carolina.....	-5.8	+7.3	.27	.28	.32	+19	+14	2.43
Tennessee.....	-3.0	+29.2	.47	.34	.45	-4	+32	3.94
Virginia.....	-7	+17.3	.20	.11	.13	-35	+18	1.27
Southwest.....	+4.8	+2.0	.58	.63	.61	+5	-3	7.07
Arizona.....	+5	+15.6	1.04	.67	.77	-26	+15	8.73
New Mexico.....	+8.3	+3.7	.47	.62	.50	+6	-4	4.94
Oklahoma.....	-1	-1.6	1.24	1.47	1.45	+17	-1	14.94
Texas.....	+6.3	+3.2	.34	.41	.40	+18	-2	4.81
Central.....	-5.0	+15.4	1.01	.45	.55	-46	+22	7.80
Illinois.....	-6.0	+12.4	1.15	.43	.52	-55	+21	8.43
Indiana.....	-5.4	+25.8	.87	.24	.31	-64	+29	4.07
Iowa.....	-12.9	+10.2	1.02	.41	.52	-49	+27	6.55
Michigan.....	-1.6	+24.5	.78	.56	.71	-9	+27	10.08
Minnesota.....	-7.0	+9.6	1.40	.53	.63	-55	+19	7.62
Missouri.....	-3.1	+11.9	.81	.67	.78	-4	+16	10.00
Ohio.....	-4.9	+9.7	.89	.42	.48	-46	+14	6.96
Wisconsin.....	-3.0	+25.9	1.34	.39	.51	-62	+31	6.73
Northwest.....	-7.4	+6.2	1.16	.72	.82	-29	+14	10.18
Colorado.....	-1.5	-4.4	2.01	1.80	1.75	-13	-3	22.66
Idaho.....	-3.8	+13.6	.97	.60	.70	-28	+17	8.49
Kansas.....	-3.3	+20.2	1.03	.59	.74	-28	+25	8.88
Montana.....	-12.3	+41.8	.77	.43	.69	-10	+60	9.29
Nebraska.....	-10.6	+7.3	.93	.41	.49	-47	+20	6.12
North Dakota.....	-18.4	+12.6	.82	.43	.60	-27	+40	6.81
South Dakota.....	-21.8	+19.0	1.00	.29	.44	-56	+52	4.95
Utah.....	+1.1	-8.6	1.55	.84	.76	-51	-10	9.16
Wyoming.....	+1.0	+5.9	.59	.47	.49	-17	+4	7.10
Far West.....	-3	+38.3	1.26	.87	1.21	-4	+39	19.10
California.....	(³)	+45.9	1.41	.82	1.20	-15	+46	19.40
Nevada.....	-7	+13.9	.54	.28	.32	-41	+14	5.66
Oregon.....	-2.2	+16.8	.77	.68	.71	-8	+18	9.89
Washington.....	-5	+22.1	.82	1.34	1.64	+100	+22	24.53

¹ Expenditures exclude amounts spent for administration and are for calendar year 1940 and fiscal years 1949 and 1950; they are related to income payments or calendar years 1940, 1948, and 1949, respectively.

² Data on per capita income for Alaska and Hawaii not available.

³ Increase of less than 0.05 percent.

the fiscal year 1950. Four out of every 5 States used a smaller proportion of income payments to meet need under the four public assistance programs in 1950 than in 1940.

Percentage-wise the rise in income payments over the period exceeded that in assistance expenditures in the country as a whole and in all regions² except the Southeast and Southwest, where the ratio of assistance expenditures to income payments increased by 39 percent and 5 percent (table 1). The largest decreases in assistance costs as a percent of income payments occurred in the Central and Middle East groups—46 and 50 percent, respectively. Of the other declines in fiscal effort, that for the Far West was slight (4 percent) and those for the New England and Northwest regions (23 percent and 29 percent) were less than the national decrease.

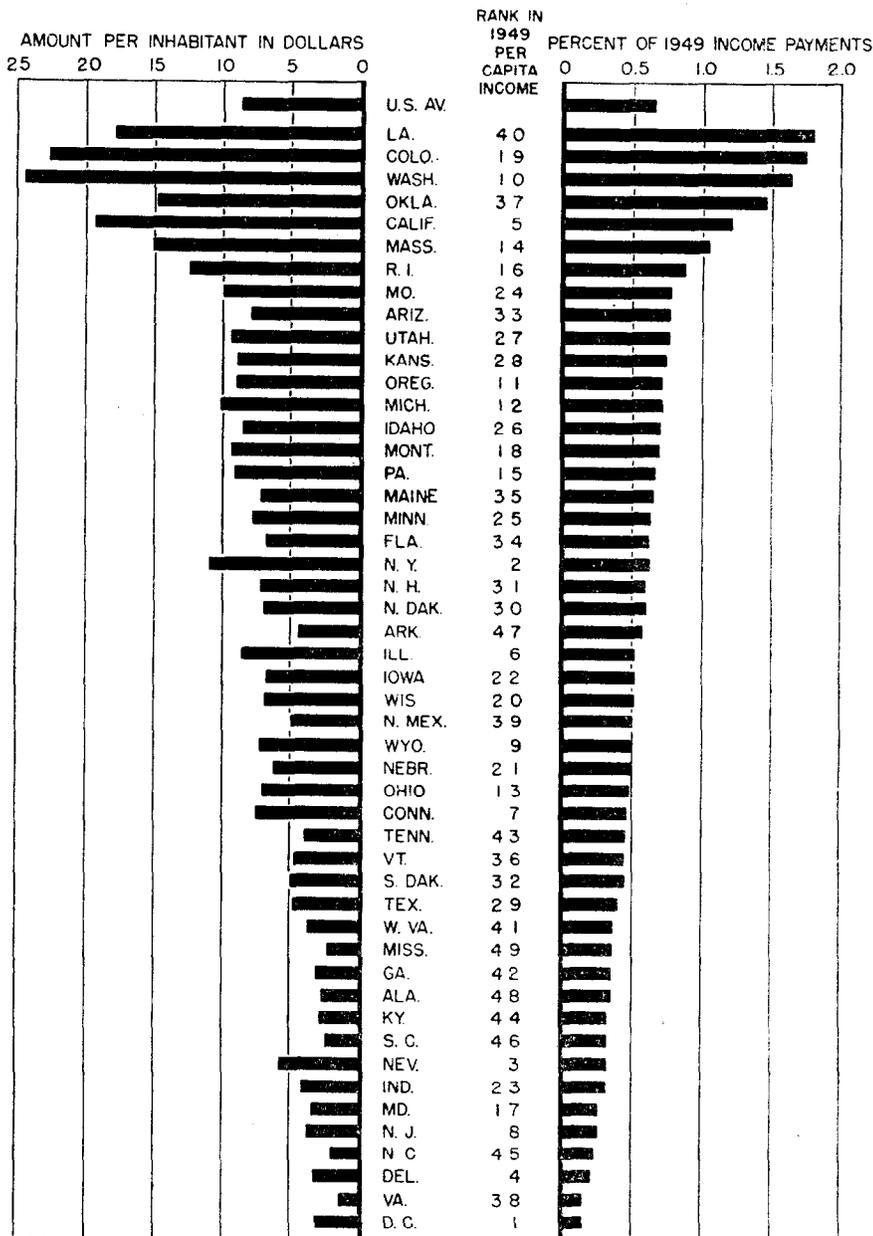
The regional average changes in the percent of income payments going to public assistance were generally characteristic of the individual States within each region (table 1). Decreases over the period in the ratio of assistance to income payments in 10 of the 15 States in the Middle East and Central regions exceeded the 32-percent decline for the United States. Indiana had a drop of 64 percent, the largest in the country, and was one of six States in these regions and of eight in the Nation with downward changes of more than 50 percent. Similarly, in four of the six States in New England and eight of the 13 States in the Northwest and Far West, fiscal effort decreased less than in the Nation as a whole; Washington, moving counter to the other States in these regions, had an increase of more than 100 percent—the second highest in the Nation. Ten of the 15 States in the Southeast and Southwest increased fiscal effort. The increases in Louisiana, where the fiscal effort was two and one-third times that in 1940, and in Arkansas, where

the 1940 rate was almost doubled, were out of line with changes in the other States. Of the five States in the Southwest and Southeast with declines in fiscal effort, only Virginia and North Carolina reported above-average decreases.

In general, declines from 1940 to 1950 in the percent of income payments used for aid to the needy would have been considerably greater and

increases much smaller had it not been for the marked upward change in effort during the last fiscal year of the period. Shifts in fiscal effort from 1949 to 1950 for individual States varied widely from the over-all increase of 25 percent for the country as a whole. Changes ranged from a decrease of 10 percent in Utah, the low State, to a rise of 76 percent in West Virginia, the high State. Only

Expenditures for public assistance from State and local funds, fiscal year 1950



²The socio-economic regions used in this analysis were adapted by the Department of Commerce from those proposed by Howard W. Odum in *Southern Regions of the United States* (University of North Carolina Press, Chapel Hill, 1936). The regional breakdown is based on factors that affect the number of assistance recipients and the amount of assistance expenditures.

Table 2.—Comparison of State changes in fiscal effort, assistance expenditures, and income payments¹

Change in fiscal effort	Number of States with specified percentage change in fiscal effort	States with—			
		Increase in assistance expenditures and—		Decrease in assistance expenditures and—	
		Increase in income payments	Decrease in income payments	Decrease in income payments	Increase in income payments
Total.....	49	10.....	35.....	3.....	1.....
Decrease.....	5	N. Mex., Tex.....		Colo., Okla.....	Utah.....
Increase.....	44	D. C., Fla., Wyo.....	35.....	Ala.....	0.....
Less than 10.0 percent.....	4	Ariz., Del., La., Md.....			
10.0-19.9 percent.....	15		Idaho, Minn., Mo., Neb., Nev., N. Y., Ohio, Oreg., S. C., Vt., Va., Ga., Ill., Ind., Iowa, Kans., Ky., Maine, Mass., Mich., N. H., N. C., Wash., N. J., N. Dak., Pa., Tenn., Wis.....		
20.0-29.9 percent.....	12				
30.0-39.9 percent.....	5				
40.0-49.9 percent.....	3	Calif.....			
50 or more percent.....	5		Conn., Miss., Ark., Mont., R. I., S. Dak., W. Va.....		

¹ Expenditures exclude amounts spent for administration and are for calendar year 1940 and fiscal years 1949 and 1950; they are related to income pay-

ments for calendar years 1940, 1948, and 1949, respectively.

five States moved downward, and five had increases of more than 50 percent (table 2).

Underlying this generally upward change in the fiscal year 1950 was a loss in income payments in all but 11 States, combined with an increase in assistance expenditures in all but four States. Of the 44 States with upward shifts in fiscal effort, 35 had larger assistance expenditures and smaller income payments. In eight other States the increase in public assistance costs exceeded the gain in income, and in one State the drop in assistance was less than the decline in income payments. Changes in income payments ranged from a gain of 8 percent in New Mexico to a loss of 22 percent in South Dakota (table 1); nationally there was a slight decline of 2 percent. Percentage shifts in State and local assistance expenditures were much greater, increasing 21 percent—or \$226 million—for the Nation and ranging from a rise of 66 percent in West Virginia to a decline of 9 percent in Utah. Changes in State and local expenditures for assistance and in fiscal effort from 1949 to 1950 are summarized in table 2.

As a result of the upward shifts in effort by the Southeast and Southwest since 1940 and the downward changes in the Middle East and Central regions, these four regions were

much closer in fiscal effort in 1950 than in 1940. At the end of the period, however, as at its beginning, the Southeast was making the lowest fiscal effort. In 1950, this region spent 50 cents for assistance for each \$100 in income payments to individuals, compared with 65 cents spent by the Nation as a whole and 53 cents by the next highest region. The Middle East, Central, and Southwest regions, which allocated 53 cents, 55 cents, and 61 cents, respectively, out of each \$100 of income, were also below the national average. On the other hand, the ratio of assistance expenditures to income payments in the New England group was 81 cents; in the Northwest, 82 cents; and in the Far West, \$1.21 per \$100.

Individual States still varied considerably with respect to fiscal effort in 1950 (chart). Louisiana, the State making the greatest fiscal effort in 1950, spent \$1.80 for assistance for each \$100 of income, while the District of Columbia and Virginia, the lowest States, spent only 13 cents. Six States spent less than 30 cents, and an equal number spent more than 90 cents per \$100 of income. The comparatively high fiscal effort exerted by a few States pulled the national average up to 0.65 percent, which was higher than the rate for two-thirds of the States; for the me-

dian State the rate was 0.52 percent.

Generally speaking, the need for public assistance is greatest where ability to support the costs of meeting need is smallest. Seven of the 12 lowest-income States, for example, are among the 12 States with the highest recipient rates for old-age assistance—the largest public assistance program—and three others have rates above the national average. On the other hand, six of the 12 States with highest per capita incomes are among the 12 lowest in recipient rates for old-age assistance, and in four others the rates are below the average for the United States. As a result of these below-average recipient rates, the high-income States can support public assistance at a more nearly adequate level without putting forth great effort. The 12 States with the highest per capita income were equally divided above and below the median State in fiscal effort; four States in this group ranked among the 12 lowest in fiscal effort and three others among the 12 highest States.

The lowest-income States, however, because of their generally high recipient rates, have to exert above-average fiscal effort if they are to support individual assistance payments on a par with the national average. At the present time the States with the least fiscal ability make payments per recipient considerably below the United States average. From 1940 to 1950, when fiscal effort for the Nation declined by almost a third, many of the lowest-income States showed substantial rises. But despite the fact that seven of these States increased their fiscal effort between 1940 and 1950 and that in three other States the decrease was below the national average, in 1950 the low-income group still did not spend as large a proportion of income payments for assistance as did the rest of the country. Accordingly, of the 12 lowest-income States, half are among the 12 exerting least fiscal effort, four are below the median in this respect, and only Louisiana and Arkansas are above it.

Even if a low-income State were to use the same percent of income payments for public assistance as a high-income State, the result in actual

dollars would be much less. Thus, if Mississippi were to make the same fiscal effort as New York, by spending for assistance 62 cents per \$100 of income payments, the resulting expenditure per inhabitant would be only \$3.77 compared with \$10.99 in New York. To equal New York's expenditure per inhabitant, Mississippi would have to make more than five times its current fiscal effort.

No matter what standard might be set for a public assistance program, it would always take a larger percent of income payments to maintain that standard in the lowest-income States than in other States. If Mississippi, for example, were to spend as much per recipient from State and local funds as the average State, it would have to devote 1.59 percent of its income to public assistance—almost two and one-half times the Nation-wide average of 0.65 percent and more than was spent in the fiscal year 1950 in any other State except Colorado, Louisiana, and Washington.

Liberalized Eligibility Provisions and Old-Age Benefits

The 1950 amendments to the Social Security Act provide, until the middle of 1954, fully insured status for any individual living on September 1, 1950, who has as many as 6 quarters of coverage. About 700,000 persons aged 65 or over became newly insured as a result of this liberalization in the insured-status requirements and hence became eligible to receive old-age benefits. More than three times as many old-age benefits were awarded in September–November 1950 as in the corresponding period a year earlier, chiefly because of this liberalization.

The newly eligible persons have, on the whole, substantially lower average monthly wages and fewer credited increment years than persons insured under the 1939 amendments. As a result, the average monthly amount of old-age benefits awarded to "new eligibles" is markedly lower than in the case of persons eligible under the 1939 provisions. This benefit pattern was discussed briefly in the February 1951 issue of the BULLETIN (pages

Table 1.—Average monthly amount of old-age benefits newly awarded, by eligibility status and sex of beneficiary, July and September–November 1950

[Based on 20-percent sample]

Eligibility status	Average monthly amount newly awarded						Percentage increase, Sept.–Nov. from July		
	Total		Male		Female		Total	Male	Female
	July	Sept.–Nov.	July	Sept.–Nov.	July	Sept.–Nov.			
Total.....	\$29.13	\$31.36	\$30.32	\$33.15	\$23.24	\$26.01	8	9	12
"New eligibles".....	29.13	25.37	30.32	26.25	23.24	23.07	68	68	73
"1939 eligibles".....		49.02		50.79		40.25			

14–15). Tabulated data for a 20-percent sample of old-age benefits awarded in September–November are now available and bear out the general conclusions reached in that note.

Benefits Awarded

The average old-age benefit awarded during September–November to persons insured under the 1939 amendments was \$49.02, about 68 percent larger than the July average (table 1). The average for the newly eligible group was only \$25.37, however, so that for all old-age benefit awards the average for September–November was only 8 percent higher than that in July. The average old-age benefit awarded in September–November to male beneficiaries eligible under the 1939 amendments was about \$10.50 higher than the average for women, compared to a difference of about \$7.00 in July.

Three-fourths of all old-age benefit awards during September–November were made to newly eligible persons (table 2). The minimum monthly amount of \$20 was payable in 56 percent of the awards to "new eligibles"; for female beneficiaries, comprising more than a fourth of the newly eligible group, 74 percent of the awards were for the minimum amount. Only 8 percent of the newly eligible beneficiaries received monthly benefits of \$40 or more. In contrast, the \$20 minimum was payable in only 7 percent of the awards to "1939 eligibles," while \$40 or more was payable in 79 percent of these cases.

Relatively more awards were made during September–November to old-age beneficiaries aged 65–69 than in July, since the reduction in quarters

of coverage required for insured status is greatest for persons in this age group. (For a person who attained age 65 in the last half of 1950, the reduction is from 27 quarters to 6 quarters.) With respect to "new eligibles" alone, 77 percent of the men and 81 percent of the women were aged 65–69; most of the rest were aged 70–74. Persons who at-

Table 2.—Number and percentage distribution of old-age benefits newly awarded, by eligibility status, amount of benefit, and sex of beneficiary, September–November 1950

[Based on 20-percent sample]

Amount of monthly benefit	Total		Male		Female	
	Number	Per cent	Number	Per cent	Number	Per cent
Total						
Total.....	266,050	100	199,475	100	66,575	100
\$20.00.....	116,498	43	74,333	36	42,165	63
20.01–29.99.....	41,382	16	31,070	16	10,312	15
30.00–39.99.....	39,826	15	33,181	17	6,645	10
40.00–49.99.....	28,287	11	23,626	12	4,661	7
50.00–59.99.....	22,269	8	19,934	10	2,335	4
60.00–68.50.....	17,788	7	17,331	9	457	1
"New eligibles"						
Total.....	198,598	100	143,396	100	55,202	100
\$20.00.....	111,574	56	71,095	49	40,479	74
20.01–29.99.....	37,829	19	28,825	20	9,004	16
30.00–39.99.....	33,536	17	28,975	20	4,561	8
40.00–49.99.....	13,443	7	12,417	9	1,026	2
50.00–59.99.....	1,467	1	1,346	1	121	(1)
60.00–68.50.....	749	(1)	738	1	11	(1)
"1939 eligibles"						
Total.....	67,452	100	56,079	100	11,373	100
\$20.00.....	4,924	7	3,238	6	1,686	15
20.01–29.99.....	3,553	5	2,245	4	1,308	12
30.00–39.99.....	6,290	9	4,206	8	2,084	18
40.00–49.99.....	14,844	22	11,209	20	3,635	32
50.00–59.99.....	20,802	32	18,588	32	2,214	19
60.00–68.50.....	17,089	25	16,593	30	446	4

¹ Less than 0.5 percent.