

State and Local Fiscal Effort for Public Assistance

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Expenditures for public assistance from State and local funds declined in the fiscal year 1953. Data on these expenditures, and on Federal expenditures for the purpose, and their relation to income payments for the calendar year 1952 are reported in the following pages, with a brief review of fiscal effort in earlier years.

SINCE the early 1930's public assistance expenditures financed from State and local funds have played considerably less than a major role in public programs of income maintenance. In the 1930's, most of the public expenditures for income maintenance were made under veterans' programs and under the federally financed work, relief, and construction programs established to meet the widespread need created by the depression.¹ By 1953, public assistance—financed only in part by the States and localities—and the veterans' programs were all that remained of the publicly financed programs of income maintenance in operation in the 1930's. In 1953 the insurance programs,² which are financed by employer and employee contributions, and the veterans' programs, financed by the Federal Government, bulked larger than public assistance in income maintenance. These programs provided basic income to more persons than the public assistance programs did, and they represented much larger total expenditures.

* Division of Program Statistics and Analysis, Bureau of Public Assistance. Analysis of data on the relationship of income payments and assistance expenditures from State and local funds is carried in the *Bulletin* each year; the 1952 data appeared in the March 1953 issue.

¹ Special assistance programs under the Federal Emergency Relief Administration and Farm Security Administration, and work programs under the Civilian Conservation Corps, National Youth Administration, Works Progress Administration, Civil Works Program, and other Federal projects financed from emergency funds.

² Old-age and survivors insurance, railroad retirement and public employee retirement systems, unemployment insurance, and railroad unemployment and temporary disability insurance.

The basic changes in the types of programs providing income maintenance, combined with changes in the national economy and in population, have greatly affected expenditures for public assistance from State and local funds since 1937—the first full year of operation under the Social Security Act. The economy was then still in the waning phases of the depression; in contrast, 1953 was a peak year for production and employment. From 1937 to 1953, the Federal Government has also been assuming an ever-increasing share of public assistance costs. Despite these changes and the growth in the insurance programs, State and local expenditures for public assistance in 1953 were 114 percent higher than in 1937.³ The explanation lies in several factors: (1) the rapid increase in the number of aged men and women, many of whom are not covered by the insurance programs or have been unable to earn adequate benefits; (2) the growth in the child population, combined with war and postwar family dislocations; (3) the sharply increased cost of living, which resulted in large increases in dollar expenditures for public assistance without equal increases in purchasing value; and (4) some rise in assistance levels and recipient rates under the public assistance programs.⁴

Despite the increased expenditures from State and local funds, the

³ Unless otherwise indicated, all references to years are to fiscal years ended June 30, except for income data.

⁴ For discussion of the effect of these factors on public assistance expenditures see Ellen J. Perkins, "Old-Age Assistance and Aid to Dependent Children, 1940-50," *Social Security Bulletin*, Nov. 1951.

States and localities were carrying a smaller fiscal burden for public assistance in 1953 than 1937. The amount of the burden (or the fiscal effort expended by the States and localities) is here measured by the percent that assistance expenditures from State and local funds represent of total income payments.⁵ The report that follows is based on data on public assistance expenditures for the fiscal year and on income payments for the calendar year that overlaps the first 6 months of the fiscal year.

While the amount of State and local expenditures was 114 percent higher in 1953 than 1937, income payments in 1952 were 276 percent greater than those for 1936. Thus, in 1953, the States were spending a considerably smaller percent of income payments (0.48 percent) for all public assistance programs combined than they did 16 years earlier (0.86 percent).

General assistance was, however, the only one of these programs in which State and local fiscal effort was smaller in 1953 than 1937; 1953 effort on this program (0.08 percent) was less than a seventh of what it was 16 years earlier (0.59 percent). Some of the decrease resulted from the development of the programs for the special types of public assistance under the Social Security Act. Before 1936, general assistance provided aid to many children and to many persons who were aged, blind, or disabled. As special federally aided programs were developed for these groups, States transferred to the special types of public assistance the State and local funds formerly used for such groups under the general assistance program. The percent of income used for aid to

⁵ Throughout the article, data for assistance expenditures and income payments represent the continental United States; income data for Alaska, Hawaii, Puerto Rico, and the Virgin Islands are not available.

Table 1.—Percentage change during specified period in total income payments, assistance expenditures from State and local funds, and fiscal effort, ¹ fiscal years 1937–53

Period	Percentage changes				
	Income payments	Assistance expenditures from State and local funds		Fiscal effort ¹	
		All programs	Special programs	All programs	Special programs
1937–39.	-2.9	+35.1	+73.6	+39.0	+78.7
1939–45.	+132.1	-29.1	+50.4	-69.4	-35.2
1945–50.	+28.4	+131.3	+105.5	+80.2	+60.1
1950–53.	+29.4	-3.4	+6.5	-25.6	-17.9

¹ Ratio of assistance expenditures to income payments.

the blind was about the same in 1953 as in 1937 (0.01 percent), but for old-age assistance State and local effort in 1953 was more than one and one-half times what it had been at the beginning of operations under the Social Security Act (0.28 percent compared with 0.18 percent) and for aid to dependent children more than one and one-fourth times the 1937 effort (0.09 percent compared with 0.07 percent). In addition, State and local effort for the special types of public assistance in 1953 included expenditures (0.02 percent of income payments) for the program of aid to the permanently and totally disabled, which was established in 1950.

The Federal Government was carrying a larger fiscal burden for public assistance in 1953 than it did in 1937; expenditures were 844 percent larger in 1953 than in 1937, compared with the 276-percent rise in income payments. Federal expenditures were affected not only by the four major factors affecting State and local expenditures but also by the changes in the Social Security Act that raised the rate of Federal participation in public assistance and provided Federal funds for the new program of aid to the permanently and totally disabled.

Trend in Fiscal Effort, 1937-53

State and local.—The 16 years between 1937 and 1953 may be divided into four alternating periods of rise and decline in State and local fiscal effort for public assistance: 1937–39,

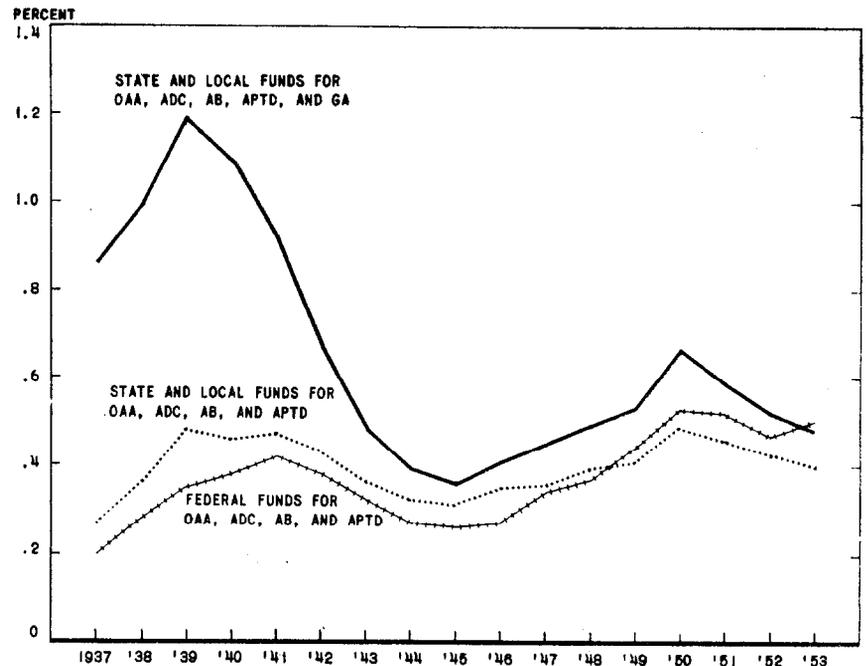
1939–45, 1945–50, and 1950–53. Between 1937 and 1939—the first few years of operation under the Social Security Act—the States and localities made large outlays for general assistance to meet depression-created need and steadily increased their expenditures for the special types of public assistance as the programs were organized and expanded. Since total income payments in these last few years of the depression were low, the relatively high State and local expenditures represented unusually great fiscal effort (chart 1). With the quickening of the industrial economy in 1940, general assistance expenditures began to decline while income payments started to rise. The resulting decline in State and local fiscal effort continued without a break throughout the war years—up to the end of 1945. After the war, State and local fiscal effort rose slightly but steadily each year until 1950, largely because State and local assistance expenditures—particularly for old-age assistance, aid to dependent children, and aid to the blind—increased more rapidly than income payments. With the outbreak of the

Korean hostilities in 1950 and the subsequent effort of the Nation to rearm, income payments increased substantially while assistance expenditures from State and local funds began to level off and eventually, in 1952 and 1953, to decline. As a result, State and local fiscal effort declined from 1950 to 1953.

During the period from 1937 to 1953, State and local fiscal effort for the federally aided assistance programs followed a trend similar to that for all programs. Percentage-wise, the 1937–39 increase in fiscal effort for these programs was greater than that for all programs combined; the drop during the war years, the postwar rise, and the dip since 1950 were smaller. Despite the ups and downs in fiscal effort, expenditures from State and local funds for the federally aided programs increased each year from 1937 to 1952 and declined only slightly in 1953.

Federal.—The fiscal effort exerted by the Federal Government in support of the special types of public assistance from 1937 tended, until 1952, to go through the same changes as State and local effort. The in-

Chart 1.—Ratio of State and local funds for all public assistance programs to income payments, and ratio of State and local funds and of Federal funds for the special public assistance programs to income payments, fiscal years 1937–53



crease in Federal effort from 1945 to 1950, however, was greater than the increase in State and local effort. The trends in Federal and in State and local effort began to diverge in 1953. Federal fiscal effort went up, while State and local effort continued the decline begun in 1950. The trend in Federal effort since 1945 has been heavily influenced by the amendments to the Social Security Act that were enacted in 1946, 1948, 1950, and 1952. In each

year except 1950 the Federal share of individual assistance payments and the maximums on individual assistance payments were raised for all programs. The 1950 amendments made a number of changes, of which the most important in terms of expenditures were Federal participation in assistance to the needy adult relative caring for the child in aid to dependent children and establishment of a new category of aid to the permanently and totally disabled.

As a result, Federal funds—which have increased each year from 1937-53 without exception—showed marked increases starting in 1947. In 1949, for the first time, the Federal Government assumed a larger fiscal burden than the States and localities for the special types of public assistance.

Changes in State and Local Fiscal Effort

In 1953 the States and localities used 0.48 percent of total income payments for the five public assistance programs, in comparison with 0.52 percent spent a year earlier. The decline in effort resulted from a combination of a rise in income payments and a decline in expenditures from State and local funds for public assistance.

In 1952, income payments rose to an all-time high of \$255 billion, an increase of \$13 billion or 5.3 percent over those of the preceding calendar year. At the same time, expenditures from State and local funds for all five assistance programs combined declined about \$13 million—about 1.0 percent—to \$1,246 million for the fiscal year ended June 30, 1953. Almost all this decline occurred in the general assistance programs—\$12.5 million; expenditures for the four special types of public assistance combined were only about \$500,000 (0.05 percent) less than in 1952.

In 1952, income payments to individuals increased in 45 of the 49 States for which income data are available. The increases were small—within one percentage point of the national increase of 5 percent—in almost three-fifths of the States. Four States (Arizona, Kansas, Nevada, and South Carolina) had increases of more than 10 percent. The four States with reverses in income payments (Montana, North Dakota, South Dakota, and Wyoming) had smaller income payments primarily because of substantial drops in agricultural incomes; in North Dakota and South Dakota, the decline was more than 10 percent.

The States were divided almost evenly between those with increases (25) in assistance expenditures from

Table 2.—State and local expenditures for public assistance payments (including vendor payments for medical care) to individuals in relation to income payments and amount expended per inhabitant, by State, fiscal year 1953¹

State	Percentage change in—		State and local expenditures for assistance			
	Income payments, 1952 from 1951	State and local expenditures for assistance, 1953 from 1952	As percent of income payments			Per inhabitant, 1953
			1952	1953	Percentage change, 1953 from 1952	
Continental United States ²	+5.3	-1.2	0.52	0.48	-8	\$7.94
Alabama.....	+5.6	-4.6	.27	.25	-7	2.49
Arizona.....	+12.4	+4.4	.48	.45	-6	6.71
Arkansas.....	+1.8	+27.6	.37	.46	+24	4.37
California.....	+9.1	-5.3	.92	.80	-13	16.16
Colorado.....	+8.3	+7.3	1.66	1.65	-1	26.65
Connecticut.....	+6.9	-12.6	.45	.37	-18	7.73
Delaware.....	+6.3	+2.7	.13	.13	0	2.90
District of Columbia.....	+5.0	(3)	.12	.12	0	3.36
Florida.....	+7.9	-4.2	.42	.38	-10	4.95
Georgia.....	+4.1	+4.4	.41	.41	0	4.69
Idaho.....	+8.2	-3.0	.66	.59	-11	8.46
Illinois.....	+4.1	+3.4	.46	.46	0	9.14
Indiana.....	+3.8	-5.4	.25	.23	-8	3.85
Iowa.....	+2.7	+3.9	.52	.53	+2	8.20
Kansas.....	+20.0	+2.2	.63	.53	-16	9.07
Kentucky.....	+6.4	+2.6	.37	.35	-5	4.01
Louisiana.....	+8.2	-1.6	1.24	1.13	-9	13.58
Maine.....	+6.6	-11.2	.64	.54	-16	7.56
Maryland.....	+6.3	-3.4	.18	.16	-11	2.67
Massachusetts.....	+2.6	-9	.94	.91	-3	15.89
Michigan.....	+6.4	-7.2	.51	.44	-14	8.07
Minnesota.....	+2.1	-6	.70	.68	-3	10.20
Mississippi.....	+5.3	+18.4	.27	.30	+11	2.49
Missouri.....	+4.6	+2.5	.62	.61	-2	9.59
Montana.....	-1.9	+3.8	.66	.69	+5	11.77
Nebraska.....	+5.8	-20.4	.47	.35	-26	5.54
Nevada.....	+14.7	-7.8	.47	.38	-19	8.45
New Hampshire.....	+3.7	-8.7	.57	.50	-12	7.31
New Jersey.....	+7.0	+2.7	.18	.18	0	3.27
New Mexico.....	+5.3	+7.2	.43	.43	0	5.76
New York.....	+3.4	-9.5	.52	.45	-13	9.37
North Carolina.....	+2.2	+3.9	.23	.23	0	2.45
North Dakota.....	-11.1	+1.2	.55	.62	+13	7.60
Ohio.....	+6.0	+4	.37	.35	-5	6.59
Oklahoma.....	+8.1	+39.6	1.26	1.62	+29	20.87
Oregon.....	+6.5	+1.3	.62	.59	-5	10.15
Pennsylvania.....	+4.0	-8.6	.32	.28	-12	4.78
Rhode Island.....	+2.7	+6.3	.63	.66	+5	10.85
South Carolina.....	+10.0	+1.5	.29	.27	-7	2.96
South Dakota.....	-13.4	-7	.44	.50	+14	6.28
Tennessee.....	+3.8	-8	.33	.32	-3	3.58
Texas.....	+6.2	+2.5	.32	.31	-3	4.46
Utah.....	+4.9	-2.9	.64	.59	-8	8.61
Vermont.....	+3.3	-1.3	.41	.39	-5	5.24
Virginia.....	+6.1	-5.6	.11	.09	-18	1.17
Washington.....	+5.9	-1.7	1.00	.93	-7	16.87
West Virginia.....	+2.7	+22.2	.37	.44	+19	5.47
Wisconsin.....	+3.5	+7	.52	.51	-2	8.40
Wyoming.....	-2.9	-3.4	.46	.46	0	7.38

¹ Expenditures exclude amounts spent for administration and are related respectively to income payments for calendar years 1951 and 1952.

² Data on income for Alaska, Hawaii, Puerto Rico, and the Virgin Islands not available.

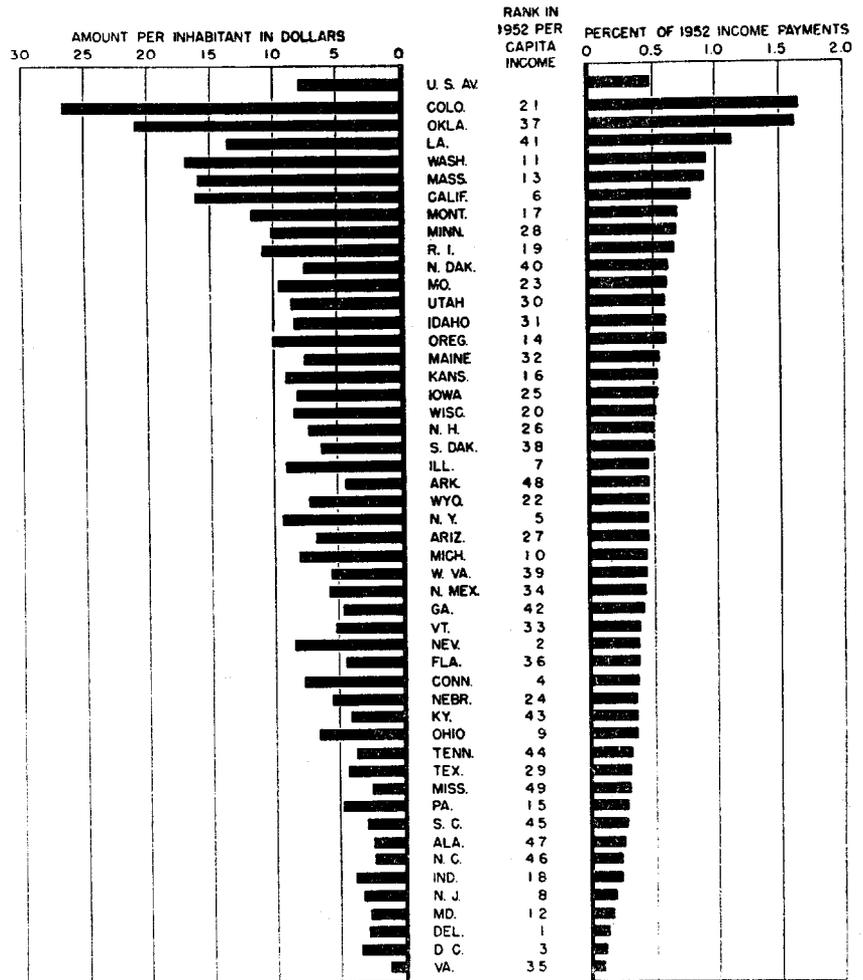
³ Increase of less than 0.05 percent.

State and local funds and those with decreases (24). Most of the changes were proportionately small; in 31 of the 49 States, assistance payments from State and local funds changed less than 5 percent from 1952 to 1953. Four States, all with low incomes, made substantially larger State and local outlays for assistance; Arkansas increased State and local funds 27.6 percent, Mississippi 18.4 percent, Oklahoma 39.6 percent, and West Virginia 22.2 percent. Three States decreased expenditures more than 10 percent; assistance expenditures in Connecticut declined 12.6 percent, in Maine 11.2 percent, and in Nebraska 20.4 percent. A distribution of the States by percentage changes in income payments and in State and local expenditures for assistance is shown below.

Percentage change	Number of States with specified percentage change in—			
	Income payments		State and local assistance expenditures	
	In-creases	De-creases	In-creases	De-creases
Total number of States...	45	4	25	24
0-4.9.....	18	2	18	13
5-9.9.....	23	0	3	8
10-14.9.....	3	2	0	2
15-19.9.....	0	0	1	0
20 and over.....	1	0	3	1

As a result of the increases in income payments and the decreases or smaller proportionate increases in assistance expenditures, 32 of the 49 States exerted less fiscal effort in 1953 than in 1952. Eight States did not change the proportion of income payments used for public assistance, and nine put more fiscal effort into support of their public assistance programs in the latter year. In the 32 States that exerted less fiscal effort in 1953, the decrease in the ratio of assistance expenditures to income payments ranged from 1 percent in Colorado to 26 percent in Nebraska, which was the only State with a decline of more than 20 percent. Of the nine States exerting greater fiscal effort, two—Arkansas and Oklahoma—increased effort by more than 20 percent in 1953 from

Chart 2.—Expenditures per inhabitant for public assistance from State and local funds in relation to income payments, by State, fiscal year 1953



that in 1952. The distribution of States by percentage change from 1952 to 1953 in the proportion of income payments used for public assistance follows.

Total number of States.....	49
Increases.....	9
No change.....	8
Decreases.....	32
Less than 5 percent.....	7
5-9 percent.....	11
10-14 percent.....	8
15-19 percent.....	5
20 percent and over.....	1

State Variation in Fiscal Effort, 1953

The individual States varied considerably with respect to fiscal effort in 1953, as shown in the following distribution of States by their

ratio of assistance expenditures to income payments.

Total number of States.....	49
0.00-0.19 percent.....	5
0.20-0.39 percent.....	15
0.40-0.59 percent.....	18
0.60-0.79 percent.....	5
0.80-0.99 percent.....	3
1.00 percent and over.....	3

Colorado, the State making the greatest fiscal effort in 1953, spent \$1.65 for public assistance for each \$100 of income payments, and Louisiana and Oklahoma also spent more than \$1. Virginia, the lowest State in terms of fiscal effort, spent only 9 cents; four other States—Delaware, the District of Columbia, Maryland, and New Jersey—also spent less than 20 cents per \$100.