

University of Montana

ScholarWorks at University of Montana

Graduate Student Theses, Dissertations, &
Professional Papers

Graduate School

1959

An analysis of federal aid expenditures in Montana and their relationship to the fiscal economy of the state

John Stone

The University of Montana

Follow this and additional works at: <https://scholarworks.umt.edu/etd>

Let us know how access to this document benefits you.

Recommended Citation

Stone, John, "An analysis of federal aid expenditures in Montana and their relationship to the fiscal economy of the state" (1959). *Graduate Student Theses, Dissertations, & Professional Papers*. 8484. <https://scholarworks.umt.edu/etd/8484>

This Thesis is brought to you for free and open access by the Graduate School at ScholarWorks at University of Montana. It has been accepted for inclusion in Graduate Student Theses, Dissertations, & Professional Papers by an authorized administrator of ScholarWorks at University of Montana. For more information, please contact scholarworks@mso.umt.edu.

AN ANALYSIS OF FEDERAL AID EXPENDITURES IN MONTANA AND THEIR
RELATIONSHIP TO THE FISCAL ECONOMY OF THE STATE

by

JOHN YOUNGBLOOD STONE

B.A. Montana State University, 1956

Presented in partial fulfillment of the requirements for the degree of

Master of Arts

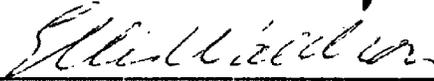
MONTANA STATE UNIVERSITY

1959

Approved by:



Chairman Board of Examiners



Dean, Graduate School

MAY 7 1959

Date

UMI Number: EP39285

All rights reserved

INFORMATION TO ALL USERS

The quality of this reproduction is dependent upon the quality of the copy submitted.

In the unlikely event that the author did not send a complete manuscript and there are missing pages, these will be noted. Also, if material had to be removed, a note will indicate the deletion.



UMI EP39285

Published by ProQuest LLC (2013). Copyright in the Dissertation held by the Author.

Microform Edition © ProQuest LLC.

All rights reserved. This work is protected against unauthorized copying under Title 17, United States Code



ProQuest LLC.
789 East Eisenhower Parkway
P.O. Box 1346
Ann Arbor, MI 48106 - 1346

TABLE OF CONTENTS

CHAPTER	PAGE
I. INTRODUCTION	1
II. DEVELOPMENT OF FEDERAL GRANTS-IN-AID IN MONTANA	18
III. DEVELOPMENT OF FEDERAL AID PAYMENTS	
OTHER THAN DIRECT GRANTS TO INDIVIDUALS	
OR GOVERNMENTAL UNITS WITHIN MONTANA	44
IV. TREND IN FEDERAL AID EXPENDITURES IN MONTANA, 1946-1956 . .	57
V. SUMMARY AND CONCLUSIONS	75
BIBLIOGRAPHY	85
APPENDIX	91

LIST OF TABLES

TABLE	PAGE
I. Federal Land Grants to Montana	20
II. Present Status of Major Land Grants, Permanent Funds, Montana	22
III. Total Federal Aid Allotments to Montana for Highways, 1916-1955	29
IV. Federal Grant and Other Aid Payments, Montana, 1945-1956 .	46
V. Federal Expenditures for Veterans' Benefits in Montana, Percentage Relationship to Total Federal Aid Payments and to Sum of All Federal Aid in Montana, 1948-1956 . .	61
VI. Federal Grants-in-Aid for Highway Construction in Montana and in the United States, Percentage Relationship to Total Grant Payments, 1947-1956	63
VII. Relationship Between the Per Capita Grant Incomes of the Ten Most Benefited States and Their Rank in Population and Area, 1956	64
VIII. Per Capita Federal Grant Payments in Montana and in the Continental United States, 1948-1956	67
IX. Intergovernmental Revenue Received from the Federal Government, Montana State Government, 1947-1956	70
X. Per Capita Income Derived from Federal Grants-in-Aid and Other Aid Payments, Montana and the United States, 1946-1955	72

TABLE	PAGE
XI. Federal Grants and Other Aid Payments as Per Cent of Federal Internal Revenue Collections, Montana and the United States, 1946-1955	73
XII. Federal Grants-in-Aid to State and Local Governmental Units, Montana, Fiscal 1956	92
XIII. Federal Aid Payments to Individuals and Non-Governmental Institutions Within Montana Other Than Direct Grants and Loans, Fiscal 1956	93

LIST OF FIGURES

FIGURE	PAGE
1. Monetary Aid Received from the Federal Government, Montana State Government, 1946-1956	24
2. Grants-in-Aid and Aid Payments as Percentage of Total Federal Aid Expenditures in Montana, 1947-1956 . .	58
3. Grants-in-Aid and Aid Payments as Percentage of Total Federal Aid Expenditures in the United States, 1947-1956 .	59

CHAPTER I

INTRODUCTION

The federal system of government of the United States is a unique phenomenon, without an earlier model. It began as an experiment towards the solution of the problem of striking a satisfactory balance between the needs for central strength and regulation on the one hand and for local freedom of action on the other. Governmental responsibilities were largely localized in the early national period of our history with the federal government functioning primarily as a protective agency. As the United States was transformed from the primitive, agricultural and handicraft economy which characterized our early national history to the complex, industrial society of today, new governmental responsibilities and intergovernmental financial problems arose. Industrialization destroyed the self-sufficiency of the majority of American families and at the same time created problems of coping with destitution caused by sickness and old-age, problems of public health and sanitation resulting from congested city life, and problems arising from recurring economic depressions with their mass unemployment. The individual American found it difficult, if not impossible, to cope with these problems. Local governments attempted to cope with the situation but found that the burden was too great to carry alone. State governments came to the rescue of local governments, but the great depression of the 1930's made it necessary for the states to seek assistance from the federal government.

By tradition and practical circumstances, state and local governments have relied upon property taxation for their revenue. State governments have adopted other forms of taxation as it became evident that the property tax, by itself, was insufficient for revenue purposes. Local governments have not been able to utilize other forms of taxation as readily as have state governments and, as a result, must still rely chiefly upon the property tax which is limited in scope and is inequitable in practice. In addition, many state governments have restricted their taxing and borrowing powers through constitutional and statutory limitations that circumscribe their freedom of action. Overlapping taxation between the federal and state governments has created problems concerning the proper allocation of such resources between these two levels of government. As a result of these and other considerations, states and local governments have been unable to obtain the necessary revenue with which to finance needed public services.

Several devices have evolved as a partial solution to the problem of maintaining a financial balance among the various levels of government which comprise our federal system. Federal grants-in-aid, payments in lieu of taxes on federally owned property, and shared revenues are among the more important devices utilized to provide needed revenue to state and local governments for the various public services demanded of them by their constituents. Federal aid payments to state and local governments are termed "grants-in-aid" and as such constitute an important segment of the revenue received by these two levels of government. Federal aid payments to individuals within states are for such diverse purposes as veterans' benefits and

agricultural conservation practices. Federal grants-in-aid are, at the present time, the more important of the two major types of federal expenditures concerned with the provision of financial aid to states and their constituents and consequently they deserve to be considered first.

The term "grant-in-aid" has come to mean many things to many people. The discrepancy in regard to the meaning of the term has been brought about by the increased volume and complexity of intergovernmental financial relations in the last three decades. Before 1933, the term had a fairly concrete meaning as a result of the few grant programs then in existence and the small volume of federal funds channeled into the various programs. The situation changed in 1933 with the development of direct national work-relief and other national relief and recovery programs designed to alleviate the depressed economic conditions of that particular period. These direct operations and expenditures by the national government became known as "quasi-grants" and the resulting confusion grew to the point that grant-in-aid payments by the national government were reported at anywhere from \$325,000,000 to \$3,700,000,000 for the same year.¹

For the purposes of the present inquiry, federal grants-in-aid are defined as "payments made by the national government to state and local governments, subject to certain conditions, for the support of activities administered by the states and their political

¹Council of State Governments, Federal Grants-In-Aid (Chicago: [n.n.] 1949), p. 28.

subdivisions."² There are two major types of federal grant programs, namely, regular and emergency grants. Regular grants are federal grants-in-aid for continuing non-emergency purposes. Emergency grants are federal grants-in-aid of a temporary nature for relief, war, or some other extraordinary occurrence.³ The two major types of federal grants may be further subdivided with regard to the method used in apportioning the federal funds allocated for grant purposes. The divisions consist of closed and open-end grants. For closed grants, Congress makes an annual appropriation which it distributes among the states according to certain criteria of need. The principal criteria used in the apportionment of federal funds for grant programs are population, area, and financial need. Several grants are distributed on the basis of equal amounts to every state such as the uniform annual grant which each state receives for the support of its agricultural experiment stations. Other need factors enter into the apportionment of certain grants. A small portion of the grant for agricultural extension work is apportioned on the basis of special needs in this field and the relative need for crippled children services is given due weight in the apportionment of grants for that purpose.⁴

In all of the above described methods of apportionment, specific amounts are determined in advance and then are made available to the states. For open-end grants, Congress has not usually adjusted the

²Ibid., p. 29.

³Ibid., p. 30.

⁴James A. Maxwell, Federal Grants and the Business Cycle (New York: H. Wolff Book Manufacturing Co., Inc., 1952), pp. 11-12.

appropriation annually. The open-end grant requires that the federal government apportion funds in proportion to the amounts expended by the states for specific functions. This is the basis of apportionment now governing grants for old-age assistance, aid to dependent children, aid to the blind, and vocational rehabilitation.⁵

Another feature of grants that determines the amounts going to states is the matching requirement. The usual matching requirement is that a state spend one dollar for each dollar of federal aid received. Many recent proposals for new grants or for the modification of old grants have departed from the usual "fifty-fifty" matching requirement in an effort to vary the federal percentage so as to favor the poorer states. Such an outlook is based upon the contention that the federal interest is greatest in the poorer states insofar as there is a desire to equalize the availability and quality of needed public services throughout the nation.⁶

Grants by the federal government to the states are no novelty in our time, although such grants were few in number and were relatively small in size until the great depression of the 1930's. The present system of federal grants-in-aid is a twentieth-century phenomenon, but its beginnings go far back into the history of the United States. Provision was made for federal grants of land as early as 1785 under the Articles of Confederation whereby it was provided that a section of every township in the federal domain be set aside for the maintenance

⁵Ibid.

⁶Ibid., pp. 12-13.

of public schools.⁷ Another early form of federal assistance to the states was begun in 1808, when an appropriation was made to arm and equip the state militia. The Surplus Distribution Act of 1836 provided for apportionment among the states of the surplus revenue which had accumulated in the federal treasury. Land grants, however, remained the principal means by which the federal government implemented its various grant programs until a much later date.⁸

In 1803, when Ohio was admitted to the Union, one section of each township was granted to the inhabitants for the establishment of public schools. This grant was increased to two sections per township in 1848 and fourteen states entered the Union with this more generous endowment. Utah, Arizona, and New Mexico received four sections per township for public school purposes as a result of the rather low value of much of the territory within their boundaries. Federal land grants for higher education were also made available. In 1787, Congress reserved two townships of land for the support of higher learning in the Ohio Territory. This led to a pattern under which each state upon its admission to the Union received at least two townships of land for a university.⁹

In the first Morrill Act of 1862, Congress gave both land and

⁷United States Social Security Administration, Federal Security Agency, The Principle of Equalization Applied to the Allocation of Grants In Aid (Bureau Memorandum No. 66. Washington: Government Printing Office, 1947), pp. 1-2.

⁸Council of State Governments, op. cit., pp. 1-2.

⁹Frederic A. Ogg and P. Orman Ray, Essentials of American Government (seventh edition; New York: Appleton-Century-Crofts, Inc., 1952), pp. 68-69.

money to be utilized by each state for endowing and maintaining one or more colleges devoted primarily to instruction in "such branches of learning as are related to agriculture and the mechanic arts."¹⁰ The Morrill Act granted to each state 30,000 acres for each senator and representative from that state in Congress. States without public land within their borders received equivalent grants in the form of land script. In 1890, a second Morrill Act provided for an annual grant, gradually rising to \$25,000, to be expended for instructional purposes in land-grant colleges. Congress provided that grants be withheld from state institutions failing to fulfill their obligations satisfactorily.¹¹

The Morrill Acts were followed by an extension of the federal system of grants into the field of agriculture. The Hatch Act of 1887 made flat grants of \$15,000 per year for each state to establish agricultural experiment stations. The act imposed the condition that a financial report be submitted annually; in 1895, provision was made for federal audit. The Adams Act of 1906 doubled the annual allotment for each state and provided for the withholding of funds in case a state did not fulfill its obligations. Annual grants, none of which had to be matched, were increased to \$90,000 under the Purnell Act of 1925. The Bankhead-Jones Act of 1935 added an additional annual grant of \$3,000,000 to be apportioned among the states according to rural population on a dollar for dollar matching basis. Public Law 733 of 1946 provided that grants to state agricultural experiment stations be

¹⁰Maxwell, op. cit., p. 1.

¹¹Council of State Governments, op. cit., pp. 4-5.

gradually increased until by 1952 there was to be available an additional \$20,000,000 per year, plus whatever additional moneys Congress deemed necessary to carry out this function.¹²

Agricultural extension work was furthered by the Smith-Lever Act of 1914 which provided for an annual grant of \$10,000 per state, with the balance of Congressional appropriations for such activities to be apportioned on the basis of rural population and to be matched dollar for dollar by the states. In 1928, the Capper-Ketchum Act authorized an additional \$1,480,000 annually for agricultural extension work, and the Bankhead-Jones Act of 1935 increased available funds by \$12,000,000 per year on a non-matching basis to be apportioned according to farm population.¹³ Forestry came under the federal grant-in-aid system with the passage of the Weeks Act of 1911, which offered small grants for forest fire protection. The Clarke-McNary Act of 1924 superseded the Weeks Act, provided additional funds and broadened the scope of the forest protection programs carried on by the states. Forestry extension work among farmers and promotion of farm forestry were provided for under the Clarke-McNary Act. The Cooperative Farm-Forest Act of 1937 provided supplementary appropriations.¹⁴

Federal grants for highway construction began in 1803 when Ohio was admitted as a state. Congress provided that 5 per cent of the proceeds from the sale of public lands in that state should be applied to the construction of roads. For the next three decades, Congress

¹²Ibid., pp. 5-6.

¹³Ibid., p. 6.

¹⁴Ibid., p. 7.

made similar grants for highway construction in newly admitted states.¹⁵ Federal interest then lapsed and highway grants were discontinued until the enactment of the Federal Road Act of 1916, which authorized an initial annual appropriation of \$5,000,000 for the construction of roads in the various states. The grant was to be gradually increased to \$25,000,000 per year and dollar for dollar matching was required. Numerous highway grants have been provided since the initial grant of 1916, with greatly increased expenditures by the federal government for this purpose.¹⁶

Vocational education and rehabilitation grants were established by the Smith-Hughes Act of 1917, which provided for an annual grant of slightly over \$7,000,000 to be apportioned on the basis of rural population, urban population, and total population. The George-Reed Act of 1929, George-Ellzey Act of 1934, George-Deen Act of 1936, and Public Law 586 of 1946 developed still further the program of federal grants for vocational education by increasing the authorized appropriations and by broadening the scope of the coverage. Annual school lunch grants were authorized under Public Law 396 of 1946 to aid in supporting public and non-profit school lunch programs in the various states. Apportionment was based upon the number of school children between the ages of 5 and 17 and upon the relative need of the various states, as reflected by per capita income. The matching ratio was to be dollar for dollar through 1950 but thereafter the ratio was to decline

¹⁵Maxwell, op. cit., p. 2.

¹⁶Council of State Governments, op. cit., pp. 8-9.

gradually until by 1956 the states would contribute three dollars for every dollar appropriated by the federal government.¹⁷

Federal grants for airport construction were authorized in 1946 by Public Law 377. A seven-year construction program was put into operation with grants being apportioned among the states according to relative population and area, and local matching was required.¹⁸

The great depression of the early 1930's brought about a considerable expansion in emergency federal aid. The Federal Emergency Relief Administration was created in May of 1933 to cope with the problem of relief. By the end of 1935, this agency had distributed grants of more than \$3,000,000,000 for both work-relief and direct-relief programs administered by the states. Emergency grants rapidly declined with the onset of World War II and are of little quantitative importance at present. Depressed economic conditions in the 1930's were largely responsible for the enactment of the Social Security Act of August 14, 1935. The act is one of the major events in the history of federal grants-in-aid. Previous federal grants for venereal disease control and for maternal and child health services were reactivated. In addition to the above programs, the Social Security Act authorized pensions to the needy aged, old-age insurance, unemployment insurance, benefit payments to the blind, dependent mothers and children, crippled children, and extensive appropriations for public health work.¹⁹

¹⁷Ibid., pp. 9-13.

¹⁸Ibid., pp. 13-14.

¹⁹Samuel E. Morison and Henry S. Commager, The Growth of the American Republic (New York: Oxford University Press, 1953), II, 610.

The afore-mentioned grant programs are, by no means, all of the federal grant programs that have been enacted by Congress but they represent major federal legislation in this area and illustrate the gradual development and expansion of federal aid to state and local governments by way of the grant device. Federal expenditures for the various grant programs increased very rapidly during the 1930's. For the period 1929 to 1939, the total sum expended by the federal government for grants-in-aid increased twenty-four times as compared to an increase in total federal expenditures of two and one-third times. Grants-in-aid accounted for 3 per cent of total federal expenditures in 1929 and 32 per cent in 1939.²⁰ In fiscal 1953, the United States Budget Bureau classified fifty federal expenditure programs as "federal aid to state and local governments." Federal grant-in-aid programs to state and local governments accounted for approximately \$2,800,000,000, or 3.8 per cent of all federal expenditures for the fiscal year ending June 30, 1954.²¹

In addition to the fifty federal grant-in-aid programs to state and local governmental units, and in addition to shared revenues and payments in lieu of taxes, the federal government also makes payments to individuals and non-governmental institutions within states. The significance of this area of federal expenditures can readily be seen from the fact that disbursements by the federal government for payments

²⁰Maxwell, op. cit., p. 14.

²¹American Parents Committee, Inc., Handbook on Federal Grants-in-Aid (New York: American Parents Committee, Inc., 1953), p. 12.

to individuals and non-governmental agencies amounted to approximately \$1,250,000,000 in fiscal 1953.²² Direct expenditures within states by the federal government differ from expenditures under the grant-in-aid device in that the federal government administers such activities through its own agencies, for the most part, whereas grants-in-aid are administered on a cooperative basis by either state or local governments in conjunction with the federal government. Furthermore, state and local governments exercise little or no control over most of the activities arising from these direct federal expenditure programs which are carried on within their jurisdictions.

The United States Treasury Department in its annual report for fiscal year 1953 lists thirty-six separate federal expenditure programs concerning federal aid payments to individuals within states. These thirty-six programs were administered by the Veterans' Administration and the Departments of Agriculture; Commerce; Defense; Labor; Health, Education, and Welfare.

The Department of Agriculture was concerned with the administration of the Sugar Act, agricultural conservation program, and the federal farm housing repair and improvement program. Expenditures by the Department of Commerce were for the subsistence of cadets in State Marine Schools, and the construction of forest highways on federal forest lands and in national parks and on Indian reservations. The Department of Defense provided funds for the maintenance of Army and Air Force National Guard units in the various states and for local

²²Ibid., pp. 119-21.

reimbursement for the education of federal construction personnel. The Department of Labor administered unemployment compensation for veterans, and the Department of Health, Education, and Welfare provided funds for various research, teaching, and special control grants and traineeship awards designed to promote and encourage research projects in the health sciences. Expenditures by the Veterans' Administration were concerned with readjustment benefits and vocational rehabilitation, particularly for those veterans of World War II and the Korean Conflict, and the provision of automobiles, etc., for disabled veterans.²³

It is interesting to note that over five-sixths of the total sum of all federal payments to individuals and non-governmental institutions within states was concentrated in three of the thirty-six programs carried on by the national government. Out of approximately \$1,250,000,000 expended by the federal government for such purposes in the fiscal year ending June 30, 1953, readjustment benefits and vocational rehabilitation for veterans accounted for \$734,000,000, payments under the agricultural conservation program for another \$206,000,000, and payments for Army National Guard purposes in the various states amounted to \$106,000,000.²⁴

Shared revenues and payments in lieu of taxes constitute another area of importance in regard to federal payments to state and local governments. Federal property covers 456,000,000 acres, or

²³Ibid.

²⁴Ibid.

approximately one-fourth of the land area of the United States.²⁵ Under the intergovernmental immunities doctrine developed in the Supreme Court case of McCulloch v. Maryland in 1819, state and local taxation of federal property, agents, or instrumentalities was held to be invalid in that such taxation would tend to impede and undermine the operations of the federal government. From time to time, however, Congress has specifically authorized state or local taxation of certain federal properties. Such is the case with national banks, which may be taxed by the states within the limits prescribed by federal statute.²⁶ Nevertheless, the general exemption of federal properties from state and local taxation has created serious problems, particularly for local governments which must, of necessity, rely upon property tax for much of their income.

In addition to the various statutory authorizations which permit state or local governments to tax specified national properties, the federal government, as indicated previously, makes payments to state and local governments to compensate for certain tax exempt properties within their jurisdictions. These payments fall under the headings of shared revenues and payments in lieu of taxes. Revenue sharing is an arrangement whereby a specified percentage of income derived from operations on certain federal properties is paid to state or local

²⁵United States Commission on Intergovernmental Relations, Payments in Lieu of Taxes and Shared Revenues (Washington: Government Printing Office, 1955), p. 25.

²⁶William J. Shultz, American Public Finance (New York: Prentice-Hall, Inc., 1938), pp. 189-91.

governments. Federal payments in lieu of taxes to state or local governmental units are based upon such factors as the value of the federal property within such state or local governmental jurisdictions, the cost of local services rendered to federal property or to persons occupying it, or tax equivalent payments with adjustments for burdens and benefits conferred upon the community by the federal property.²⁷

The history of federal revenue sharing dates back to the admission of Ohio to the Union in 1803. The act admitting Ohio to the Union provided that the state would receive 3 per cent of the proceeds from the sale of public lands within its boundaries. Similar provisions were incorporated into subsequent statutes admitting other states. Federal revenue sharing with state and local governments has been applied to national forests, grazing lands, certain flood control lands, power operations of the Tennessee Valley Authority, and other governmental properties.²⁸

In the fiscal year 1953, state and local governments received \$45,400,000 in the form of shared revenue from the receipts of federal property. Three programs accounted for 93.3 per cent of the total sum. Federal payment of 25 per cent of total national forest receipts to the states for the benefit of public schools and roads in the counties where such national forests are located amounted to \$18,649,000. The Mineral Leasing Act of 1920, as amended, provides that 37.5 per cent of total

²⁷United States Commission on Intergovernmental Relations, op. cit., pp. 29-30.

²⁸Ibid.

receipts from bonuses, royalties, and rentals from the leasing of federal lands containing oil, gas, coal, phosphate, potash, sodium, and silica sand is to be shared with the states wherein these properties are located, and shared revenue payments under this act amounted to \$17,246,000 in fiscal 1953. The third major item concerns grant lands in Oregon and California which have reverted to the federal government, but for which the federal government made shared revenue payments to eighteen counties within these states of the amount of \$6,422,000.²⁹

Federal payments in lieu of taxes constitute a minor form of federal compensation to state and local governments. Historically the payment problem arose with respect to the public domain, particularly in the western states. A policy of revenue sharing was developed to aid in overcoming the unequal tax burden which these exempt federal properties imposed upon local governmental jurisdictions containing such property. In recent years, however, the problem of tax exempt national property has taken on a new significance as a result of the rapid increase in property acquisitions by the federal government for such diverse purposes as defense, power production, regional development and reclamation projects, and expansion of federal land holdings in connection with conservation activities. Payments in lieu of taxes are one method of compensating local governmental units for the loss in revenue which such federal property acquisitions entail. No general program exists in regard to such payments and information concerning the overall program is sketchy at best. Payments in lieu of taxes are

²⁹Ibid., pp. 83-84.

almost as varied as the property holdings.³⁰ Only one program concerning federal payments in lieu of taxes was listed by the Bureau of the Budget for fiscal year 1955. This program entailed the payment by the Tennessee Valley Authority of approximately \$4,000,000 to state and local governmental units.³¹

In the preceding pages a brief sketch is given of the history and development of the major federal expenditure programs affecting the state and local governments that go to make up these United States of America. In the following pages the scope of analysis will be narrowed to encompass only those federal expenditure programs that specifically concern the State of Montana. The purpose of the thesis is to determine the nature and extent of federal expenditures to and within the State of Montana at the present time and to obtain such conclusions as appear relevant to a better understanding of current intergovernmental financial relations between the state and the federal government.

³⁰L. L. Ecker-Racz, "Study and Action Relating to Federal-State Tax Relations," Federal-State-Local Tax Correlation, Tax Institute, Inc., December, 1953 (Princeton: Tax Institute, Inc., 1954), pp. 23-26.

³¹United States Bureau of the Census, Statistical Abstract of the United States, 1956 (seventy-seventh edition; Washington: Government Printing Office, 1957), p. 398.

CHAPTER II

DEVELOPMENT OF FEDERAL GRANTS-IN-AID IN MONTANA

Federal grants-in-aid have had a long history in the United States and with the passage of time, they have come to play a more important role in the realm of intergovernmental financial relations. At the present time, monetary grants-in-aid to state and local governments are of prime importance but this has not always been the case. Federal land grants comprised the earliest form of federal assistance to state and local governments. Thus, there are two major types of federal grants-in-aid, namely, federal land grants and federal monetary grants. Insofar as land grants preceded monetary grants-in-aid from an historical viewpoint, it is appropriate that the present chapter deal first with land grants and second with monetary grants to and within the State of Montana.

Federal land grants were a well established form of aid when Montana became a state under the provisions of the Enabling Act of 1889. The lands previously granted to Montana while under territorial status for the establishment of a university system were placed under the control of the newly formed state government.¹ The act gave encouragement to the state for the establishment and maintenance of systems of

¹Montana State Department of Public Instruction, School Laws of the State of Montana (Great Falls: Tribune Printing and Supply Co., 1953), p. 8.

public schools, open to all children, and free from sectarian control.² Section 16 of the act provided that 90,000 acres of land were to be granted to the State of Montana for the use and support of an agricultural college. Section 17 of the Enabling Act provided that Montana be granted 100,000 acres for the establishment of a school of mines, 100,000 acres for the establishment of state normal schools, an additional grant of 50,000 acres for agricultural colleges, 50,000 acres for the establishment of a state reform school, 50,000 acres for the establishment of a deaf and dumb asylum, and 182,000 acres for the public buildings at the capitol of Montana.³ Minor land grants for purposes other than those already mentioned were also provided for under the Enabling Act. Table I lists the land grants that were made to the State of Montana for various educational and other institutions.

The Enabling Act established certain overall requirements as to the disposal and utilization of the various land grants. The act fixed the selling price of all grant lands at a minimum price of ten dollars per acre but this price was later found to be excessive and Congress on May 7, 1932, amended the act to permit the sale of grazing lands at a minimum price of five dollars per acre. Proceeds from the sale of grant lands, other than those lands granted for public buildings, were to constitute permanent funds for the support and maintenance of the public schools and the various other state institutions for which the

²Montana State Department of Public Instruction, Biennial Report, 1950-1952 (Helena: Naegele Printing Co., 1952), p. 45.

³Montana State Department of Public Instruction, School Laws of the State of Montana, op. cit., pp. 8-9.

TABLE I
FEDERAL LAND GRANTS TO MONTANA

Designation	Acres
Public school	5,188,000.00
State university	46,720.00
Agricultural college, Morrill Grant	90,000.00
Agricultural college, second grant	50,000.00
School of mines	100,000.00
State normal school	100,000.00
Deaf and dumb asylum	50,000.00
State reform school	50,000.00
Public buildings (state capitol)	182,000.00
Agricultural and manual training school	2,000.00
Soldiers' home	1,575.61
"Militia camp" now used as an Agricultural Experiment Station	640.00
State penitentiary	9.75
Total	5,860,945.36

Source: Montana State Department of State Lands and Investments, Biennial Report, 1952-1954 (Helena: Naegele Printing Co., 1955), p. 9.

lands had been granted. In addition, the act provided that 5 per cent of the proceeds from the sales of public lands within the state would be used as a permanent fund with the interest to be expended for the support of common schools within Montana.⁴

The Constitution of the State of Montana provided for the general control and disposition of funds arising from the lands granted for use in the support and maintenance of public schools and other state institutions. Montana's legislature was left with the problem of implementing the provisions of the state constitution which dealt with utilization of the federal land grants. The office of "State Land Agent" was created in 1890 but in 1895 this was changed to "Register of State Lands." In 1927, the state legislature established the "Department of State Lands and Investments" to handle the growing volume of business in relation to state lands. The department is administered by a commissioner appointed by the Governor of Montana.⁵

Permanent funds are, for the most part, derived from the sale of land grant acreage. The present status of the major land grants and the permanent funds is shown in Table II. The capitol building fund is not listed for the reason that all money realized from the sale of land, interest, grazing rentals, agriculture, sale of timber, and oil royalties is disbursed as received on improvements to capitol buildings and new construction. The capitol building fund as of June 30, 1956,

⁴Ibid., pp. 7-8.

⁵Montana State Department of State Lands and Investments, Biennial Report, 1952-1954 (Helena: Naegele Printing Co., 1955), pp. 9-12.

TABLE II
PRESENT STATUS OF MAJOR LAND GRANTS,
PERMANENT FUNDS, MONTANA
(June 30, 1956)

Fund	Original grant, acres	Acreage as of June 30, 1956	Permanent funds as of June 30, 1956
Public school	5,188,000	4,636,904.86	\$30,661,173.34
State university	46,720	18,229.79	572,775.73
Montana State College	50,000	41,419.61	375,802.98
Montana State College, Morrill Grant	90,000	64,267.43	1,081,999.58
School of mines	100,000	60,308.13	1,008,766.98
State normal school	100,000	66,403.14	889,401.37
Deaf and blind asylum	50,000	36,375.63	441,894.71
State reform school	50,000	36,555.17	309,628.51
Capitol buildings grant	182,000	125,162.22	

Source: Montana State Department of State Lands and Investments, Biennial Report, 1954-1956 (Butte: McKee Printing Co., 1956), p. 10.

amounted to approximately \$53,000.⁶

Federal aid began with grants of public lands to the states as provided in the Ordinance of 1785. The Morrill Act of 1862 introduced the use of monetary grants as a method of facilitating federal aid to states and formed the basis upon which later grant-in-aid programs were developed. Federal monetary grants to the State of Montana stem from the Morrill Act and have steadily grown in number and magnitude from that time to the present.

In order to establish some semblance of coherence, a summary is presented of recent federal monetary appropriations to the State of Montana.⁷ It is to be noted that a major portion of federal monetary aid to Montana is concentrated in relatively few areas. Federal aid for highways and public welfare has accounted for approximately two-thirds to three-fourths of the total amount received by the state government. The major portion of the remaining federal monetary aid has been distributed for use in the areas of education, health, development of natural resources, and the administration of unemployment compensation. As Figure 1 illustrates, certain monetary grants are of more importance than others in the development of an overall picture of the nature and scope of federal monetary grants in Montana. Therefore, particular emphasis will be placed upon the development of the larger

⁶As of June 30, 1956, the permanent funds of the various state institutions and the common school system amounted to a total sum of \$35,780,776.51.

⁷See Table XII, page 92 in Appendix, for a summary of total federal grant-in-aid payments to state and local governmental units in Montana for fiscal 1956.

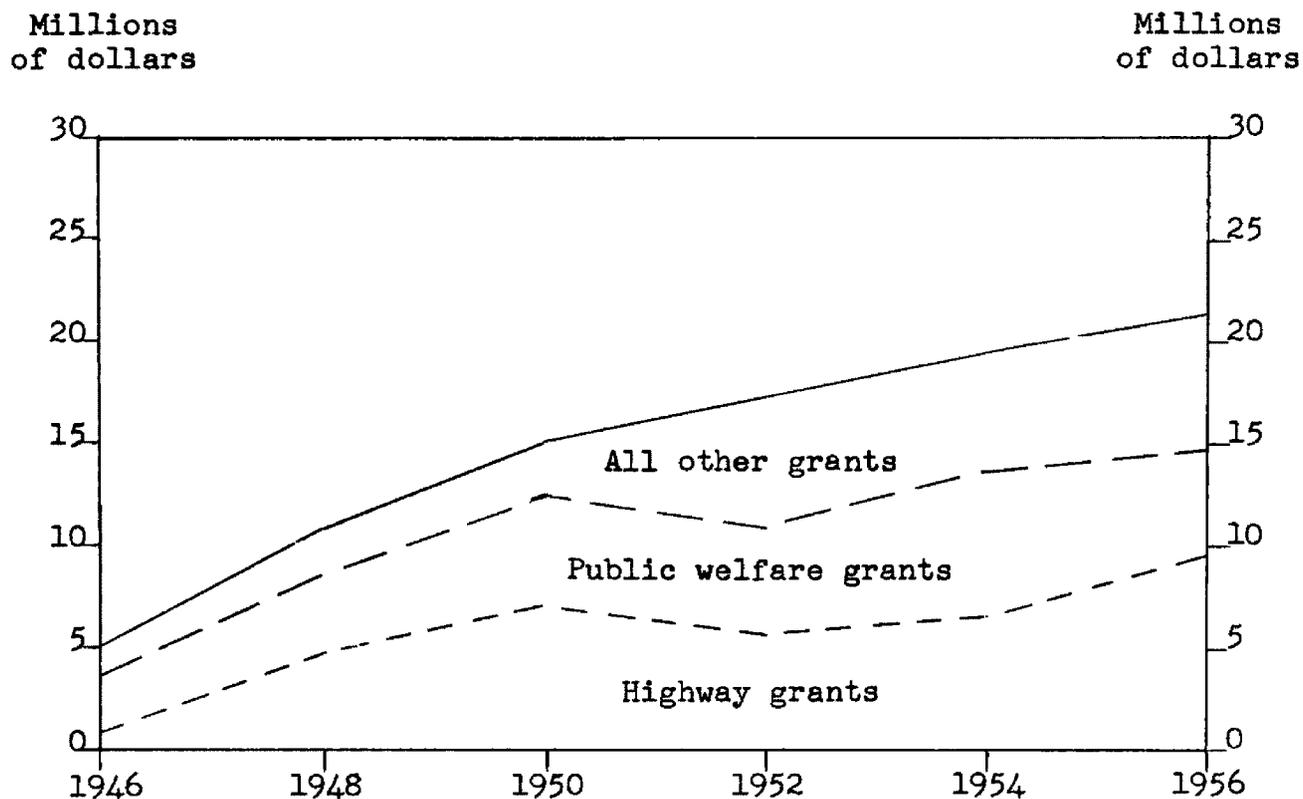


FIGURE 1

MONETARY AID RECEIVED FROM THE FEDERAL GOVERNMENT,
MONTANA STATE GOVERNMENT,
1946-1956

Source: United States Department of Commerce, Bureau of the Census, Compendium of State Government Finances, 1946-1956 (Washington: Government Printing Office, 1947-1957).

federal monetary grants with a somewhat less detailed examination of the minor monetary grant programs. Federal monetary grants for highways in Montana will be the first subject for analysis.

Montana has encountered difficulty in financing its highway system throughout most of its history. This is not a problem unique to Montana but rather the result of a large area with a sparse population. The first State Highway Commission, largely advisory in nature and composed of three members, was established by the thirteenth state legislative assembly in 1913.⁸ The first federal highway monetary grant came into being through the Federal Aid Road Act of 1916. In accordance with the act, the federal government was authorized to spend a total of \$75,000,000 "to aid the states in the construction of rural post roads and for other purposes" over a period of five years. Under Section 8 of the measure, approximately \$70,000 was appropriated on an annual basis for roads within the forest districts of the State of Montana. The states were required to match the appropriation on a 50 per cent basis and the money was to be expended through the state highway departments which would make all necessary surveys, plans, and specifications, and superintend all construction, subject to approval by the Bureau of Public Roads. It is to be noted that the Federal Aid Road Act and subsequent federal highway acts appropriated sums of money for the construction but not for the maintenance of state highway

⁸ Montana State Highway Department, "History of the Montana State Highway Department 1913-1942," State Wide Highway Planning Survey (Helena: Montana State Highway Department, 1943), pp. 9-18.

systems.⁹

The Federal Highway Act of 1922 restricted the use of federal funds in each state to a system of highways not to exceed 7 per cent of the total road mileage of the state. The 7 per cent system was divided into a primary and a secondary system. The primary system was to contain not more than three-sevenths of the 7 per cent authorization, to receive not over 60 per cent of the federal monetary aid, and to be composed of those highways of interstate character and importance. The secondary system was to be composed of a rather restricted intercounty network of highways.¹⁰ The Federal Highway Act of 1933 provided that with the approval of the Bureau of Public Roads federal aid allocations to states could be used for the building of those parts of the federal aid primary system that were composed of city streets. The act was amended in 1944 with the effect of creating a third general highway system, the federal aid urban highway system.¹¹ In 1955, the designated urban system, amounting to only sixty-eight miles in Montana, was abolished. This mileage, however, is still eligible for federal aid as a part of the primary or interstate system.¹²

⁹Ibid., p. 13.

¹⁰Ibid., pp. 21-23.

¹¹Montana, Governor's Interim Highway Committee, A Montana Highway Program (Helena: Governor's Interim Highway Committee, 1950), pp. 6-7.

¹²Montana, Fact Finding Committee on Highways, Streets, and Bridges, Historical Analysis of Taxation for Highway Purposes in Montana (Helena: Fact Finding Committee on Highways, Streets, and Bridges, 1956), p. 146.

Legislation creating the federal aid system had the effect of restricting the system to primary highways, causing the exclusion of many tributary roads carrying comparatively large amounts of traffic. In recognition of the need for the improvement of high-traffic roads off the federal aid system, the Federal Aid Act of 1934, as amended by the Hayden-Cartwright Act of the same year, provided funds for the construction of secondary or feeder roads, including farm-to-market roads, mail routes, and school bus routes.¹³ Federal aid funds for grade crossing elimination were made available by an act of 1935 and subsequent highway acts have extended the aid.¹⁴

Regular highway grants continued until 1942 when war conditions made it necessary for the federal government to curtail federal aid construction generally. Federal aid funds already authorized were frozen to the extent that any such expenditures within the state had to be sanctioned by the Army or the Navy upon highways designated as strategic.¹⁵ Following World War II, federal aid was greatly increased to assist in financing accumulated highway deficiencies. Federal highway acts of 1950, 1951, and 1954 further increased federal aid for state highway systems. In June of 1956, Congress gave final approval to a \$32,000,000,000 Federal Aid Highway Act. The bill calls for a thirteen-year program for the improvement of the interstate system and

¹³Montana, Fact Finding Committee on Highways, Streets, and Bridges, Financing Modern Highways for Montana (Butte: McKee Printing Co., 1956), pp. 9-10.

¹⁴Montana, Governor's Interim Highway Committee, loc. cit.

¹⁵Montana State Highway Department, op. cit., pp. 38-39.

a three-year plan for the improvement of the federal aid primary and secondary systems. It is estimated that within the three fiscal years subsequent to the enactment of the 1956 bill, some \$124,000,000 in federal road construction funds will be provided for Montana.¹⁶

The development of federal monetary grants for state highways has been briefly traced. Three principal federal aid highway systems have evolved: a national system of interstate and defense highways, a federal aid primary system of which the interstate system is a part, and a federal aid secondary system. Total federal aid allotments to Montana from 1916 through 1955 have amounted to approximately \$144,000,000. The sum is broken down into its component parts in Table III.

All federal aid funds are distributed among the states on the basis of area, population, and amount of rural road in the state. Under the present method of apportioning federal aid funds, primary funds are apportioned by a formula based equally on factors of area, population, and rural road mileage. The matching ratio in Montana is approximately 57 per cent federal funds to 43 per cent state funds. Secondary funds are apportioned in the same manner as primary funds, except that the rural population is substituted for total population in the formula. The matching ratio for the secondary system in Montana is the same as for the primary. The distribution formula for the interstate highway system is similar to the primary system but the matching

¹⁶Montana, Fact Finding Committee on Highways, Streets, and Bridges, Financing Modern Highways for Montana, op. cit., p. 11.

TABLE III
TOTAL FEDERAL AID ALLOTMENTS TO MONTANA
FOR HIGHWAYS, 1916-1955

Designation	Amount
Federal aid primary	\$ 85,111,000
Federal aid secondary	30,153,000
Federal aid urban	2,673,000
Federal aid interstate	1,007,000
Federal aid grade crossing elimination	2,509,000
Emergency work relief	3,863,000
National Industrial Recovery Act	11,210,000
Works Progress Administration	6,399,000
Defense Highway Act	707,000
Total	\$143,632,000

Source: Montana, Fact Finding Committee on Highways, Streets, and Bridges, Financing Modern Highways for Montana (Butte: McKee Printing Co., 1956), p. 11.

ratio in 1954 was approximately 65.5 per cent federal funds as against 34.5 per cent contributed by the state. In 1956, the matching ratio for the interstate system was changed to 91.4 per cent federal aid as compared to 8.6 per cent contributed by Montana.¹⁷

Federal aid for highways in Montana has constituted the major grant-in-aid program to the state in recent years. Public welfare grants, however, have been of almost equal magnitude. Large-scale federal grants-in-aid to the states for various public welfare programs began with the Social Security Act of 1935. The history of public welfare agencies and services in the state began while Montana was yet a territory. The first legislative assembly of the territory enacted legislation providing for poor relief on February 9, 1865. These statutes provided for the administration of poor relief by the county commissioners of each county.¹⁸ When Montana became a state in 1889, its constitution contained various provisions concerning public welfare. Section 1, Article X, provided

that educational, reformatory and penal institutions, and those for the benefit of the insane, blind, deaf and mute, soldiers' home, and such other institutions as the public good may require, shall be established and supported by the state in such a manner as may be provided by law.¹⁹

Section 5 of the same article provided that "the several counties of the state shall provide as may be prescribed by law for those

¹⁷Ibid.

¹⁸Montana State Department of Public Welfare, Report, March 2, 1937, to March 1, 1938 (Helena: Naegele Printing Co., [n.d.]), p. 15.

¹⁹Constitution of the State of Montana (as adopted by the Constitutional Convention, August 17, 1889).

inhabitants, who, by reason of age, infirmity or misfortune, may have claims upon the sympathy and aid of society."²⁰

The Constitution of the State of Montana placed the responsibility for the provision of poor relief upon the various counties of the state. All such relief was provided at county expense until recent years. State institutions for the blind, deaf, insane, mute, etc., were established for the reason that it was unlikely that any one county would have a sufficient number of such persons to justify the establishment of such institutions. The state established a school for deaf and mute persons at Boulder in 1893. Blind persons were also admitted to the institution. A Bureau of Child and Animal Protection was established in 1905. The bureau was made responsible for the enforcement of legislation pertaining to the protection of children and dumb animals and the promotion of education and sentiment favorable to their protection. Another important development concerning children occurred in 1917 when a Child Welfare Division was created to promote public health education and to provide for greater protection of the health of Montana children. In 1921, the legislative assembly created the Montana Orthopedic Commission. The commission was charged with the responsibility of providing medical, surgical, and hospital services to crippled children whose parents were financially unable to assume the burden. The Mothers' Pension Act of 1915 provided aid to widows or to mothers whose husbands were unable to support their families. In 1923, the legislative assembly established an old-age pension system in

²⁰Ibid.

Montana. This was the first legislation of its kind enacted by any state in the United States.²¹

Public welfare in the United States became a federal-state-local activity with the passage of the Social Security Act. The provision of public welfare in Montana previous to the act had been the responsibility of county governments for the most part. In order for the state to take advantage of federal monetary grants provided under the Social Security Act it was necessary to establish appropriate agencies and services which would meet with the approval of the Social Security Board. This was accomplished through the establishment of the State Department of Public Welfare and county Departments of Public Welfare--one for each county.²²

The original activities carried on by the State Department of Public Welfare consisted of general relief, old-age assistance, aid to needy dependent children, aid to needy blind persons, services for crippled children, child welfare services, and certain related activities.²³ Additional activities were initiated in later years and federal grants received by the State Department of Public Welfare increased in number and magnitude. The federal government discontinued grants-in-aid for general relief in 1939. However, other grant programs sprang up to fill its place, some to continue on up to the present time and others of only a limited duration. Federal grants were

²¹Montana State Department of Public Welfare, op. cit., pp. 29-31.

²²Ibid.

²³Ibid.

authorized for assistance to enemy aliens in 1944 but the program was discontinued in 1946. Another short-lived program of a similar type concerned grants for civilian war assistance. The program was initiated in 1946 and discontinued in 1947. A school lunch program was established in 1946 consisting of federal grants for food and equipment. The grant was discontinued in 1948. Federal aid was given for retirement contributions in 1947 and this aid, too, was discontinued in 1948. Two federal aid programs of a more permanent nature concern vocational rehabilitation which began in 1945, and aid to the permanently and totally disabled which began in 1950. Both of these programs have remained in effect to the present time. In addition to specific grants for welfare services, the federal government finances a part of the cost of administering these various programs in the state.²⁴

The federal government does not provide the total cost of any of the various public welfare services in Montana and the Department of Public Welfare carries on several programs for which it receives no federal aid. Examples include activities concerned with foster home care, silicosis benefits, and provisions for general relief and contingencies. Public welfare costs in Montana, as elsewhere, have increased in recent years. Apportionment of the costs between the federal and state governments is on a dollar for dollar matching basis for the most part. However, Montana actually receives more in aid than the state itself appropriates. In 1956, the federal government allocated nearly

²⁴Montana State Department of Public Welfare, Report, March 2, 1938, to June 30, 1956 (Helena: [n.n.] 1939-1956).

\$6,000,000 to Montana for public welfare services as compared to approximately \$4,500,000 appropriated by the state government.²⁵

Another agency concerned with the public welfare of Montana citizens is the State Board of Health. The seventh legislative assembly of the State of Montana created the State Board of Health with the passage of House Bill No. 401 which became law on March 15, 1901. The board was empowered to make investigations as to the cause of disease, to adopt all needed regulations, as stipulated by law, to suppress the spread of disease, to investigate into the causes of epidemics and mortality, and to inquire into the influences which locality, climate, employment, habit, and other conditions have upon the health of the people of Montana. Every county in the state has a County Board of Health as authorized by the 1901 legislation. Many towns and cities in Montana, incorporated or otherwise, have local boards of health to handle community health problems in the local vicinity. All county and local boards of health are subordinate to the State Board of Health.²⁶

The State Board of Health was reorganized in 1907, 1919, 1943, and in 1949.²⁷ At the present time the State Board of Health functions through ten divisions, namely: Administration, Disease Control, Child Health Services, Public Health Nursing, Health Education, Environmental

²⁵Montana State Department of Public Welfare, Report, July 1, 1954, to June 30, 1956 (Helena: [n.n.] 1956), p. 17.

²⁶Montana State Board of Health, First Biennial Report of the Montana State Board of Health, March, 1901, to November, 1902 (Helena: Independent Publishing Co., [n.d.]), p.4.

²⁷Montana State Board of Health, Twenty-sixth Biennial Report, 1950-1952 (Butte: McKee Printing Co., 1952), pp. 158-59.

Sanitation, Bacteriological Laboratory, Hospital Facilities, Dental Health, and Local Health Services.²⁸ The federal government provides a portion of the cost of maintaining each and all of the present ten divisions of which the State Board of Health is composed. Authorization for such federal aid stems from the Social Security Act of 1935 and congressional legislation since that time. Total appropriations for the provision of public health services in the state have increased from approximately \$472,000 in 1947 to almost \$940,000 in 1957. The federal government assumed 57 per cent of the cost of such services in 1947. Its contribution dropped to a low point of 45 per cent in 1955, but in 1957 58 per cent of the total allocation for such services was derived from federal grants-in-aid.²⁹

Another major federal grant program concerns the provision of employment security in all states. The program is implemented under the Wagner-Peyser Act of 1933, which established a federal-state system of public employment offices, and the Social Security Act of 1935, which stimulated the development of unemployment compensation programs in the various states. Federal funds are provided by means of the grant device to cover the costs of administering unemployment compensation and maintaining employment services in each state. States meet the cost of paying unemployment compensation by drawing upon their separate accounts in the Unemployment Trust Fund of the United States

²⁸Montana State Board of Health, Services of Montana's Board of Health (Butte: McKee Printing Co., 1954), pp. 2-21.

²⁹Montana State Board of Health, Twenty-eighth Biennial Report, 1954-1956 (Butte: McKee Printing Co., 1956), pp. 5-6.

Treasury. Each state's account in the special trust fund is derived from federal unemployment taxes levied upon the payrolls of employers of eight or more persons in that state.³⁰ In 1956, the law was amended to provide that the unemployment tax be levied upon employers of four or more persons.³¹ However, unemployment compensation will not be considered in the discussion for the reason that it is not a federal grant. Only the administrative costs of the above programs fall under the grant-in-aid status.

The Montana Unemployment Compensation Act was passed by the twenty-fifth legislative assembly in 1937. The act created the Unemployment Compensation Commission of Montana which was to be composed of two divisions, namely, an unemployment compensation division and a state employment service division. The unemployment compensation division was charged with the collection of payroll contributions levied against employers and payment from such funds of legally stipulated benefits to eligible, qualified, unemployed workers. Responsibility was vested in the employment service division for the establishment and maintenance of free public employment offices in suitable locations for the purpose of bringing together suitably qualified applicants for work and employers offering jobs to applicants possessing

³⁰United States Commission on Intergovernmental Relations, Report to the President for Transmittal to Congress (Washington: Government Printing Office, 1955), pp. 198-99.

³¹Montana State Unemployment Compensation Commission, Nineteenth Annual Report (Butte: McKee Printing Co., 1955), p. 7.

those qualifications.³²

Congress appropriates money out of which the Secretary of Labor apportions the various funds concerning state unemployment compensation and employment service programs.³³ The allocations of administrative funds by the Department of Labor are based on calculated assumptions as to the workload factors of each state employment security agency. Federal grants concerned with the administrative costs of the employment security program in Montana have rapidly increased in size over the last decade. The Montana Compensation Commission received approximately \$272,000 for this purpose in 1946 as compared to \$1,169,000 in 1956.³⁴

Federal grants-in-aid for employment security services, in the state and elsewhere, are of rather recent origin as compared to federal aid for education. Federal monetary grants for education began in 1890 with the second Morrill Act which provided an annual grant, gradually increasing to \$25,000, to be utilized for instructional purposes in the agricultural college of each state. The Nelson Amendment of 1907 authorized that the original grant be doubled by annual increments of \$5,000 until the total grant became \$50,000 per year. An additional grant of \$20,000 per year was allotted to state agricultural colleges

³²Montana State Unemployment Compensation Commission, First Annual Report (Helena: Naegele Printing Co., 1938), pp. 4-14.

³³American Parents Committee, Inc., Handbook on Federal Grants-in-Aid (New York: American Parents Committee, Inc., 1953), p. 112.

³⁴United States Department of Commerce, Bureau of the Census, Compendium of State Government Finances, 1946-1956 (Washington: Government Printing Office, 1947-1957).

under the Bankhead-Jones Act of 1935. The act also provided an additional yearly authorization of \$1,500,000 to be allotted among the states on the basis of population. Under the afore-mentioned provisions, the agricultural college of the State of Montana received \$75,896 in federal aid for the fiscal year ending June 30, 1956.³⁵

Federal monetary aid for public school education in Montana began with the Smith-Hughes Act of 1917. The act provided for the development of vocational education in secondary schools and all such funds are matched by the state although the proportion has varied through the years. Additional federal aid was made available under the George-Reed Act of 1929, the George-Ellzey Act of 1934, the George-Deen Act of 1936, and the George-Barden Act of 1946. In 1955, federally assisted vocational education programs were carried on in Montana in the fields of agriculture, home economics, distributive education, trade, and industry. Also included in the general area is federal assistance for occupational information and guidance.³⁶ Montana received \$189,168 from the federal government in fiscal 1956 for vocational education.³⁷

The federal government, since 1920, has provided funds for

³⁵United States Treasury Department, Combined Statement of Receipts, Expenditures and Balances of the United States Government, 1956 (Washington: Government Printing Office, 1956), p. 573.

³⁶Montana State Department of Public Instruction, Biennial Report, 1917-1950 (Helena: [n.n.] 1918-1950).

³⁷United States Treasury Department, Annual Report of the Secretary of the Treasury, 1956 (Washington: Government Printing Office, 1957), p. 570.

vocational rehabilitation programs in the various states. Montana established the State Bureau of Rehabilitation in 1921 by legislative action. The bureau supervises the preparation and placement of physically handicapped residents of Montana in remunerative employment.³⁸ Federal grants for vocational rehabilitation in Montana amounted to \$157,013 in fiscal 1956.³⁹

The National School Lunch Act of 1946 authorized federal aid in the form of both funds and foods for use in serving lunches to children attending primary or secondary schools in Montana. Federal aid under the program is extended to public schools and to nonprofit private schools.⁴⁰ The State Department of Public Instruction administers the school lunch program in Montana with funds derived from state and federal appropriations. During the 1954 to 1956 biennium, the federal government allocated \$438,000 for school lunches in Montana, plus \$693,000 of federally owned foods.⁴¹

Federal activities such as the construction of army camps, federal dams, airports, and other installations have long had an undesirable effect upon local educational activities in Montana as elsewhere. In 1950, the federal government recognized a responsibility for the

³⁸Montana State Bureau of Vocational Rehabilitation, Rehabilitation Review (Helena: Bureau of Vocational Rehabilitation, December, 1956), p. 3.

³⁹United States Treasury Department, Annual Report of the Secretary of the Treasury, 1956, op. cit., p. 573.

⁴⁰American Parents Committee, Inc., op. cit., p. 51.

⁴¹Montana State Department of Public Instruction, Biennial Report, 1954-1956 (Butte: McKee Printing Co., 1956), p. 24.

provision of financial assistance for school operations and construction in such areas. Public Law 874 provided for federal aid to local districts for school operation and maintenance and Public Law 815 provided for construction aid. As a result of agitation by Montana representatives in Congress, Public Law 815 now provides financial assistance to school districts where problems caused by insufficient revenue arise as a result of tax exempt Indian lands. As of 1956, a total of \$2,029,000 had been received by the State Department of Public Instruction as reimbursement for these Indian lands.⁴²

The various federal grant-in-aid programs discussed so far in the chapter constitute a major portion of all federal monetary appropriations to the State of Montana. Federal grants for the development of natural resources in Montana account for most of the remaining federal aid which the state government receives. These natural resource development grants are, for the most part, appropriated for agricultural experiment stations, agricultural extension services, certain forestry activities, and cooperative programs for fish and wildlife restoration and management.

Agricultural experiment stations came into existence as a result of the Hatch Act of 1887. The Montana Agricultural Experiment Station operates in conjunction with the agricultural college at Bozeman. The Hatch Act provided \$15,000 per year for the station. The Adams Act of 1906, Purnell Act of 1925, Bankhead-Jones Act of 1935, and the Research and Marketing Act of 1946 each appropriated additional funds for

⁴²Ibid., pp. 15-16.

experiment station purposes. The Montana station also derives funds from state appropriations, product sales, and private grants.⁴³ Federal appropriations for the Montana Experiment Station have increased from the original grant of \$15,000 in 1887 to a total of \$309,808 for the fiscal year ending June 30, 1956.⁴⁴

Agricultural extension services are a joint undertaking of the Extension Service of the United States Department of Agriculture, the agricultural college at Bozeman, and rural localities. The Smith-Lever Act of 1914 instituted the present system of federal grants for federal-state extension work in agriculture and home economics. The act provided a flat grant of \$10,000 per state plus additional and larger appropriations in later years. The Capper-Ketcham Act of 1928, Bankhead-Jones Act of 1935, and Bankhead-Flanagan Act of 1945, increased federal appropriations for extension services. State and local funds supplement federal appropriations in the support of the extension service in Montana.⁴⁵ Federal grants to Montana for this purpose amounted to \$377,361 for the fiscal year ending June 30, 1956.⁴⁶

Forestry grants stem from the enactment of the Weeks Act in 1911 as amended by the Clarke-McNary Act of 1924. These acts provide

⁴³Montana State College, Bulletin, 1956-1958 Catalog Issue (Bozeman: Reporter Printing and Supply Co., 1956), p. 36.

⁴⁴United States Treasury Department, Annual Report of the Secretary of the Treasury, 1956, op. cit., p. 568.

⁴⁵Council of State Governments, Federal Grants-In-Aid (Chicago: [n.n.] 1949), pp. 207-209.

⁴⁶United States Treasury Department, Annual Report of the Secretary of the Treasury, 1956, loc. cit.

federal aid for fire prevention and control in each forest region of the country. The Clarke-McNary Act and the Norris-Doxey Act of 1937 provide for federal cooperation with the states in the procurement, production, and distribution of forest tree seeds and plants and in the general encouragement of private tree farming through farm forestry extension work conducted by the Agricultural Extension Service.⁴⁷ The State Forester of Montana is charged with the responsibility of allocating state and federal appropriations for fire prevention and control in Montana. Federal appropriations amounted to \$3,500 per year under the Weeks Act but were increased to \$13,725 in 1924 under the Clarke-McNary Act. In 1953, there were about 6,000,000 acres of state and private forest lands under organized protection in Montana. The cost of protecting these lands was approximately \$284,000. Of this amount, \$68,000 or about 24 per cent of the total was provided through federal funds derived from grants under the Clarke-McNary Act.⁴⁸

The last program to be discussed concerns the provision of federal financial aid to promote approved fish and wildlife restoration and management projects. These grant-in-aid programs are administered by the Fish and Wildlife Service of the United States Department of Interior under the authorization of the Federal Aid in Wildlife Restoration (Pittman-Robertson) Act of 1937 and the Federal Aid in Fish

⁴⁷Council of State Governments, op. cit., pp. 210-12.

⁴⁸Montana, Office of the State Forester, Fifth Report (Butte: McKee Printing Co., [n.d.]); Eighth Report (Butte: McKee Printing Co., 1928); Fourteenth Report (Butte: McKee Printing Co., 1953).

Restoration (Dingell-Johnson) Act of 1950.⁴⁹ Federal grants authorized under the above acts are utilized for financing fact-finding projects concerning wildlife management, fish rehabilitation projects, land acquisition for game ranges and waterfowl refuges, and public access to hunting and fishing areas. During the 1954 to 1956 biennium, the Montana Fish and Game Commission received approximately \$862,000 for projects under the Pittman-Robertson Act and \$137,000 under the Dingell-Johnson Act. This amounted to almost 26.5 per cent of the total income received by the Montana Fish and Game Commission for the period.⁵⁰

Total federal grants to the state government in the area of natural resources amounted to \$1,129,000 in 1955 as compared to \$507,000 in 1947.⁵¹

⁴⁹United States Commission on Intergovernmental Relations, Twenty-five Federal Grant-in-Aid Programs (Washington: Government Printing Office, 1955), pp. 157-58.

⁵⁰Montana State Fish and Game Commission, Biennial Report, 1954-1956 (Butte: McKee Printing Co., 1956), pp. 8-10.

⁵¹United States Department of Commerce, Bureau of the Census, op. cit.

CHAPTER III

DEVELOPMENT OF FEDERAL AID PAYMENTS OTHER THAN DIRECT GRANTS TO INDIVIDUALS OR GOVERNMENTAL UNITS WITHIN MONTANA

The preceding chapter dealt with federal grants-in-aid to the State of Montana and its political subdivisions. However, the federal government expends considerably more than the sum which is represented by direct monetary grants to the various governmental units in the state. According to the United States Treasury Department, direct federal grant payments to the state and its political subdivisions accounted for slightly less than two-thirds of total federal disbursements in Montana for fiscal 1956 as compared to approximately one-third of the total sum expended for similar purposes in the state in fiscal 1945. The Treasury Department states that out of a total of \$15,900,000 expended in the State of Montana by the federal government in fiscal 1945, \$5,794,000 was expended as grant payments to the state and its political subdivisions. This is to be compared to a total sum of \$35,942,000 expended by the federal government in the state in fiscal 1956, of which total, federal grants-in-aid to state and local governments in Montana accounted for \$23,086,000.¹ Summary statistics on expenditures made by the federal government as direct payments within Montana under cooperative arrangements and federal payments

¹The above sums do not include federal payments to the state and its political subdivisions in lieu of taxes on federally owned property.

within the state which provided relief or other financial aid are contained in Table IV, beginning with fiscal year 1945 and continuing through the fiscal year ending June 30, 1956.²

As can be seen, federal expenditures in Montana, other than direct grants to the state and its political subdivisions, are of considerable magnitude. These expenditures tend to be concentrated in relatively few areas and thus lend themselves rather readily to classification. For analytical purposes, fiscal year 1956 will be utilized as the base point from which to pursue the inquiry into the nature and size of federal aid payments within Montana other than direct grants to the various levels of government in the state.

In fiscal 1956, the federal government expended \$12,856,000 in Montana for purposes other than direct grants-in-aid. The various programs which consumed this rather considerable sum were administered by the Departments of Agriculture, Commerce, Defense, and Labor; the Department of Health, Education, and Welfare; the National Science Foundation, and the Veterans' Administration.³

The above programs accounted for the major portion of federal expenditures within Montana other than direct grants-in-aid to the various levels of government in the state. At the present time, no single program stands out as a logical point of reference from which

²See Table XIII, page 93 in Appendix, for a complete breakdown of the various federal aid programs in Montana other than direct grants for fiscal 1956.

³United States Treasury Department, Annual Report of the Secretary of the Treasury, 1956 (Washington: Government Printing Office, 1957), pp. 576-82.

TABLE IV
FEDERAL GRANT AND OTHER AID PAYMENTS,
MONTANA, 1945-1956

Fiscal year	Grants-in-aid	Other aid payments	Total payments
1956	\$23,086,794	\$12,856,077	\$35,942,871
1955	22,298,979	10,923,244	33,222,223
1954	19,498,221	12,579,823	32,078,044
1953	20,218,424	11,931,901	32,150,325
1952	15,954,993	14,139,189	30,094,182
1951	17,721,406	16,891,607	34,613,013
1950	16,693,347	16,988,903	33,682,250
1949	14,929,547	16,824,480	31,754,027
1948	13,151,243	19,974,215	33,125,458
1947	8,000,308	9,908,460	17,908,768
1946	6,051,472	9,899,349	15,950,821
1945	5,794,291	10,106,417	15,900,709

Source: United States Treasury Department, Annual Reports of the Secretary of the Treasury, 1945-1956 (Washington: Government Printing Office, 1946-1957).

to begin the present inquiry. Several programs, such as those carried on by the Departments of Agriculture, Defense, and Commerce, and the Veterans' Administration, are of relatively equal financial magnitude. However, even though this may be the case at present, it has not always been so and a decade ago one program stood in sharp contrast to the other programs which are under consideration. The program concerned the administration by the Veterans' Administration of readjustment benefits and vocational rehabilitation for veterans of World War II as well as other benefits authorized by Congress for United States war veterans. In fiscal 1948, federal expenditures in Montana, through the Veterans' Administration, amounted to \$12,363,000. The above program accounted for more than one-third of all federal expenditures in the State of Montana for fiscal 1948, other than federal payments to the state and its political subdivisions in lieu of taxes on federally owned property.⁴

The Veterans' Administration was created by Executive Order 5398 of July 21, 1930, which authorized the consolidation and coordination, under a single control, of all federal agencies dealing with veterans' affairs.⁵ Benefits administered by the Veterans' Administration include compensation; pensions; vocational rehabilitation and education;

⁴United States Treasury Department, Annual Report of the Secretary of the Treasury, 1948 (Washington: Government Printing Office, 1949), p. 622.

⁵Ira D. Scott and Helmer S. Peterson, "The Vocational Rehabilitation Service and Other Services of the Veterans' Administration," Proceedings of the Special Training Program in the Advise-ment of Veterans (New York: City College of New York, 1944), pp. 25-26.

the guaranty of loans for purchases of homes, farms, and business property; certain readjustment allowances for veterans who are unemployed; United States government life insurance; death benefits; adjusted compensation; emergency and other officers' retirement pay; physical examinations; hospital and out-patient treatment; and domiciliary care.⁶

The major benefits for World War II veterans were provided for by Public Laws 16 and 346, as amended. Public Law 346 provided for education and training, guaranteed and insured loans, and readjustment benefits. Public Law 16 was concerned with the provision of education and training for World War II veterans with service-connected disabilities. Veterans of the Korean Conflict were granted education readjustment benefits under Public Law 550 and vocational rehabilitation under Public Law 894.⁷ The most significant of those activities carried on by the Veterans' Administration concern the provision of education and vocational rehabilitation to veterans of World War II and the Korean Conflict. Vocational rehabilitation and educational benefits for World War II veterans largely account for the \$12,363,000 expended in fiscal 1948 by the Veterans' Administration in Montana. As veterans of World War II gradually exhausted their benefits through the years, the magnitude of federal expenditures in Montana for activities carried on by the Veterans' Administration has decreased. In fiscal 1956, the

⁶United States Veterans' Administration, Manual (Washington: Government Printing Office, 1946), pp. 1-2.

⁷United States Veterans' Administration, Information Service, Federal Benefits Available to Veterans and Their Dependents as of October 6, 1955 (Washington: Government Printing Office, 1955), pp. 1-5.

federal government expended \$2,843,000 for such purposes in Montana.⁸

The provision of unemployment compensation for veterans, administered by the United States Department of Labor, is closely related to activities carried on by the Veterans' Administration. The Unemployment Compensation Commission of Montana was charged with the responsibility of administering veterans' readjustment allowances under Public Law 346 of 1944. Under the program, grants were made to the state by the Veterans' Administration, which originally administered the program, to cover costs arising from the processing and payment of claims from veterans for unemployed or self-employed readjustment allowances. The commission was reimbursed by the federal government for veterans' readjustment payments. Termination of the above program occurred in 1952 but a similar program was initiated in the same year with the enactment of the Veterans' Readjustment Act. The act provides that unemployed compensation be granted to veterans of the Korean Conflict, and the Unemployment Compensation Commission of Montana was charged with the administration of the program in Montana.⁹

In addition to the administration of unemployment compensation for veterans, the Montana State Unemployment Compensation Commission has, since 1954, administered unemployment insurance protection for federal civilian employees in Montana. Benefits are paid by the commission under agreements with the Secretary of Labor. The state is

⁸United States Treasury Department, Annual Report of the Secretary of the Treasury, 1956, op. cit., p. 582.

⁹Montana State Unemployment Compensation Commission, Eighth (to Twentieth Annual Report (Helena: [n.n.] 1944-1956).

reimbursed for such payments from a special fund appropriated to the Department of Labor.¹⁰ In 1956, the United States Department of Labor expended \$342,065 for the payment of unemployment compensation to Montana veterans and \$176,847 for the payment of unemployment compensation to federal employees within the state.¹¹

Whereas the Veterans' Administration is concerned with matters pertaining to the aftermath of war, the National Guard program, administered by the United States Department of Defense, concerns the maintenance of national defense. The National Guard is a national defense activity of the federal government with certain powers and duties retained by the states. The program is financed by Congressional appropriations for the most part.¹² Congressional appropriations are based on annual estimates of proposed expenditures for the support of National Guard units. Federal payments for National Guard purposes in Montana have rapidly increased in recent years although such expenditures show a tendency to fluctuate considerably from year to year. A total of \$602,576 was expended by the federal government for such purposes in 1948. In 1956, federal payments amounted to \$2,787,000 for the Army component of the National Guard and \$708,000 for the Air National Guard. In 1954, however, federal payments for Air National

¹⁰World Almanac and Book of Facts, 1957 (New York: New York World-Telegram Corp., 1957), p. 668.

¹¹United States Treasury Department, Annual Report of the Secretary of the Treasury, 1956, op. cit., p. 581.

¹²Council of State Governments, Federal Grants-In-Aid (Chicago: [n.n.] 1949), p. 258.

Guard purposes were two and one-half times the amount expended for the Army component of the National Guard in Montana.¹³

The United States Department of Agriculture administers two major programs which accounted for a considerable proportion of total federal aid payments other than direct grants made within Montana in 1956. These two programs are the Agricultural Conservation Program and the Sugar Act Program. The federal government made payments of \$2,080,000 in 1956 under the Agricultural Conservation Program and \$1,775,000 in administration of the Sugar Act Program.¹⁴

The Agricultural Conservation Program is a part of the total conservation effort carried on by the United States Department of Agriculture. The program was authorized by the Soil Conservation and Domestic Allotment Act of 1936.¹⁵ Under the Agricultural Conservation Program the federal government shares with Montana farmers and ranchers the cost of carrying out approved soil and water conservation practices. The rates of cost-sharing in a county or state are to be the minimum required to result in substantially increased performance of needed soil and water conservation practices. In general, rates of federal cost-sharing are not to be in excess of 50 per cent of the average cost

¹³United States Treasury Department, Annual Report of the Secretary of the Treasury, 1948, op. cit.; 1954 (Washington: Government Printing Office, 1955); 1956, op. cit.

¹⁴United States Treasury Department, Annual Report of the Secretary of the Treasury, 1956, op. cit., p. 576.

¹⁵United States Department of Agriculture, Production and Marketing Administration, Compilation (Handbook No. 49. Washington: Government Printing Office, 1953), p. 3.

of performing the practices unless the practice is one which has long lasting conservation benefits and from which the returns to the farmer or rancher are remote, or if an increased rate of federal cost-sharing is essential to introduce a greatly needed new conservation practice into the county.¹⁶ It is estimated that the amount of net assistance for specified conservation practices in Montana for 1955, excluding the emergency programs and the Naval Stores Conservation Program, amounted to approximately \$1,890,000. The above sum was broken down into five major areas: namely, initial establishment of permanent cover, improvement or protection of vegetative cover, conservation and disposal of water, establishment of temporary cover, and temporary protection of soil from erosion. Total gross assistance for conservation practices in the state in 1955 amounted to \$2,097,000, of which total \$1,971,000 was paid directly to farmers.¹⁷

The Sugar Act Program concerns the payment of what amounts to a subsidy to domestic sugar production to establish stability in the industry both at home and abroad and to assure adequate returns to the laborers involved in production. The growth of the sugar beet industry in the United States began in 1890 with the passage of the Sugar Bounty Act of that year which provided a 2 cent per pound bounty on domestic sugar. Subsequent legislation continued to provide protection to

¹⁶United States Department of Agriculture, Agricultural Conservation Program Service, Montana, Handbook, 1957 (Washington: Government Printing Office, 1957), pp. 1-5.

¹⁷United States Department of Agriculture, Agricultural Conservation Program Service, Summary, 1955 (Washington: Government Printing Office, 1956), pp. 85-88.

6,818 miles of such roads in Montana at present.¹⁹ In 1955, the federal government expended approximately \$5,351,000 directly within Montana for forest highways, forest development roads, and roads in national parks and Indian reservations. Of this amount, \$1,728,000 was expended on forest highways; \$2,204,000 on forest development roads; and \$1,419,000 on other roads such as those in Indian reservations and national parks.²⁰

The various programs which have just been presented account for practically all of recent federal expenditures in the state other than direct grants-in-aid and payments to the state and its political subdivisions in lieu of taxes on federally owned property. However, the provision of various research fellowship grants, under the auspices of the National Science Foundation and the National Institutes of Health, a division of the Department of Health, Education and Welfare, while not overly significant from a financial viewpoint, are nevertheless highly important for other reasons. Therefore a brief description is given of the nature and magnitude of the programs administered by the above agencies as they affect Montana.

The National Science Foundation is an independent agency of the federal government established by the National Science Foundation Act

¹⁹Montana, Fact Finding Committee on Highways, Streets, and Bridges, Historical Analysis of Taxation for Highway Purposes in Montana (Helena: Fact Finding Committee on Highways, Streets, and Bridges, 1956), pp. 150-51.

²⁰Montana, Fact Finding Committee on Highways, Streets, and Bridges, Financing Modern Highways for Montana (Butte: McKee Printing Co., 1956), pp. 11-12.

of 1950 to promote the progress of science; advance the national health, prosperity, and welfare; and secure the national defense. In carrying out these objectives, the National Science Foundation supports research and education through grants and fellowships, fosters the exchange of scientific information among scientists in the United States and foreign countries, and surveys the nature and extent of scientific research and development activities in the United States.²¹ Foundation activities relating to Montana concern the provision of research grants and fellowships. The National Science Foundation in 1956 expended \$52,700 for research grants awarded within the state. Fellowship awards for the same year amounted to \$4,560.²²

A program of research awards, somewhat similar to the program carried on by the National Science Foundation, is provided by the Department of Health, Education, and Welfare through its division, the Public Health Service. The several institutes of the National Institutes of Health, the medical research arm of the Public Health Service, provide research grants and awards with the aim of encouraging and utilizing research potential in the nation's universities, hospitals, laboratories, and other public or private institutions.²³ Five separate

²¹United States National Science Foundation, Organization of the Federal Government for Scientific Activities (Washington: Government Printing Office, 1956), p. 297.

²²United States Treasury Department, Annual Report of the Secretary of the Treasury, 1956, op. cit., p. 581.

²³United States Department of Health, Education, and Welfare, Public Health Service, Research Grants and Fellowships, 1955 (Washington: Government Printing Office, 1956), p. 1.

institutes of the National Institutes of Health made research grants within the State of Montana in fiscal 1956. These grants were as follows: the National Heart Institute, \$10,648; the National Arthritis and Metabolic Diseases Institute, \$10,091; the National Cancer Institute, \$5,924; the National Institute of Allergy and Infectious Diseases, \$4,153; and the National Neurological Diseases and Blindness Institute, \$3,000.²⁴

²⁴United States Treasury Department, Annual Report of the Secretary of the Treasury, 1956, op. cit., p. 577.

CHAPTER IV

TREND IN FEDERAL AID EXPENDITURES IN MONTANA, 1946-1956

The historical development of federal grants-in-aid to the state and local governmental units in Montana, and federal aid payments to individuals and institutions within the state has been briefly reviewed in the preceding chapters. It is the purpose of the present chapter to show how that development has been reflected in federal expenditures to and within the State of Montana for the period beginning with fiscal year 1946 and continuing through the fiscal year ending June 30, 1956. In 1947, total federal aid expenditures in Montana amounted to approximately \$18,000,000. The sum was almost equally divided between grants-in-aid and other aid payments. Between the fiscal years 1947 and 1956, grant-in-aid payments rapidly increased both in magnitude and in proportion to direct federal aid payments within the state until by 1956 grants-in-aid accounted for approximately two-thirds of total federal aid expenditures in Montana. Figure 2 illustrates the shift in emphasis between these two types of federal expenditures in the state.

As noted in Figure 2, there has been a very significant change in the pattern of federal grants-in-aid and other aid payments insofar as the State of Montana is concerned. The shift in emphasis is also discernible in the pattern of total federal grants-in-aid and other aid payments to and within the various states. However, as Figure 3 illustrates, federal grants-in-aid to state and local governments and

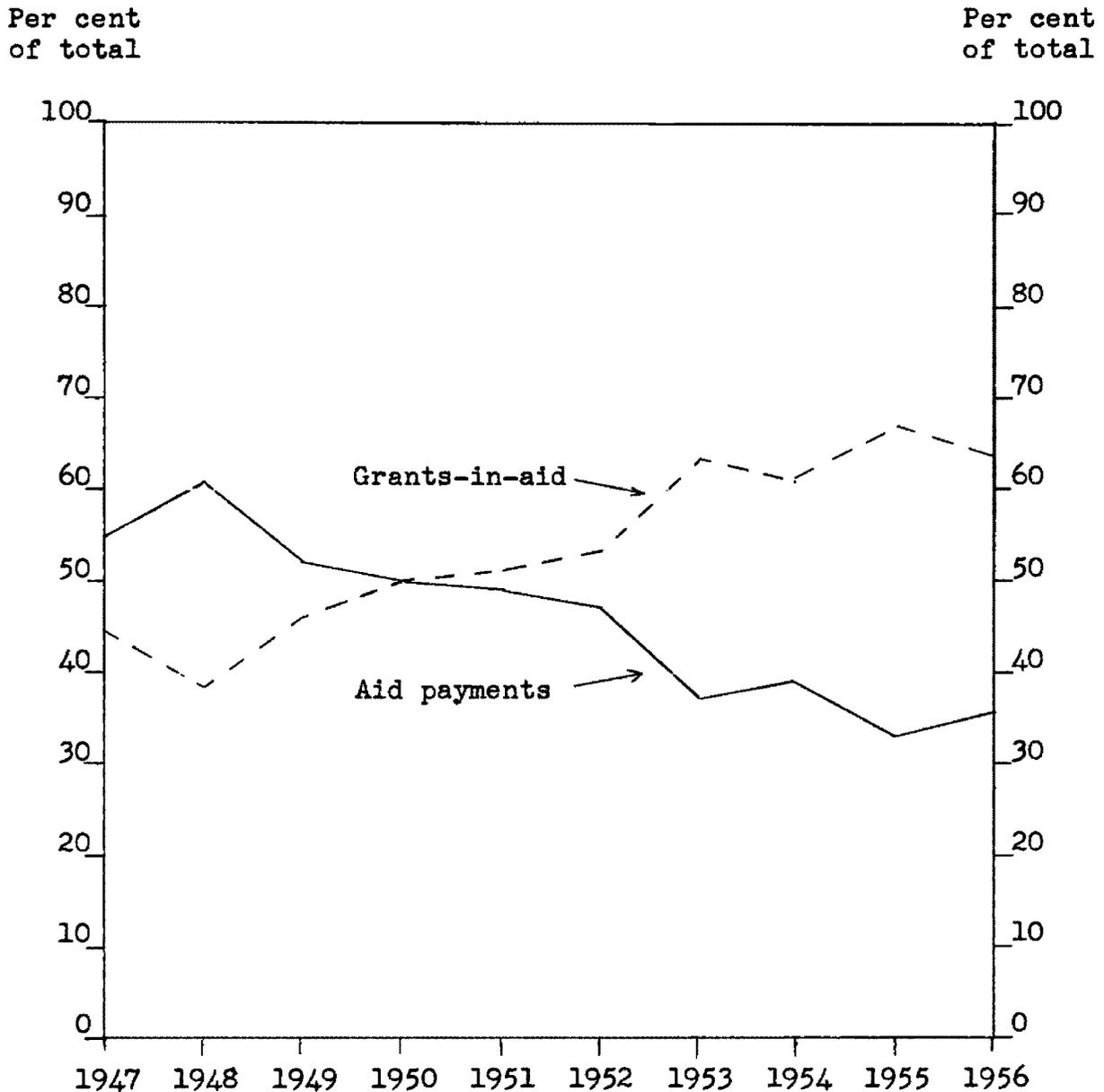


FIGURE 2

GRANTS-IN-AID AND AID PAYMENTS AS PERCENTAGE
OF TOTAL FEDERAL AID EXPENDITURES
IN MONTANA, 1947-1956

Source: United States Treasury Department, Annual Reports of the Secretary of the Treasury, 1947-1956 (Washington: Government Printing Office, 1948-1957).

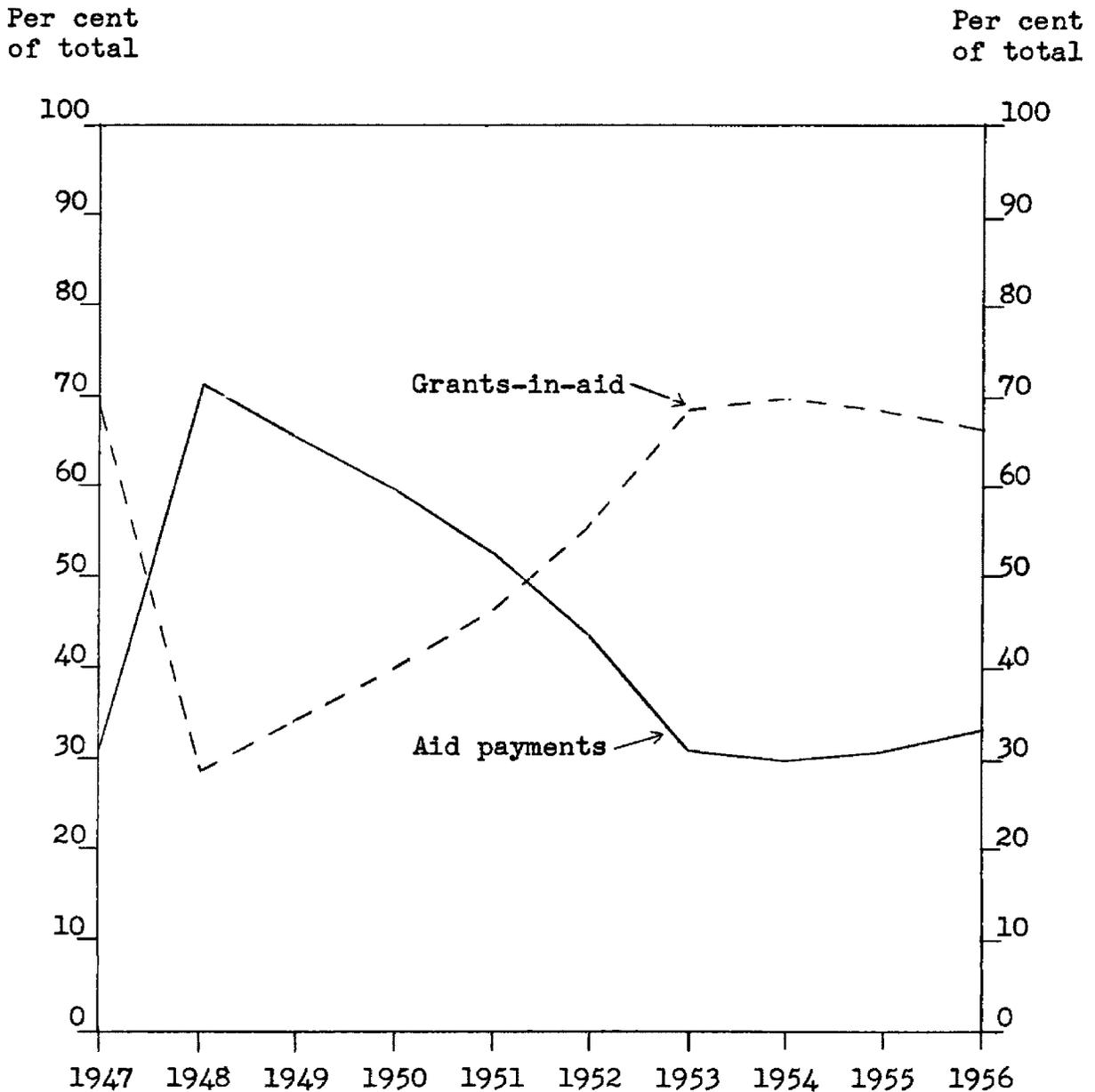


FIGURE 3

GRANTS-IN-AID AND AID PAYMENTS AS PERCENTAGE
OF TOTAL FEDERAL AID EXPENDITURES
IN THE UNITED STATES, 1947-1956

Source: United States Treasury Department, Annual Reports of the Secretary of the Treasury, 1947-1956 (Washington: Government Printing Office, 1948-1957).

federal aid payments within states accounted for about the same respective percentage of total federal aid expenditures in 1954 and 1955 as was the case in 1947. This has not been the situation with respect to federal grants-in-aid and other federal aid payments to and within the State of Montana.

In fiscal 1948, total federal expenditures in Montana for grant-in-aid and other aid purposes were almost double the sum expended for similar purposes in the year ending June 30, 1947. Total federal expenditures in Montana for fiscal 1948 amounted to approximately \$33,000,000. The rapid increase in federal aid expenditures in fiscal 1948 as compared to fiscal 1947 was primarily the result of the commencement of payments by the Veterans' Administration in fiscal 1948 for readjustment benefits and vocational rehabilitation for veterans of World War II. As Table V indicates, payments for the above purposes by the Veterans' Administration constituted a considerable portion of total federal aid payments. It may be noted that the level of federal expenditures for veterans' benefits declined as veterans of World War II exhausted the benefits conferred upon them by law. Veterans of the Korean Conflict received benefits similar to those conferred upon the veterans of World War II, but the magnitude of such payments was not sufficient to halt the general decline in federal expenditures for veterans' readjustment benefits and vocational rehabilitation since 1948.

Decreased federal spending for veterans' benefits over the past decade explains to a considerable extent the decline in total federal aid payments to individuals and non-governmental institutions since

TABLE V

FEDERAL EXPENDITURES FOR VETERANS' BENEFITS IN MONTANA,
 PERCENTAGE RELATIONSHIP TO TOTAL FEDERAL AID
 PAYMENTS AND TO SUM OF ALL FEDERAL AID
 IN MONTANA, 1948-1956

Year	Veterans' benefits, Montana	Per cent of total aid payments other than grants-in-aid	Per cent of all federal aid expenditures
1956	\$ 2,843,629	22.12	7.91
1955	2,615,860	23.95	7.87
1954	2,682,716	21.33	8.36
1953	4,090,901	34.29	12.72
1952	6,801,343	48.10	22.60
1951	7,926,931	46.93	22.90
1950	9,399,310	55.33	27.91
1949	11,385,404	67.67	35.85
1948	12,363,667	61.90	37.32

Source: United States Treasury Department, Annual Reports of the Secretary of the Treasury, 1948-1956 (Washington: Government Printing Office, 1949-1957).

1948. Federal grant-in-aid payments, on the other hand, have increased quite rapidly over the past decade. In fiscal 1947, federal grants-in-aid to the various governmental units in Montana amounted to \$8,000,000; by 1956, the amount expended in Montana for such purposes had increased to \$23,000,000. One grant program stood apart from the rest and it accounted for over 41 per cent of total federal grant expenditures in Montana for the year ending June 30, 1956. The program concerns the provision of federal grants for highway construction in Montana. Table VI indicates the growing financial magnitude of federal grants for highways in Montana and points up the fact that federal grants-in-aid for highway construction in Montana form a considerably larger proportion of total federal expenditures for grant purposes in the state than is the case for the nation as a whole.

Some of the reasons for the variation, as shown in Table VI, in the relationship between highway grants and total grant-in-aid expenditures in the state as contrasted to the national scene are not hard to discover. According to a study undertaken by the Council of State Governments, the major variables involved in the apportionment of federal grant expenditures are as follows: "(1) relative amounts spent by each state on aided functions (open-end grants); (2) population; (3) factors which presumably determine need for services (not including financial need); and (4) area."¹ Table VII illustrates the relationship between per capita grant payments in the ten states receiving

¹Council of State Governments, Federal Grants-In-Aid (Chicago: [n.n.] 1949), p. 76.

TABLE VI

FEDERAL GRANTS-IN-AID FOR HIGHWAY CONSTRUCTION IN MONTANA
AND IN THE UNITED STATES, PERCENTAGE RELATIONSHIP
TO TOTAL GRANT PAYMENTS, 1947-1956

Year	Highway grants, Montana	Per cent of total grants, Montana	Highway grants, United States	Per cent of total grants, United States
1956	\$9,513,198	41.21	\$731,939,586	21.14
1955	9,519,554	42.69	595,424,873	18.93
1954	6,434,163	33.00	537,245,339	17.88
1953	7,641,770	37.80	515,444,540	18.39
1952	5,832,092	36.55	417,032,989	17.64
1951	6,992,787	39.46	395,821,146	17.35
1950	7,208,045	43.18	422,910,155	18.92
1949	6,573,532	44.03	397,743,645	21.44
1948	4,113,803	31.28	303,065,504	19.03
1947	2,333,604	29.17	173,426,604	14.76

Source: United States Treasury Department, Annual Reports of the Secretary of the Treasury, 1947-1956 (Washington: Government Printing Office, 1948-1957).

TABLE VII

RELATIONSHIP BETWEEN THE PER CAPITA GRANT INCOMES
OF THE TEN MOST BENEFITED STATES AND THEIR
RANK IN POPULATION AND AREA, 1956

State	Grants ^a		Population ^b	Area ^c
	Amount	Rank	Rank	Rank
Nevada	\$59.80	1	48	6
Wyoming	45.78	2	47	8
Oklahoma	43.29	3	26	18
New Mexico	42.16	4	38	4
Louisiana	36.71	5	21	31
Montana	33.97	6	42	3
Colorado	32.89	7	33	7
Arkansas	31.54	8	31	26
Arizona	31.19	9	35	5
Utah	31.08	10	39	11

^aSource: United States Bureau of the Census, Statistical Abstract of the United States, 1957 (seventy-eighth edition; Washington: Government Printing Office, 1958), p. 261.

^bIbid., p. 10.

^cSource: World Almanac and Book of Facts, 1957 (New York: New York World-Telegram Corp., 1957), p. 264.

largest per capita grant incomes and their rank in population and area.

Table VII indicates considerable correlation between state area and population, and the size of per capita grants-in-aid to the states under consideration. It is to be noted that area constitutes one of the major factors used in apportioning highway grants. In addition, some grants are distributed on the basis of uniform amounts thus benefiting those states with relatively small populations. This is the situation with regard to grant-in-aid programs concerning maternal and child health, child welfare, crippled children services, agricultural and mechanical colleges, and agricultural experiment stations. There is frequently some provision for a minimum amount to be granted to every state even where other apportionment factors are used.² Those states with a large area and a sparse population would, therefore, tend to receive more per capita in terms of federal grant-in-aid expenditures than their smaller, more densely populated neighbors. In accordance with the above conclusion, Table VII shows that seven of the ten leading states, in terms of per capita grant incomes received in fiscal 1956, were among the twelve largest states in area in the nation. The table also indicates that five of the ten states listed were among the twelve states with the smallest populations in the United States. The State of Montana ranked forty-second in population, third in area, and sixth in per capita federal grant-in-aid income. Montana was thus among those states most benefited by federal grants-in-aid, as might well be expected with regard to its relatively large area and sparse

²Ibid., pp. 74-75.

population.

Federal highway grants-in-aid account to a considerable extent for the relatively high per capita grant payments received by Montana. It is interesting to observe that from the national viewpoint, federal highway grants are of considerably less magnitude than are federal grants for public assistance. In the fiscal year ending June 30, 1956, public assistance grants accounted for 42.75 per cent of total federal grant expenditures as compared to highway grants which accounted for 21.7 per cent of aggregate federal grant payments in the United States. As noted previously, federal highway grants in Montana amounted to slightly more than 41 per cent of total federal grant expenditures in the state for the same fiscal year. Public assistance grants amounted to 26.7 per cent of total federal grant payments in the state in fiscal 1956.³ Table VIII illustrates the growing magnitude of per capita federal grant-in-aid expenditures in the state over the past few years and compares the situation in Montana with that which pertains to the nation as a whole.⁴

Federal grants-in-aid to the state and local governmental units in Montana amounted to slightly more than \$23,000,000 in fiscal 1956. In analyzing the above sum it is necessary to reiterate the fact that

³United States Department of Health, Education, and Welfare, Social Security Administration, Social Security Bulletin, XX (June, 1957), 12-13.

⁴It is noteworthy that national per capita grant payments have tended to increase in size relative to those received by the State of Montana. In 1948, national per capita grant payments were 47 per cent as large as those received by Montana; in 1956 they amounted to 60 per cent of per capita federal grant payments in Montana.

TABLE VIII
 PER CAPITA FEDERAL GRANT PAYMENTS IN MONTANA
 AND IN THE CONTINENTAL UNITED STATES,
 1948-1956

Year	Per capita grants, Montana	Per capita grants, United States
1956	\$33.97	\$20.42
1955	33.65	18.91
1954	28.96	18.38
1953	31.31	17.44
1952	25.36	14.94
1951	27.94	14.65
1950	28.39	14.54
1949	27.37	12.28
1948	20.87	9.72

Source: United States Department of Health, Education, and Welfare, Social Security Administration, Social Security Bulletin, XII-XX (1949-1957).

regular grants for highway construction in Montana amounted to approximately \$9,500,000 and accounted for over 41 per cent of total federal grant-in-aid expenditures in the state. Federal grant payments for old-age assistance in Montana ranked next to highway grants in financial magnitude and accounted for almost 15 per cent of total federal grant expenditures in the state. In fiscal 1956, federal expenditures for aid to dependent children in Montana amounted to \$1,500,000 and accounted for 6.5 per cent of total federal grant expenditures in the state. The federal government provides funds to cover the costs of administering unemployment compensation in the state and provides financial assistance for the provision of unemployment service facilities. Federal grants for the above purposes amounted to \$1,159,219, or 5 per cent of total grant expenditures in the state. One other grant program deserves mention, and that program concerns the provision of emergency grants for school construction and survey purposes in federally affected areas. Federal grants for school construction and survey purposes in Montana amounted to slightly more than \$1,000,000, or 4.5 per cent of total grant expenditures in the state in fiscal 1956.⁵

It is interesting to note that shared revenues are considered as grants-in-aid by the federal government and, as such, are included in the total sum expended by the federal government for grant-in-aid purposes in Montana. Shared revenues amounted to \$1,698,000 in fiscal 1956 and accounted for 7.36 per cent of total grant-in-aid payments to

⁵United States Treasury Department, Annual Report of the Secretary of the Treasury, 1956 (Washington: Government Printing Office, 1957), pp. 568-75.

state and local governmental units in Montana. Two programs accounted for over 91 per cent of total shared revenue payments to the state. Payments under the Mineral Leasing Act of 1920, as amended, amounted to \$925,000, or 54.5 per cent of total shared revenue payments. Shared revenue from national forest receipts amounted to \$630,000, or 37 per cent of total shared revenue payments in fiscal 1956. Shared revenues in conjunction with the major grant-in-aid programs accounted for approximately 80 per cent of total federal grant-in-aid payments to and within the State of Montana in 1956.⁶

Federal grants-in-aid constitute an important source of revenue for the various levels of government in Montana. Total general revenue for all levels of government in the state amounted to \$125,000,000 in fiscal 1953. Of the above sum, 17.6 per cent was derived from federal grants-in-aid.⁷ The present inquiry will be restricted to the state level of government in Montana for the reason that most federal grant programs are channeled through that level of government. The state government received \$21,790,000 in the form of aid from the federal government in fiscal 1956. The sum amounted to 25 per cent of total general revenue in 1956. As Table IX illustrates, intergovernmental revenue received from the federal government has almost tripled in size since 1947. The state government is required to match most federal grants-in-aid according to ratios which have been developed for the

⁶Ibid.

⁷United States Bureau of the Census, Statistical Abstract of the United States, 1956 (seventy-seventh edition; Washington: Government Printing Office, 1957), p. 405.

TABLE IX
INTERGOVERNMENTAL REVENUE RECEIVED FROM THE FEDERAL
GOVERNMENT, MONTANA STATE GOVERNMENT, 1947-1956

Year	Federal aid payments	Federal aid as per cent of state general revenue
1956	\$21,790,000	25.0
1955	21,639,000	28.3
1954	19,081,000	26.5
1953	20,822,000	29.1
1952	17,352,000	24.2
1951	20,004,000	30.7
1950	15,295,000	26.7
1949	14,156,000	26.8
1948	10,920,000	24.3
1947	7,828,000	20.8

Source: United States Department of Commerce, Bureau of the Census, Compendium of State Government Finances, 1947-1956 (Washington: Government Printing Office, 1948-1957).

various grant programs.

The preceding paragraphs, tables, and figures have described and illustrated the overall picture of federal expenditures in Montana for grants-in-aid to the various levels of government in the state. Federal aid payments to individuals and non-governmental institutions within the state, while not of the magnitude of federal grant-in-aid payments in recent years, are nonetheless of considerable importance.⁸ Table X portrays the per capita income derived from total federal aid expenditures both for the State of Montana and for the nation as a whole.

Table X illustrates the rapid increase that has occurred in per capita federal aid expenditures in the State of Montana. Federal aid to states and to individuals within states is financed, for the most part, with funds derived from internal revenue collections. The relationship between total federal aid payments and federal tax collections thus provides an insight into the incidence of such federal aid. Table XI indicates the relationship between federal internal revenue collections in Montana and federal aid payments to and within the state. As in the case of per capita federal aid payments, Montana fares relatively well when compared to the overall pattern for the nation.

The trend in federal expenditures for grants-in-aid to state and local governments in conjunction with federal aid payments to individuals and non-governmental institutions within states has been one of rapid increase over the past decade. From the standpoint of per capita income received from such federal expenditures, Montana has benefited

⁸See Table IV, page 46 in Chapter III.

TABLE X
 PER CAPITA INCOME DERIVED FROM FEDERAL GRANTS-IN-AID
 AND OTHER AID PAYMENTS, MONTANA AND THE
 UNITED STATES, 1946-1955

Year	Montana	United States
1955	\$52.82	\$27.96
1954	51.82	26.58
1953	52.53	25.61
1952	50.24	27.23
1951	58.27	31.62
1950	56.51	36.51
1949	55.81	36.95
1948	61.11	38.00
1947	33.79	11.79
1946	31.03	9.17

Sources: United States Treasury Department, Annual Reports of the Secretary of the Treasury, 1946-1955 (Washington: Government Printing Office, 1947-1956); United States Department of Commerce, Office of Business Economics, "Population," Personal Income by States Since 1929 (Washington: Government Printing Office, 1956), pp. 144-145.

TABLE XI

FEDERAL GRANTS AND OTHER AID PAYMENTS AS PER CENT OF FEDERAL
INTERNAL REVENUE COLLECTIONS, MONTANA AND
THE UNITED STATES, 1946-1955

Year	Aid payments as per cent of revenue collections, Montana	Aid payments as per cent of revenue collections, United States
1955	27.69	6.93
1954	27.42	6.13
1953	26.14	5.82
1952	25.94	6.52
1951	37.75	9.61
1950	44.99	14.17
1949	40.24	13.58
1948	38.89	13.26
1947	26.13	4.33
1946	26.89	3.17

Source: United States Treasury Department, Annual Reports of the Secretary of the Treasury, 1946-1955 (Washington: Government Printing Office, 1947-1956).

relatively more than has the nation as a whole or most states in particular. The two factors primarily responsible for this situation would appear to be first, the large area of Montana, and second, the sparse inhabitation of the state. Whether these two factors are sufficient to justify the relatively high per capita federal aid received by Montana poses not only an economic question but a political one as well. And perhaps it may be that the one cannot be separated from the other without losing much of its significance.

CHAPTER V

SUMMARY AND CONCLUSIONS

The purpose of the thesis has been to inquire into the nature and causes of direct federal expenditures in the form of aid payments either to the state and local governments, which comprise the governmental organization of Montana, or to individuals and non-governmental institutions within the state. Grants-in-aid constitute the principal means by which the federal government furnishes financial assistance to state and local governments. Various direct federal payments to individuals or institutions within states have been developed over the years as a method of effecting immediately situations with which state and local governments were either unable or unwilling to cope. The magnitude of federal expenditures for the above purposes has increased rapidly in the last two to three decades, both in the State of Montana and in all states in general. In attempting to ascertain the cause or causes which have contributed to this rapid increase in federal aid expenditures within recent years, it has been necessary to review the history of the major federal programs which account largely for present federal aid expenditures to and within the various states.

Federal aid expenditures to state and local governments and to individuals within their jurisdictions were of little quantitative importance until the twentieth century. The rapid growth in federal aid expenditures in the present century would appear to be a direct

result of our dynamic economy and of the federal system of government that developed in this country. An economy undergoing rapid industrialization and urbanization tends to increase the interdependence of men with a sharply increasing emphasis on the service industries, and government is one of the major channels through which the public's demand for services is satisfied. Industrialization and the subsequent rise of urban centers largely destroyed the previous self-sufficiency of the majority of American families. In the field of agriculture, subsistence farming gave way to commercial farming as transportation opened up new markets and the farmer found himself irrevocably entwined in the complex industrial system that was rapidly evolving. Congested city life, in turn, created problems of maintaining public health and sanitation and coping with destitution caused by sickness and old-age. Industrialization created a large wage-earning class of people dependent upon others for their livelihood. Recurrent economic depressions brought mass unemployment emphasizing the growing insecurity of the majority of American families.

But recurrent economic depressions and urban-created problems were not the only causes of increasing federal aid expenditures. Industrialization brought about greater specialization and tremendous technological advances. Productivity increased and per capita real income increased as well, despite rapid population growth. Increased income brought with it an increased demand for services conventionally provided by government such as education as well as for services which only a wealthy society could afford. The consumer not only demanded bigger and more costly automobiles to drive but also better and more

costly highways on which to commit homicide. Thus, many and diverse causes contributed singly and in conjunction with one another to the steadily increasing role of government in economic life.

It is not meant to be implied that the shift from a rural to an urban society, as a result of industrialization, placed greater responsibility primarily on the federal government, for originally it did not. Our system of government is federal in form with a division of sovereignty between the state and national governments and considerable emphasis has been placed upon localizing governmental functions insofar as is possible. The belief has long prevailed in the United States that local government is more responsive to the needs of the general public than is a central government located at a considerable distance from its constituents. It might be argued that such a belief is not so strongly held as it once was but whatever the case at present the influence of this concept can be observed. For example, the Constitution of the State of Montana placed general responsibility for the provision of poor relief upon the various counties of the state. Primary responsibility for the care of poor and destitute persons was placed upon the relatives of such persons and the law provided for the enforcement of the decree through the courts if necessary. Where such aid was impossible, the law provided that county commissioners could aid the poor by placing them on a county poor farm or by contracting with private persons for their board and keep. But as was noted in Chapter I, individuals and local governments in a majority of the states found it impossible to cope with such problems and inevitably turned to state governments who in turn found it necessary to appeal to the federal

government for aid during the great depression of the 1930's.

No specific provision is to be found in the federal constitution which authorizes the national government to provide direct financial assistance to either state and local governments or to individuals within states for such diverse purposes as agricultural conservation, old-age assistance, and relief programs designed to alleviate the distress caused by economic depression. Congress is authorized, however, to "dispose of and make all needful rules and regulations respecting the territory or other property of the United States." Early land grants to states were made under this provision. Another clause in the constitution provides that Congress shall have the power to tax and spend for the general welfare of the United States. It is primarily the result of a liberal interpretation of the "general welfare clause" by the Supreme Court that present federal cash grants to state and local governments and direct payments to individuals within the states are made possible.

In general, the history of federal grants-in-aid and other aid payments to and within the State of Montana is much the same as for all other states. The pattern of federal grants-in-aid was already well established when Montana became a state in 1889. However, as indicated in Chapter IV, there is a tendency for the State of Montana to receive proportionally more in the way of federal financial aid than is the case for the nation as a whole or for most states in particular. Several factors contribute to high per capita federal aid in Montana. The state has a large area and area is one of the important factors used in apportioning certain grants such as those for highway

construction. It is, therefore, not surprising that the per capita income in Montana from such federal expenditures is larger than the national average. Moreover, certain grants are distributed on the basis of a uniform amount to each state, thus providing more federal aid per capita in sparsely populated states such as Montana.

The State of Montana receives considerable financial aid from the federal government in the form of shared revenues from federal property located within the state. This type of financial aid is treated as a form of grant-in-aid for the reason that provision is often made that the state or local governments shall use such shared revenues for road and school purposes, thus giving many shared revenues the attributes of grants-in-aid. As a result of the great extent of the public domain in the state, Montana, as well as most other western states, receives a considerable portion of total grant revenue from the federal government in the form of shared revenues. Such payments in fiscal 1956 amounted to 7.36 per cent of total grant-in-aid payments to state and local governmental units in Montana.

Federal expenditures for grants-in-aid and other aid payments to and within states were on a relatively modest scale prior to the depression of the 1930's. Under the stimulus of depressed economic conditions, the federal government authorized emergency grants-in-aid to the states for relief purposes, provided agricultural assistance, and finally, with the passage of the Social Security Act of 1935, developed an extensive social security program designed to provide partial economic security to wage-earners and their families. With the advent of World War II, emergency grants-in-aid declined in magnitude

and number as prosperity returned to the nation. However, federal expenditures for regular grant programs continued at high levels and with the successful conclusion of World War II rapidly increased in size. Federal aid payments to individuals within states fell off sharply during World War II, but the magnitude of such payments rapidly increased in the postwar years, although not to the level reached in the latter period of the 1930's when direct relief payments had constituted a large proportion of total federal aid expenditures.

As indicated above, the period following World War II has been characterized by greatly increased federal aid expenditures to and within states. While it is true that the total sum expended by the federal government for such aid purposes is at present only about equal to total federal aid expenditures in 1939, this fact is all the more surprising in view of the unprecedented prosperity which has generally been the case since World War II. Federal relief payments accounted for much of total federal financial aid to and within the various states prior to World War II. Today, federal grants-in-aid to state and local governments account for the major portion of total federal aid expenditures to states and to individuals within their jurisdiction.

The shift in emphasis is readily seen in the ten-year summary of federal aid expenditures which was presented in Chapter IV. Total federal aid payments in Montana for fiscal 1947 amounted to almost \$18,000,000, of which sum grants-in-aid accounted for slightly more than \$8,000,000. However, by 1956, total federal aid expenditures in Montana had increased to approximately \$36,000,000 and federal grants-in-aid accounted for nearly two-thirds of the sum. The significant

increase in federal grant expenditures in Montana over the period 1947 to 1956 is somewhat concealed in the early years of the decade as a consequence of federal payments for veterans' readjustment benefits and vocational rehabilitation (a temporary direct aid payment program). From 1947 through 1950, total federal aid payments remained larger than total federal grants-in-aid to the state and its political subdivisions. In 1951, as veterans of World War II began to exhaust their legal benefits, the total sum expended by the federal government for direct aid purposes within the state began to decline and grants-in-aid assumed the dominant position in terms of total federal aid expenditures in Montana which they have held ever since.

One need not seek far afield for an answer as to why grants-in-aid should have assumed such a predominant position in the realm of federal aid expenditures within the State of Montana. The State of Montana, like the other states which go to make up our nation, developed within the framework of a federal form of government. The American federal system was founded on the principle that the national government should act only where the states would be incompetent to act, or where such action was in the national interest and as such could not be effectively carried on by the individual state or local governments. Consequently, state and local governments established, financed, and administered most of their own activities. After 1900, difficulties began to arise as a result of changes in the economic and social structure of our society. State and local governments, relying chiefly upon the general property tax for revenue purposes, soon found that this rather limited tax source was insufficient to finance needed

public services. States were able to turn to other revenue sources, but local governments were not so fortunate. Even state governments soon found that in attempting to develop new sources of revenue they often ran into the problem of overlapping taxation with the national government and it was the state governments which had to give way in such situations. Thus, the grant-in-aid device developed partially in response to demands for new, improved, and expanded public services, in a period when the states and their political subdivisions were unable or unwilling to provide such services.

The grant-in-aid device has assumed great importance from the standpoint of government within the State of Montana. As noted in Chapter IV, federal grants-in-aid contributed 17.6 per cent of total general revenue for all levels of government within the state in fiscal 1953. For the fiscal years 1953 through 1956, the Montana state government has consistently received over 25 per cent of total general revenue from the federal government in the form of grants-in-aid. And if events in the recent past are any measure of the future, perhaps it may not be illogical to assume that grants-in-aid will become even more important in the years to come as a source of revenue with which to provide additional social services. Federal aid payments, other than direct grants to the state and its political subdivisions, are quite likely to increase in aggregate sum over the years but again if past trends are indicative of the future, it seems probable that such federal expenditures will decline in relative terms when compared to total federal aid expenditures within the state.

It seems unlikely that government evolves along lines similar to

biological evolution. Be this as it may, it is nonetheless true that government, whether state or local, has become steadily more complex in the United States with the passage of time. The growing complexity of government, resulting from the public's demand for additional services as well as for the expansion of those services already provided, must necessarily entail higher operating costs. The capacity of a state or local government to provide adequate services for the general public must depend upon the ability of that government to raise revenue. Differences in average real income among states and among political subdivisions within states, however, make it difficult if not impossible to provide similar standards of service in all areas. And this despite the fact that in an interdependent economy and highly mobile society such as our own, service standards in one area are not unimportant to those living in other areas. If, in such a situation, low-income states or states such as Montana with rather sparse populations and large areas are to furnish adequate services, then resource units within such states will of necessity be subjected to a heavier tax burden than like units in other more fortunate states. In view of this dilemma, the use of some equalizing measure such as the grant-in-aid device seems desirable as a method of establishing minimum standards of service in all regions of the country. For, after all, there is only one "economy" from which all the "governments" in our federal system derive their financial strength.

The old theoretical ideal that each unit of government must raise the revenues necessary for the maintenance of all the functions which it administers has ceased to be workable in our modern society.

On the other hand, state and local governments, in order to remain responsive to their constituents and exercise their just powers under our federal system of government must retain a considerable portion of sovereignty over the activities which they administer. This sovereignty will, in the long run, depend upon the control which each level of government is able to exercise over its sources of revenue. The problem arises, however, of preserving a financial balance among the various levels of government because of the unequal distribution of tax resources. Several solutions have evolved as a partial remedy to this problem such as federal grants-in-aid, payments in lieu of taxes on federally owned property, shared revenues, and direct federal aid payments to individuals and institutions within states. While such programs tend to encourage centralization to a certain extent, it may be argued that many of these programs have served to halt the swing in that direction. If the alternative to grants-in-aid and other aid programs should be the adoption of state and local functions by the national government, then grants and similar aid programs would appear to offer the better chance of maintaining our federal system.

BIBLIOGRAPHY

BIBLIOGRAPHY

A. ARTICLES

Buehler, Alfred G. "Federal Grants-In-Aid Versus Separate Revenue Sources," Proceedings of the National Tax Association, 1949. Sacramento: National Tax Association, 1950. Pp. 384-99.

Ecker-Racz, L. L. "Study and Action Relating to Federal-State Tax Relations," Federal-State-Local Tax Correlation, Tax Institute, Inc., December, 1953. Princeton: Tax Institute, Inc., 1954. Pp. 14-33.

Gradison, Willis D. "Keeping Federal Grants-In-Aid Up To Date," Proceedings of the National Tax Association, 1955. Sacramento: National Tax Association, 1956. Pp. 524-29.

Gray, Carl R. "Veterans' Administration," Encyclopedia Americana, XXVIII, 47-47a. New York: Rand McNally and Company, 1957.

Groves, Harold M. "The Background of Intergovernmental Fiscal Relations," Proceedings of the National Tax Association, 1955. Sacramento: National Tax Association, 1956. Pp. 517-24.

Scott, Ira D., and Helmer S. Peterson. "The Vocational Rehabilitation Service and Other Services of the Veterans' Administration," Proceedings of the Special Training Program in the Advisement of Veterans. New York: City College of New York, 1944. Pp. 19-28.

B. BOOKS

American Parents Committee, Inc. Handbook on Federal Grants-in-Aid. New York: American Parents Committee, Inc., 1953.

Automotive Safety Foundation. Moving Ahead on Montana's Highways. Washington: Automotive Safety Foundation, 1956.

Benson, George C. S. The New Centralization. New York: Farrer and Rhinehart, Inc., 1941.

Bittermann, Henry J. State and Federal Grants-In-Aid. New York: Mentzer, Bush and Company, 1938.

- Brownlee, O. H., and Harvey S. Perloff. Economics of Public Finance. Second edition. New York: Prentice-Hall, Inc., 1954.
- Clark, Jane Perry. The Rise of the New Federalism. New York: Columbia University Press, 1938.
- Council of State Governments. Federal Grants-In-Aid. Chicago: [n.n.], 1949.
- Groves, Harold M. Financing Government. Fifth edition. New York: Henry Holt and Company, 1958.
- Hansen, Alvin H., and Harvey S. Perloff. State and Local Finance in the National Economy. New York: W. W. Norton and Company, 1944.
- Kimmel, Lewis H. Governmental Costs and Tax Levels. Washington: The Brookings Institute, 1948.
- Maxwell, James A. Federal Grants and the Business Cycle. New York: H. Wolff Book Manufacturing Co., Inc., 1952.
- _____. Federal Subsidies to the Provincial Governments in Canada. Cambridge: Harvard University Press, 1937.
- Morison, Samuel E., and Henry S. Commager. The Growth of the American Republic. Vol. II. New York: Oxford University Press, 1953.
- Ogg, Frederic A., and P. Orman Ray. Essentials of American Government. Seventh edition. New York: Appleton-Century-Crofts, Inc., 1952.
- Shultz, William J. American Public Finance. New York: Prentice-Hall, Inc., 1938.
- World Almanac and Book of Facts, 1957. New York: New York World-Telegram Corp., 1957.

C. MONTANA STATE GOVERNMENT DOCUMENTS

- Constitution of the State of Montana (as adopted by the Constitutional Convention, August 17, 1889).
- Montana, Fact Finding Committee on Highways, Streets, and Bridges. Financing Modern Highways for Montana. Butte: McKee Printing Co., 1956.
- _____. Historical Analysis of Taxation for Highway Purposes in Montana. Helena: Fact Finding Committee on Highways, Streets, and Bridges, 1956.

Montana, Governor's Interim Highway Committee. A Montana Highway Program. Helena: Governor's Interim Highway Committee, 1950.

Montana, Office of the State Forester. Fifth Report. Butte: McKee Printing Co., [n.d.].

_____. Eighth Report. Butte: McKee Printing Co., 1928.

_____. Fourteenth Report. Butte: McKee Printing Co., 1953.

Montana State Board of Health. First Biennial Report of the Montana State Board of Health, March, 1901, to November, 1902. Helena: Independent Publishing Co., [n.d.].

_____. Services of Montana's Board of Health. Butte: McKee Printing Co., 1954.

_____. Twentieth Biennial Report, 1938-1940. Helena: Naegele Printing Company, 1940.

_____. Twenty-sixth Biennial Report, 1950-1952. Butte: McKee Printing Co., 1952.

_____. Twenty-eighth Biennial Report, 1954-1956. Butte: McKee Printing Co., 1956.

Montana State Bureau of Vocational Rehabilitation. Rehabilitation Review. Helena: Bureau of Vocational Rehabilitation, December, 1956.

Montana State College. Bulletin, 1956-1958 Catalog Issue. Bozeman: Reporter Printing and Supply Co., 1956.

Montana State Department of Public Instruction. Biennial Report, 1917-1950. Helena: [n.n.], 1918-1950.

_____. Biennial Report, 1950-1952. Helena: Naegele Printing Co., 1952.

_____. Biennial Report, 1954-1956. Butte: McKee Printing Co., 1956.

_____. School Laws of the State of Montana. Great Falls: Tribune Printing and Supply Co., 1953.

Montana State Department of Public Welfare. Report, March 2, 1937, to March 1, 1938. Helena: Naegele Printing Co., [n.d.].

_____. Report, March 2, 1938, to June 30, 1954. Helena: [n.n.], 1938-1954.

- _____. Report, July 1, 1954, to June 30, 1956. Helena: [n.n.], 1956.
- Montana State Department of State Lands and Investments. Biennial Report, 1952-1954. Helena: Naegele Printing Co., 1955.
- _____. Biennial Report, 1954-1956. Butte: McKee Printing Co., 1956.
- Montana State Fish and Game Commission. Biennial Report, 1954-1956. Butte: McKee Printing Co., 1956.
- Montana State Highway Department. "History of the Montana State Highway Department 1913-1942," State Wide Highway Planning Survey. Helena: Montana State Highway Department, 1943.
- Montana State Unemployment Compensation Commission. First Annual Report. Helena: Naegele Printing Company, 1938.
- _____. Eighth (to) Twentieth Annual Report. Helena: [n.n.], 1944-1956.
- _____. Nineteenth Annual Report. Butte: McKee Printing Co., 1955.
- Myrick, D. C., and Roy E. Huffman. Sugar Beet Production in Montana. Montana Agricultural Experiment Station Bulletin 525. Bozeman: Montana Agricultural Experiment Station, 1956.

D. UNITED STATES GOVERNMENT DOCUMENTS

- United States Air Force. The Air Officer's Guide. Harrisburg: The Military Service Publishing Company, 1950.
- United States Bureau of the Census. Statistical Abstract of the United States, 1956. Seventy-seventh edition. Washington: Government Printing Office, 1957.
- _____. Statistical Abstract of the United States, 1957. Seventy-eighth edition. Washington: Government Printing Office, 1958.
- United States Commission on Intergovernmental Relations. Payments in Lieu of Taxes and Shared Revenues. Washington: Government Printing Office, 1955.
- _____. Report to the President for Transmittal to Congress. Washington: Government Printing Office, 1955.
- _____. Twenty-five Federal Grant-in-Aid Programs. Washington: Government Printing Office, 1955.

- United States Department of Agriculture, Agricultural Conservation Program Service. Montana, Handbook, 1957. Washington: Government Printing Office, 1957.
- _____. Summary, 1955. Washington: Government Printing Office, 1956.
- United States Department of Agriculture, Production and Marketing Administration. Compilation. Handbook No. 49. Washington: Government Printing Office, 1953.
- United States Department of Commerce, Bureau of the Census. Compendium of State Government Finances, 1946-1956. Washington: Government Printing Office, 1947-1957.
- United States Department of Commerce, Office of Business Economics. "Population," Personal Income by States Since 1929. Washington: Government Printing Office, 1956.
- United States Department of Health, Education, and Welfare, Public Health Service. Research Grants and Fellowships, 1955. Washington: Government Printing Office, 1956.
- United States Department of Health, Education, and Welfare, Social Security Administration. Social Security Bulletin. 20 vols. Washington: Social Security Administration: 1938-1957.
- United States National Science Foundation. Organization of the Federal Government for Scientific Activities. Washington: Government Printing Office, 1956.
- United States Social Security Administration, Federal Security Agency. The Principle of Equalization Applied to the Allocation of Grants In Aid. Bureau Memorandum No. 66. Washington: Government Printing Office, 1947.
- United States Treasury Department. Annual Reports of the Secretary of the Treasury, 1945-1956. Washington: Government Printing Office, 1946-1957.
- _____. Combined Statement of Receipts, Expenditures and Balances of the United States Government, 1956. Washington: Government Printing Office, 1956.
- United States Veterans' Administration. Manual. Washington: Government Printing Office, 1946.
- United States Veterans' Administration, Information Service. Federal Benefits Available to Veterans and Their Dependents as of October 6, 1955. Washington: Government Printing Office, 1955.

APPENDIX

TABLE XII

FEDERAL GRANTS-IN-AID TO STATE AND LOCAL GOVERNMENTAL
UNITS, MONTANA, FISCAL 1956

Federal grant and administering agency	Amount	Per cent of total
I. Department of Agriculture		
A. Agricultural experiment stations	\$ 309,808	1.34
B. Agricultural extension work.	377,361	1.63
C. School lunch program	296,310	1.28
D. Cooperative projects in marketing.	10,345	.04
E. State and private forestry cooperation	99,490	.43
F. Commodity Credit Corporation	193,104	.84
G. Special school milk program.	129,987	.56
H. Removal surplus agricultural commodities	296,224	1.28
II. Department of Commerce		
A. Federal airport program.	317,561	1.38
B. Highway construction	9,513,198	41.21
III. Department of Health, Education, and Welfare		
A. Office of Education grants	1,532,877	6.64
B. Public Health Service grants	347,456	1.51
C. Maternal and child welfare services grants	279,255	1.21
D. Old-age assistance	3,417,981	14.80
E. Aid to dependent children.	1,500,964	6.50
F. Aid to permanently and totally disabled.	611,549	2.65
G. Aid to the blind	188,372	.82
H. American Printing House for the Blind.	778	.01
I. Office of Vocational Rehabilitation.	157,013	.68
IV. Department of Interior		
A. Wildlife restoration, Fish & Wildlife Serv.	435,595	1.89
V. Department of Labor		
A. Unemployment compensation, emplymt. serv..	1,159,219	5.02
VI. Federal Civil Defense Administration		
A. Federal contributions.	30,648	.13
VII. Housing and Home Finance Agency		
A. Public Housing Administration.	121,152	.52
VIII. Veterans' Administration		
A. Homes for disabled soldiers and sailors.	40,789	.18
B. Supervision of on-the-job training	21,298	.09
IX. Shared revenues		
A. Mineral Leasing Act.	925,767	4.01
B. National forests fund.	630,431	2.73
C. Submarginal land program	88,048	.38
D. Payments under certain special funds	44,074	.19
E. Migratory Bird Conservation Act.	9,114	.04
F. Payments under Federal Power Act	1,026	.01
TOTAL	\$23,086,794	100.00

Source: U. S. Treasury Dept., Annual Report of the Secretary of the Treasury, 1956 (Washington: Govt. Print. Off., 1957), pp. 568-75.

TABLE XIII

FEDERAL AID PAYMENTS TO INDIVIDUALS AND NON-GOVERNMENTAL
INSTITUTIONS WITHIN MONTANA OTHER THAN DIRECT GRANTS
AND LOANS, FISCAL 1956

Federal program and administering agency	Amount	Per cent of total
I. Department of Agriculture		
A. Agricultural conservation program	\$ 2,080,762	16.18
B. Sugar Act	1,775,387	13.81
II. Department of Commerce, Bureau of Public Roads		
A. Forest highways	2,040,045	15.87
III. Department of Defense		
A. Air Force National Guard.	708,956	5.51
B. Army National Guard	2,787,191	21.68
IV. Department of Health, Education, and Welfare, National Institutes of Health		
A. Research grants	39,140	.30
V. Department of Labor		
A. Unemployment compensation for veterans. . .	342,065	2.66
B. Unemployment comp. for federal employees. .	176,847	1.38
VI. National Science Foundation		
A. Research grants and fellowship awards . . .	57,260	.45
VII. Veterans' Administration		
A. Automobiles, etc., for disabled veterans. .	4,795	.04
B. Readj. benefits and vocational rehab. . . .	2,843,629	22.12
TOTAL	\$12,856,077	100.00

Source: United States Treasury Department, Annual Report of the Secretary of the Treasury, 1956 (Washington: Government Printing Office, 1957), pp. 576-582.