DISTRIBUTION OF PUBLIC-ASSISTANCE FUNDS WITHIN STATES

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ONE OF THE MOST important gauges of effective administration of public assistance is the extent to which assistance needs are met uniformly throughout a State. Standardization of policies and procedures reflects efforts toward this goal. However, the ultimate effect of State-wide standards can be measured only by the extent to which all needy persons in the State receive assistance in accordance with their needs. Frequently, standardization of administrative practices is nullified by the methods used in distributing funds for assistance and in the division of financial responsibility between State and local governments. This article will discuss, on the one hand, how these financing procedures hinder administrators in their efforts to meet assistance needs uniformly and, on the other hand, how they can be used by administrators as a means of more nearly reaching that objective.

Grants to States for financing their public-assistance programs are made by the Federal Government within the limits set by the Social Security Act. To any State whose plans for old-age assistance and aid to the blind have been approved by the Social Security Board, the Federal Government pays half of the expenditures for assistance up to a Federal-State total of $30 a month for each recipient;[1] for aid to dependent children, the Federal share is one-third[2] of the costs of the program exclusive of amounts by which payments exceed $18 for the first child and $12 for each other dependent child in the same home. A single State agency in each State must be responsible for administering or supervising the administration of public-assistance programs under the Social Security Act. This State agency is responsible within the limits established by State laws for distributing Federal and State funds to the localities or, in State-administered programs, for apportioning the funds to be spent in each locality.

The 131 public-assistance programs[3] are financed by the States in the following ways: (1) entirely from Federal and State funds; (2) from Federal, State, and local funds, local funds being matched by State funds; (3) from Federal, State, and local funds, the relative proportions from each source for each political subdivision varying in accordance with relative relief needs and financial ability.

Programs Financed From Federal and State Funds

The cost of assistance for 63 of the public-assistance programs administered in accordance with plans approved by the Social Security Board is borne entirely from Federal and State funds. Old-age assistance is thus financed in 27 States, aid to dependent children in 14 States, and aid to the blind in 22 States.[4] Uniform administrative practices are relied upon in most States to achieve an equitable distribution of Federal-State funds among the political subdivisions. Because available funds are limited, however, some States have established quotas for controlling the apportionment of State-Federal funds among political subdivisions. South Carolina and Louisiana use quotas for all three public-assistance programs, Arkansas for old-age assistance and aid to dependent children, and Mississippi for old-age assistance and aid to the blind. The quota for each county is determined in Mississippi on the basis of the ratio of total county population to total State population, this percentage being applied to total funds available; the quotas in Mississippi are adjusted on the basis of personal judgment for differences in standards of living. Arkansas limits the number of recipients in each county to the percent applied to the total number of recipients in the State which the aged or child population in the county comprises of the same population group for the State as a whole. Expenditures for each county

* Bureau of Research and Statistics, Division of Public Assistance Research.

[1] Effective Jan. 1, 1940, up to $40 a month.

[2] Effective Jan. 1, 1940, one-half.

[3] Only 130 of these programs are accounted for by the classification specified. The remaining program, aid to the blind in New Jersey, is financed from Federal, State, and local funds; cases lacking county settlement are paid from Federal-State funds, all other payments being made from Federal-local funds.

[4] See table 1 for a listing by individual States.

in South Carolina for the quarter ended March 31, 1939, were limited to three times the volume of expenditures during December 1938 plus 10 percent of this amount for old-age assistance and aid to the blind and 3 percent for aid to dependent children. Monthly quotas are established for each parish in Louisiana after taking into consideration the number of recipients during the

Table 1.—*Methods for allocating State funds for public-assistance payments among political subdivisions* [1]

State	Programs financed from Federal and State funds only			Programs financed from Federal, State, and local funds					
				Funds distributed by State among political subdivisions on a fixed matching basis			Funds distributed by State among political subdivisions on a variable matching basis		
	Old-age assistance	Aid to dependent children	Aid to the blind	Old-age assistance	Aid to dependent children	Aid to the blind	Old-age assistance	Aid to dependent children	Aid to the blind
Total	27	14	22	21	23	17	1	4	1
Alabama				X	X	X			
Arizona	X	X	X						
Arkansas	[2] X	[2] X	X						
California				X	X	X			
Colorado	X				X	X			
Connecticut	X		X						
Delaware	X				X				
District of Columbia [3]	X	X	X						
Florida	X	X	X						
Georgia [2] [4]				X	X	X			
Idaho [4] [5]				X	X	X			
Illinois	X								
Indiana			X				X	X	
Iowa	X					X			
Kansas				X	X	X			
Kentucky	X								
Louisiana [2]	X	X	X						
Maine	X		X		X				
Maryland				[2] X		[2] X		X	
Massachusetts			X	X	X				
Michigan	X							X	X
Minnesota			X	X	X				
Mississippi [2]	X		X						
Missouri	X	X							
Montana [4]				X	X	X			
Nebraska	X	X	X						
Nevada				X					
New Hampshire		X	X	X					
New Jersey [6]				X	X				
New Mexico	X	X	X						
New York				X	X	X			
North Carolina [2]				[4] X	[4] X	X			
North Dakota			X	X	X				
Ohio	X					X		X	
Oklahoma	X	X	X						
Oregon				X	X	X			
Pennsylvania	X	X							
Rhode Island	X				X				
South Carolina [2]	X	X	X						
South Dakota	X		X						
Tennessee [2]				X	X	X			
Texas	X								
Utah [4]				X	X	X			
Vermont	X		X		X				
Virginia [2]				X	X	X			
Washington [7]	X	X	X						
West Virginia	X	X	X						
Wisconsin [4]				X	X	X			
Wyoming			X	[4] X	[4] X				

[1] As far as possible, changes resulting from legislation during 1939 have been incorporated; administrative practices known to have been in effect in February 1939 are specified unless more recent data were available. Excludes Alaska and Hawaii.

[2] Quotas are used to limit amount of State funds expended in each political subdivision or allocated among political subdivisions.

[3] No political subdivisions.

[4] State grants or lends funds for payment of share of political subdivisions for assistance when localities are unable to furnish their share of funds.

[5] County participation eliminated by recent legislation.

[6] Aid to the blind in New Jersey is financed from Federal, State, and local funds; cases lacking county settlement are paid from Federal-State funds, all other payments being made from Federal-local funds.

[7] The board of county commissioners is required to budget and levy a sum equal to 3 mills against assessed valuation of county for public-assistance purposes. In practice, counties use proceeds of this levy for institutional maintenance, medical care, and general relief. If a balance of local funds remains, State bills county for reimbursement for public-assistance payments made. Very few counties have had balances of local funds, so that public-assistance programs under the Social Security Act have been financed almost entirely from Federal and State funds.

preceding month and the number of eligible cases awaiting approval.

Federal, State, and Local Funds—Matching Basis

Sixty-one public-assistance programs are financed from Federal, State, and local funds on a fixed matching basis. Under this system, Federal-State funds are made available to all localities on the basis of a uniform percentage of actual expenditures for assistance payments. Old-age assistance is thus financed in 21 States, aid to dependent children in 23 States, and aid to the blind in 17 States.[4]

A system of quotas for controlling the distribution of Federal-State funds among political subdivisions has been adopted by some of these States also, despite the fact that these funds are made available on a fixed matching basis. The quota for each county in Georgia for all programs is based on the ratio of total county population to total State population. Instead of using general population as a measure, Virginia determines fund quotas for each county for aid to dependent children and aid to the blind on the basis of the ratios of the number of children under 16 and the number of blind persons in the county to the total State population in these groups.[5] The county quotas for old-age assistance in Virginia are determined by multiplying the number of eligible persons in the county by a predetermined average payment to all recipients in the State.[6] Early in the development of its public-assistance programs, Tennessee established quotas for each county by program. These quotas were determined by multiplying the estimated potential case load by estimated average grants. These original quotas have not since been changed, except for discretionary adjustments to meet inequities in the operation of the quotas. The formula used in establishing county quotas for old-age assistance and aid to the blind in Maryland is based on past experience reflected by case load and expenditures and on the potential needs reflected by aged or blind population.[7] North Carolina requires the counties to submit budgets of their estimated needs for all three programs and limits Federal-State funds to each county by the amount of the approved budget.

The inability of some political subdivisions to meet all or any part of their share on a matching basis has been anticipated in a few States. In Idaho,[8] Montana,[9] Utah,[10] and Wyoming,[11] the county share is paid from State funds when counties are unable to meet their designated share. In Idaho, this money may or may not be paid back by the county at the end of the fiscal year from balances on hand in the county indigent fund. The Utah State Board of Public Welfare assumes the additional burden only if the counties are unable to meet their share by a 5-mill levy on all taxable property within the county.

A special equalization fund has been designated in North Carolina from which funds are made available to counties unable to meet their share of old-age assistance and aid to dependent children.[12] Allotments from this special equalization fund can be made only to counties which have already imposed a tax of at least 10 cents per $100 valuation of taxable property and only if the allotment does not exceed three-fourths of the total amount expended beyond the amounts produced by a tax levy of that amount. The equalization fund provided for by law in Georgia [13] has never been used for this purpose because the inadequacy of the State's funds has made it necessary to use this special fund to meet the State's normal share.

In Wisconsin, counties unable to pay their share of public-assistance payments receive State grants or loans from the independent State Emergency Board, which deals with the general problem of

[4] See table 1 for a listing by individual States.

[5] Population estimates based upon personal judgment of unit supervisors n each county.

[6] The number of eligible persons was determined by a field survey in selected areas, and the proportion of aged persons in each county estimated to be eligible was computed from these data. It was necessary to reduce the amounts for each county by 40 percent. For a complete description of the survey and methods of determining quotas, see *Report of Commissioner on Old-Age Assistance in Virginia*, Senate Document No. 3, pp. 19–34, 1937.

[7] The formula for old-age assistance is based upon the following factors: (1) cases receiving old-age assistance during July 1938 plus applications pending on June 30, 1938—weight of three; (2) population 65 years of age and over as of July 1, 1937—weight of one; (3) expenditures for old-age assistance during the last fiscal year—weight of two. In practice the State does not adhere rigidly to these quotas but makes adjustments based on experience.

[8] Idaho Session Laws, 1937, ch. 216, sec. 23. In March 1939 the legislature eliminated county participation in assistance payments (Idaho Session Laws, 1939, ch. 182, sec. 23).

[9] Montana Laws, 1937, ch. 82, sec. XI (b).

[10] Utah 1939 Session Laws, ch. 87, sec. 15.

[11] Wyoming Session Laws, 1937, ch. 88, sec. 25. This arrangement applies to old-age assistance and aid to dependent children only.

[12] 1937 Supplement to the North Carolina Code of 1935, sec. 5018 (59).

[13] Georgia Laws, 1937, No. 62, sec. 16.

fiscal distress of the counties. These funds come from a special appropriation for relief separate from those of the public-assistance agency and are distributed on the recommendation of the Public Welfare Department. The recommendation of the Public Welfare Department is based on a formula,[14] but the Emergency Board has discretionary power.

Federal, State, and Local Funds—Variable Proportions

Under the arrangements previously discussed, all the political subdivisions in a State put up the same percentage of local funds in relation to State-Federal funds, except for a limited number of counties unable to meet their share. In a few States, however, the proportions of Federal, State, and local funds differ for each political subdivision.

Although Indiana made a large part of the Federal-State funds available on a fixed matching basis in 1939, the State distributed an additional amount of State funds to all counties on the basis of the relationship between the net cost of all public-welfare functions and the assessed valuation in each county.[15]

In Ohio, a variable matching basis for financing the program for aid to dependent children results from the requirement that local funds be made available on the basis of a fixed mill levy; State funds are distributed on the basis of the ratio of children under 16 in each county to total State population under 16 without regard to the amount of local funds made available.[16] In effect, this financing arrangement distributes State funds on the basis of maximum need as measured by the potentially eligible population and requires the counties to participate in relation to their financial ability as measured by assessed valuation.[17]

While for aid to dependent children the counties of Maryland are required to make a fixed levy of 1 cent per $100 assessed valuation, the difference between the sum of combined local and Federal funds and assistance needs is financed customarily from State funds. A maximum quota is established for distributing available State funds to each county on a basis similar to that used for old-age assistance.[18]

All State funds in Michigan for aid to dependent children and aid to the blind are distributed to the counties on a discretionary basis. The monthly grants of State funds are based on the assistance needs of the counties and the amount which the State agency believes the county can contribute. Both of these factors are measured roughly by expenditures during the preceding month and by any other information available to the State office.[19]

Effect of Fund Distribution on Problem of Meeting Assistance Needs Uniformly

The distribution of financial responsibility among the Federal, State, and local governments has an important bearing on the problem of achieving uniformity in meeting assistance needs. The adoption of devices such as quotas is evidence that the States recognize that inequalities among political subdivisions result when State funds are distributed as a fixed percentage of local expenditures. Provision for making emergency grants or loans to political subdivisions which are unable to meet their share of assistance is another evidence of the inequities which are fostered by fixed matching.

Administration of public assistance may not be uniform throughout the State for reasons not connected with financing methods. In the States in which public assistance is financed entirely from Federal-State funds, the question of inequalities resulting from the inability of localities to make necessary funds available is not a problem. Nonetheless, inequalities arise from uneven administration in the several counties. Normally, cases are approved and added to the assistance rolls in the order in which investigations are completed. If some political subdivisions or branch offices lag in completing investigations, recipients in areas served by these offices may not receive assistance because funds may have been exhausted when their applications are ready for approval. Competition for available funds among the counties

[14] Described in *Financial Conditions of Wisconsin Counties*, 1937, pp. 4-5, of the Wisconsin Public Welfare Department.

[15] Actually the net cost of public-welfare functions is expressed in terms of the tax rate necessary to raise the amount required to finance these costs.

[16] Ohio General Code, sec. 1359-36 and sec. 1359-38.

[17] Since distribution of State funds according to population does not reflect relative need for such funds among counties, this procedure may not bridge the gap between available local funds and local needs, or it may give funds to counties in excess of their needs.

[18] See footnote 7.

[19] Recent legislation (Public Act No. 280, Acts 1939), effective June 16, 1939, provides for payment of public assistance from Federal and State funds only. The present administrative procedure for allocation of funds among the counties is not known.

may result. If sufficient State funds were available to meet all assistance needs, no serious problem would be presented. Unfortunately, limited appropriations are still common and are likely to continue to be so. Under these circumstances, county quotas are useful to administrators as a device to iron out differences in administration among the counties.

A study of the financing methods used by States, including supplemental devices such as quotas, points to the conclusion that States are attempting, consciously or without realizing it, to "equalize" differences among political subdivisions with respect to assistance needs and financial ability. Most of the methods used seem to assume (1) that political subdivisions differ in the extent of their relative relief needs and in their relative financial ability to meet their respective relief needs, and (2) that disproportionately large assistance needs are often accompanied by relative inability to raise necessary funds.

The financing arrangement whereby Federal and State funds only are used is most flexible for achieving uniform administration. These funds can be allocated among the counties solely on the basis of the needs of the counties without regard to local fiscal abilities. This objective was encompassed by the quota systems adopted by several States. On the other hand, local need does not always determine the distribution of these funds because of the absence of standard concepts of need and of standardized methods for determining the amounts of assistance grants, and because of the lack of uniform policies with respect to the acceptance of applications. Until these administrative practices have been standardized sufficiently, county quotas may serve a useful purpose. They are not a substitute for such methods of obtaining uniformity as State-wide rules and regulations, supervision, and budgeting. Moreover, in many of the States, the specific factors used in establishing quotas have been of questionable validity as indexes of relative assistance needs in the localities.

When Federal-State funds are made available to the localities on a fixed matching basis, the amount for each county is determined by the ability as well as the willingness of the localities to put up funds. This procedure may or may not make enough funds available to meet the actual relief needs of the locality and may create inequities in the administration of public assistance in the State. Attempts to equalize differences among political subdivisions are difficult, if not impossible.

Grants or loans to counties unable to pay the local share of assistance costs may relieve the most glaring of these inequalities. Such provisions meet emergency situations, but they do not satisfy the need for equalizing basic county differences which do not result in emergencies.

To overcome the defects inherent in a fixed matching system, one State has established a special equalization fund, another distributes State funds to localities on a discretionary basis, and a third State uses State funds to make up the difference between local funds produced by fixed mill levies on general property and total relief needs shown by expenditures. These methods attack the basic problem but have achieved their objectives only partially. One of the major stumbling blocks in these and other methods has been the difficulty of discovering objective measures of assistance needs and financial ability.

The need for equalization applies to the distribution of funds for administration as well as to assistance payments. Inequities in administration of public assistance will arise if inadequate funds are available for personnel necessary to investigate the original and continuing eligibility of applicants and recipients. The principles outlined subsequently apply equally, therefore, to funds for administering public assistance.

Problems in Devising Equalizing Methods

In developing equalization procedures, two basic problems must be solved: (1) the development of indexes reflecting relief need and fiscal ability, and (2) formulation of administrative procedures under which these indexes may be put into effect.

Any indexes must be recognized as approximate measures. However, the superiority of such measures over present subjective or arbitrary formulas or over discretionary authority can hardly be questioned. The use of indexes assumes that administrators prefer to make decisions as to the major apportionment or distribution of funds in accordance with reasonably objective measures, free from administrative manipulation, rather than on the basis of local pressures or personal guesses, no matter how well-intentioned.

Since indexes are approximations and may work unevenly in individual instances, provision for correcting individual inequities must be afforded by reserving a limited amount of funds for distribution on a discretionary or emergency basis.

Any index that is developed should meet certain basic requirements:

(1) It should be objective—i.e., based on statistical measurements without adjustments involving personal judgment.

(2) It should be relatively simple, if at all possible; complex formulas which cannot be readily explained to county officials and legislators may defeat their own purposes.

(3) It must be susceptible of practical application; indexes may be conceived which would be theoretically sound but cannot be constructed because the basic data are not available. Theoretical work should continue, however, since the collection of necessary data may be feasible if a sound plan can be developed.

(4) It should reflect both assistance needs and financial ability to meet those needs; composite or separate indexes may be necessary, depending upon the circumstances. No index of local financial ability will be necessary under plans which do not provide for local financial participation.

Many technical problems will need to be solved before indexes meeting these requirements can be developed. The selection of factors which measure assistance need and fiscal ability has been a difficult problem in the past. Factors now in use must be evaluated and additional factors found. Relative weights to be applied to each component factor must be determined by careful research. The index of need must be combined with the index of fiscal ability, and relative weights must be assigned. The weighting process is important, because it vitally affects the ultimate apportionment of funds in applying the formula. Once these technical problems have been solved, the expression of the entire process in a formula should present no difficulties. Finally, individual factors, weights, and the formula as a whole must be tested carefully before the formula is applied extensively.

The administrative procedures by which equalization formulas are to be put into effect must be devised. If no local funds are used, the administrative problem is simplified; the index of assistance need can be used as the basis for quotas of Federal and State funds to be allocated to each political subdivision.

Local financial participation makes necessary a more complex procedure. Under such an arrangement, it is necessary to determine (1) the total amount to be expended in the State to meet assistance needs in full, or in part, during the fiscal period; and (2) the proportion of this financial burden to be borne respectively by the State and collectively by its political subdivisions. Accurate determination of total assistance needs in the State will require that political subdivisions submit estimates carefully constructed on the basis of need factors. The decision as to the portion of this need to be met and the relative financial responsibility of the State or the locality rests with the legislature.

An index of relative financial ability of political subdivisions, based upon factors measuring fiscal ability, may be converted into percentages which can be applied to total local funds in order to determine the local share for each political subdivision. The difference between the assistance need of each political subdivision and the amount of local funds to be used would then represent the share of State and Federal funds to be made available for the political subdivision.

Summary

Many States have recognized that inequities in the administration of public-assistance programs have resulted from the methods of financing these programs and have adopted devices to meet the problem. Unfortunately, the methods used have been inadequate. While States have hesitated to adopt far-reaching changes which would involve new relationships between the State and its political subdivisions, they have been willing to experiment in this area but have been handicapped by the technical problems of constructing and applying indexes of assistance need and fiscal ability. These problems should not be considered insuperable; their solution, however, will require extensive research and experimentation.