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Some economic aspects of public assistance programs with special reference to the state of Montana

William C. O'Connor

The University of Montana

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SOME ECONOMIC ASPECTS OF PUBLIC ASSISTANCE PROGRAMS
WITH SPECIAL REFERENCE TO THE STATE OF MONTANA

By

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[Signatures]

Chairman, Board of Examiners

Dean, Graduate School

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Date
Public assistance programs in the United States in 1964 represent an outlay of approximately six billion dollars. Yet a survey of the literature shows very little analysis of its effects on the economy or the goals which it seeks to achieve. In approaching such a study the author had to begin with a broad hypothesis, i.e., that this is a significant field of economic activity deserving further elucidation.

In order to compare and to understand the programs in operation the author selected a wide cross-section of states on the following bases: 1) all geographic areas; 2) areas of high and low levels of per capita income; 3) industrial, agricultural, and retirement areas; 4) densely and sparsely populated areas; and 5) areas with a historic concern or lack of concern for public welfare.

Data are given for the years 1937, 1940, 1946, 1950, and 1955 to the present. The selected years previous to 1955 were chosen to give representative data. 1937 was the first operational year for public assistance under the Social Security Act in most states. The others were evenly spaced to present comparative growth of the programs. 1946 was chosen in preference to 1945 to exclude war effects.

The original design was meant to include a much more detailed analysis than is presented. This was not possible at this time because the great diversity among the types of programs makes relative fiscal efforts only misleading in their presentation. A less bold achievement of presenting the problems faced in such a study may be claimed.
I wish to acknowledge the aid of the State Departments of Public Welfare and Public Health of the states included in this sample, in preparing data and giving sound counsel on its use. Also, to my advisor, Dr. Richard E. Shannon, for his many hours of advice and patience in guiding me through this study. Finally, to Dr. George B. Heliker and Dr. W. Gordon Browder for their reading and constructive criticism of the manuscript. Naturally, all errors and omissions remain mine.

W. C. O.

Missoula, Montana

December, 1964
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CHAPTER I

ECONOMIC RATIONALE FOR PUBLIC ASSISTANCE

Public welfare in the United States in the 'sixties is second only to national defense in size of government expenditures. Because of its enormous size in national accounts it has far reaching effects on the whole economy. Although economists have addressed themselves at length to most areas of public welfare, one area stands in dire neglect, i.e., public assistance. The residual treatment of this topic possibly comes from the conviction that it will disappear as more and more groups are covered by social insurance. Whether this will be the course of events is debatable, but what is important is that, here and now, expenditures for public assistance are sizeable and the effects of these expenditures should be known in order to promote sound economic policy formation.

This chapter will be devoted to an analysis of these effects. Later we will discuss the background of the separate categories of public assistance, how they are financed, their comparative development in selected states, and, specifically, the trends in the state of Montana.

Public Welfare—An American Concern

Our first logical question is why is America concerned with public welfare in the mid-twentieth century? The answer is quite simple—-it can afford to be. For centuries man has grappled with the
problem of producing enough to sustain himself. Poverty has been the common lot of the masses while affluence was the exception. Mid-twentieth century America has made great strides in production. Not only has she been able to produce for her population the necessities of life, but she has organized the great vehicle of mass advertisement to produce new wants among the population. This is a success story built on the thrift and ingenuity of the members of her private enterprise system.

But such affluence is not characteristic of all her members. Although the per capita income of the population as a whole in 1962 was $1,900, some thirty-five million people—nearly a fifth of the population—had a per capita income of less than $600.¹

The members of such a society, rich in production, run into a diminishing marginal utility of extra "gadgets" and can afford to turn to more pressing public needs. In preference to larger fins on the automobiles, consumers may choose to build a greater society in which those of the lower fifth are given the opportunity to lead decent constructive lives. This collective demand asserted through their representatives fulfills their needs just as much as their individual private demands in the marketplace.

If this is the case, why have the poor been ignored? Certainly one cannot say that the American people are stingy. One need only look at their reaction to floods, hurricanes, earthquakes and other internal disasters to see the compassion of the American people backed by their

funds to rebuild and renovate. In their relations with foreign nations Americans have been generous. Witness the Marshall Plan in Europe after World War II.

Part of the answer can be found in the lack of a vocal minority among the poor. The day to day poverty which surrounds us is something abstract. We hold dear to the conviction that anyone can get a job if he only wants to work.

The vocal aspect which is heard in the form of mass advertising presents the problem in terms of "redistributing incomes and organizing collective consumption through public measures." Against this, Americans rebel. But when the curtain of prejudice draped by these "pat" phrases is drawn back, what light can economic analysis provide on these issues?

Redistribution of Income

Public assistance payments like most other public welfare payments are transfer payments, i.e., they are payments made for which no concurrent service is rendered. Thus, they do not add to national output or national income. They do not directly reallocate resources in the economy and, therefore, do not interfere with consumer sovereignty or free enterprise in any fundamental sense.

Their effects depend upon how they are financed and what the state of the economy is.

Government expenditures can be financed by taxation, printing

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of money, or issuing securities, the first being the relevant source. By means of taxation purchasing power is taken from one group of individuals and, through transfer payments, given to another group or members of the same group. This redistribution of income will or will not be advantageous depending upon what conditions exist at the time of the transfer. In times of full employment when aggregate demand is high, such a transfer to a low income group who are consumers rather than savers will merely be reflected in higher prices. But in a stagnant economy with high unemployment and large idle savings, the transfer of purchasing power will increase aggregate demand, increase employment, and, through secondary spending effects, increase national income and output.

The extent of redistribution that has been achieved is difficult to determine. Margaret Gordon has pointed out that "... welfare programs are likely to play an important role in any vertical income redistribution that occurs, since, although the share of upper income groups in their costs is not particularly large, the share of the very lowest income groups in the benefits tends to be high. ... To the extent that vertical income redistribution occurs as a result of welfare programs, it tends to be largely from average workers to families whose capacity to participate in the labor force is, for some reason, impaired."³


Equalization of Income

A second effect of public assistance programs directly related

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to income redistribution is a greater equalization of incomes among the members of society by "taxing the rich to give to the poor." That equalization does occur is not doubted, but the extent of equalization is the factor which is relevant. The size distribution of income among spending units in the lowest quintile has shown little change in the past thirty years through which these programs have grown, as can be seen from Table I. In this connection Margaret Gordon has said that

TABLE I
SHARES OF PERSONAL INCOME RECEIVED BY EACH QUINTILE OF THE POPULATION

<table>
<thead>
<tr>
<th>Group</th>
<th>1935-36</th>
<th>1963</th>
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<tbody>
<tr>
<td>Highest Quintile</td>
<td>51.7</td>
<td>45.5</td>
</tr>
<tr>
<td>Second Quintile</td>
<td>20.9</td>
<td>22.6</td>
</tr>
<tr>
<td>Third Quintile</td>
<td>14.1</td>
<td>16.3</td>
</tr>
<tr>
<td>Fourth Quintile</td>
<td>9.2</td>
<td>11.0</td>
</tr>
<tr>
<td>Lowest Quintile</td>
<td>4.1</td>
<td>4.6</td>
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"to the extent that a reduction in the inequality of income distribution occurred between 1929 and 1954, the change was concentrated in the period preceding the end of World War II and particularly during the war years themselves, when a narrowing of wage differentials was chiefly responsible."\(^4\)

\(^4\)Ibid., p. 25. Her conclusions come from a study by Selma Goldsmith.
Public Assistance as a Countercyclical Fiscal Policy—Built-in Stabilizers

Because public assistance rolls will be higher in a depression period than in a boom, these welfare policies can act as a built-in stabilizer in countercyclical fiscal policy. Purchasing power is maintained by these groups of the elderly and the young through public assistance payments, but once again the effectiveness of this means as a strong action against recession may be doubted. The basic reason for this is that those groups most affected by recession and deflation are those in their working years for whom no national program of assistance exists. After their unemployment benefits run out, they too must turn to public assistance of the most meager type, i.e., General Assistance. The states and counties which finance and administer this category are not in a position to employ an effective countercyclical fiscal policy. A fuller discussion of this will be pursued in Chapter III.

Public Assistance and Incentives

Another factor which may be considered is the effect that assistance benefits have on the incentives of recipients to avoid employment. The answer, in short, is that we do not know. There are, to my knowledge, no definitive empirical tests of this; a case could be built

5Since the Public Welfare Amendments of 1962 recognition has been given to the children of unemployed workers thereby providing some cushion. This is still a secondary line of defense. Naturally, many of the unemployed are covered by unemployment insurance, but this does not pertain to the area under consideration.
deductively for either side. If negative effects are present, it is rather difficult to see that they exert a very strong influence given the level of benefits at the present time.

If public assistance does not materially affect the distribution of income, if it does not "equalize" incomes, and if its effects on incentives are not harmful, then we can ask, "What are the goals we are seeking to achieve?"

The underlying goal of public assistance programs has been to provide a base level of economic security—a certain level of services to all citizens below which no one need fall. Testimony of this goal may be found in the construction of this program when President Roosevelt formed the Committee on Economic Security to provide "safeguards against misfortunes which cannot wholly be eliminated in this man-made world of ours."\(^6\) Their answer was:

The one almost all-embracing measure of security is an assured income. A program of economic security, as we vision it, must have as its primary aim the assurance of an adequate income to each human being in childhood, youth, middle age, or old-age—in sickness or in health. It must provide safeguards against all the hazards leading to destitution and dependency.\(^7\)

This is a goal certainly in harmony with the ideals of a democratic society.

The goal of economic security is an admirable one, but it leaves us with the impression that public assistance is only a cost to society and fails to relate to the cold-hearted of us, the cash benefits to

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society. In the 1960's the United States is faced with the problems of structural unemployment and of a low rate of economic growth. What are their relations to public assistance and how can public assistance alleviate these problems?

Structural Unemployment

Automation has been occurring since the beginning of civilization, but only recently has its rate of change been accelerating.

Unemployment has likewise been a recurring phenomenon, but, whereas its level previously followed the rise and fall in the business cycle, more recently the rises are characterized with higher levels of unemployment. This structural unemployment is due to the fact that increases in the training and skills of the labor force have fallen behind what is required for the new methods of production which automation has made possible. The "unemployables" of our society turn first to unemployment compensation if eligible, and when these benefits have been exhausted they turn to public assistance. They normally fall into our least generous category, i.e., General Assistance, but more recently are being provided for under Aid to Dependent Children.® Since these benefits are sorely inadequate, the children of these unemployables will be denied the opportunities for the maximum development of their capabilities and will enter adulthood as a charge to the public— not adding to the productivity and economic growth of the nation. To break this vicious cycle of poverty solid programs of manpower retraining in skills which will be in demand should be provided

to those recipients of public assistance capable of learning. This does not mean to suggest that all workers replaced by automation can be retrained, but that too little effort is being made in the guise of economy. The effect upon future generations is not realized.

Though many of these workers may not be retrainable, it is vital that their children not be denied the opportunities for fullest development of their potential. The question is not, "Can we afford to do it?", but "Can we afford not to do it?". For our public assistance statistics today show that 40 per cent of the recipients of Aid to Families With Dependent Children come from families who likewise received public assistance.\(^9\)

**Economic Growth**

Until recently concern about economic growth has been in terms of growth of market demand in relation to productive capacity.\(^{10}\) The tide has turned and growth of productive capacity has become an important issue, especially in relation to the responsibility of government in maintaining a high level of growth.

Growth of productive capacity may be accomplished not only

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10The initial public assistance programs had in mind the growth of market demand. To cite one of the department's early works: "The safety of all of us now depends also on the general streams of earning and spending. Unless many families are buying--are paying money into a common pool by their spending--the stream of earnings is lowered, and all have less chance to earn. The well-being of country families and city families depends on the ability of other families to buy." U. S., Federal Security Agency, *Why Social Security?*, Social Security Publication No. 15 (Washington: U. S. Government Printing Office), p. 20.
through increased investment in physical capital, but also through investment in human capital. Dr. Wallis cites:

One of the most effective means of stimulating economic growth—and at the same time one of our fundamental objectives in seeking economic growth—is to provide expanding opportunities for every individual to realize his own potentialities to the utmost and to open wider vistas for his children; to encourage initiative, independence, and integrity; to preserve and enlarge the moral worth of the individual; and to approach more closely our ideals of personal freedom, justice and fair play, broad and equal opportunity, the rule of law, and mutual respect and charity.\(^{11}\)

With similar objectives in mind Congress passed the Public Welfare Amendments of 1962. Whereas previously the goals established were basically to relieve need, the recent amendments stress "... providing more rehabilitative services in order to get individuals off the welfare rolls and developing better trained staffs to render these services."\(^{12}\)

Public assistance grants channeled to rehabilitation and training represent a small fraction of total investment, but they are in the unique position of being able to produce a higher rate of productive capacity as our economy becomes more and more saturated with investment in physical capital.

**Summary**

This chapter has investigated the economic rationale behind

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public assistance. We questioned the role of public assistance in redistributing and equalizing income, acting as a built-in stabilizer for countercyclical fiscal policy, or destroying incentives. Our conclusion was that, although definitive empirical evidence does not exist on these matters, what evidence we do have gives no substantial proof that these ends have been attained. Further, we pointed out that these were not the goals of the legislators of these programs. The all-prevading theme seems to have been to provide a base level of economic security.

In relation to our changing economic conditions and outlook, we next investigated the implications of public assistance policy to cope with structural unemployment and to provide a faster rate of economic growth through investment in human resources. These goals, mirrored in the Public Welfare Amendments of 1962, provide the rationale for more concentrated work in this field.

In order better to understand why the programs exist as they do today in the various states, it will now be profitable to survey their history and development in the United States.
CHAPTER II

HISTORY OF THE SPECIFIC PUBLIC ASSISTANCE PROGRAMS

Pre-Depression Assistance

Public assistance in the United States grew out of the ideas and institutions of the Elizabethan poor law in England. This Poor Relief Act of 1601 which was to influence the administration of relief for the next three hundred and fifty years contained the following provisions:¹

1. Recognition of governmental responsibility for the care of the poor.
2. Establishment of administrative agencies.
3. Use of tax funds.
4. Distinction between able-bodied and impotent poor.
5. Recognition that not all able-bodied poor could get work.
6. Care of dependent children.
7. Use of workhouse and almshouse.
8. Responsibility of relatives to provide help.

Under a feudal system of society economic security was provided for the serf by the lord, albeit a very low level of security. In the same era the monasteries of Europe flourished and they provided temporary

aid for those in need. With the breakdown of the feudal system and
the confiscation of monasteries the responsibility for care of the
poor devolved upon government. For administrative feasibility in an
economy with limited transportation and communication the logical unit
of government to perform these tasks was the smallest unit, the parish.
The parish churchwardens were delegated as the overseers of the poor,
and to carry out their task they appealed to the charity of the prop-
erty owners. When this proved to no avail a tax system was instituted.

Quality of relief varied widely since administrative responsi-
bility was so widely diffused, but certain basic patterns developed.
Those poor who were employable could be forced to serve in their trade
or if no work were available, they were placed in "workhouses" or
"houses of correction". Unemployables were either placed in almshouses
or granted "outdoor relief" in their own homes. Children without par-
ents and support could be bound over to householders who would provide
food, shelter, and clothing and teach them a trade in remuneration for
their labor.

The idea of responsibility of relatives to support their poor
relations was a new requirement under the Elizabethan laws. It had no
prior civil precedent, but was set forth under the guise of moral law.
In actuality it was a fiscal measure designed to reduce the burden of
maintaining the poor.

Another such measure of self-protection was the return of beg-
gars. Strict settlement provisions were set up to keep the poor from
moving to parishes which provided more generous benefits. Under the
1662 Law of Settlement new residents of a parish who rented property
valued at less than ten pounds a year could be returned to the place from which they had come.

As America developed it was only logical that she should borrow heavily from England in codifying laws for poor relief. Administration and financing were on local levels, first city and township, then county. Complex settlement provisions were set up to keep local responsibility at a minimum. The strict puritanical ideals of thrift and wealth as a measure of worth lends even stronger emphasis to the notion of "unworthiness of the poor." In his book, Public Welfare in New Jersey, William Ellis describes the prevailing attitudes on poor relief: "Slowly an application for relief began to take on the color of criminal persecution in which an adult, if found guilty of requiring aid, would be given grudging assistance but would be segregated from the general population by the severance of civil rights and by the wearing of pauper badges."\(^2\)

Little relief was given to the poor in their homes. A popular method was that of auctioning the poor at town meetings. Dependent children were bound out as in England to attain their support by what work they did. Almshouses were almost non-existent until the eighteenth century and once started their administration was sorely inadequate according to modern social service standards. Poor of all kinds were grouped together in the interests of economy—the beggar, the idiot, the drunkard, and the widow.

The nineteenth century was marked by a rise in the number of

private institutions established to take care of separate groups of the poor. These categories were developed by private philanthropic and religious organizations which were dissatisfied with the way society had grouped the poor under one roof and were interested in providing services for some particular category. Children were the special target of their compassion and among these, the deaf, the dumb, the blind, the feeble-minded, the orphaned, and the abandoned were aided. Other categories remained under public command generally run by local levels of government.

The latter half of the nineteenth century brought the rise of state boards of charities to supervise the administration of public institutions. Their powers were limited, but they did provide some relief from the squalor of the institutions by recommending changes to the legislature and assuring that existing legislation was carried out by the institutions.

In the early part of the present century attempts were made by some states to provide grants to individuals who were not in institutions. Legal problems arose in many of the states as their constitutions did not allow the use of state funds for individuals. From these beginnings came four of our present day categories of public assistance: Old-Age Assistance, Aid to Dependent Children, Aid to the Blind, and Maternal and Child Welfare Services.

**Old-Age Assistance**

Attempts at pensions for the aged were begun in 1912 by Alaska and 1915 by Arizona, but both of these were declared unconstitutional. In 1923 Montana became the first state to pass an old-age pension act.
which survived the test of constitutionality, although two other states, Nevada and Pennsylvania, passed laws in the same year which were declared unconstitutional. By 1928 only six states and one territory had laws providing for Old-Age Assistance payments and all of these were optional to the counties. Slightly more than one thousand aged were receiving assistance grants. Highly restrictive provisions still existed governing residence and citizenship, property and income limitations, and the "worthiness" of recipients.

Aid to Dependent Children

Aid to Dependent Children consisting of assistance to children living in their own homes and being aided apart from their parents had no precedence in American philosophy of public welfare before 1910. The inspiration for mothers' pensions as they were called came out of the White House Conference on Child Welfare in 1909 which upheld the philosophy that "'home life is the highest and finest product of civilization', and on that basis it made a plea that no home should ever be broken up for reasons of property alone." Laws were soon enacted in the states beginning with Missouri and Illinois in 1911 and encompassing forty-five states by 1934. Legislation was generally permissive rather than mandatory and aid was given in only about one-half of the counties covered by legislation with annual payments ranging from less than one-half cent per capita in Louisiana to ninety-three cents per capita in

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New York. Restrictions were fairly limited by 1934, and administrative practice led to the greatest share of support going to children of widows rather than divorcees, those deserted by their husbands, or those with husbands unable to provide support.

Maternal and Child Welfare Services

Three closely related programs dealing with children were insti­
gated by various agencies prior to passage of the Social Security Act. The first of these, Child Welfare Services, dealt with care of homeless and neglected children. As opposed to nineteenth century almshouses, public and private agencies developed more refined institutions of aid. These were clustered in large cities leaving rural areas neglected. Public agencies were basically developed on the county level; only twelve states had statewide programs by 1935. Social services were administered by people with little training in this area.

A second program, Maternal and Child Health Services, attained national status under the Sheppard-Towner Act of 1921. Grants-in-aid were offered to states for establishment of Maternal and Child Health Services in rural districts. It had been prompted by the high mortality rates among infants in these areas. The Children's Bureau adminis­
tered the act which expired in 1929.

A third program, Services for Crippled Children, was provided for by statute in thirty-seven states by 1934, although two of these provided no funds. Quality of treatment varied from providing hospital

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care for those demonstrating need to extensive programs of location and registration of crippled children with clinical care following. These activities which were supported by state, county, and municipal governments had been contracted to a great degree during the depression due to lack of funds.

**Aid For the Blind**

Public recognition of need for blind persons was well established. A very small portion of them were employed and the earnings of those working were meager. State legislation included four types of assistance: education and vocational training of blind children, workshops for the adult blind, field work in locating and assisting the blind, and cash grants. Although the two former programs were fairly well developed by 1934, field services and cash grants were grossly inadequate. Ten states carried on no field services while another thirteen spent less than $5 per year per blind person for these services. Cash grants were available in twenty-seven states which varied from $.83 per month in Arkansas to $33.12 per month in California.

Despite the gains made in the first three decades of the twentieth century by social workers and an increasingly conscious electorate, the general framework of public welfare remained quite similar to the past. Although expenditures for ordinary welfare activities for all units of government increased five times, they remained almost constant.

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5By ordinary public-welfare expenditures is meant expenditures for charitable institutions, outdoor relief, welfare departments, and part of the health, hospital and correctional expenditures which may be regarded as public welfare. It does not include expenditures for military veterans.
as a per cent of national income, and actually decreased by one-third as a per cent of total cost of government. (See Table II).

**TABLE II**

**EXPENDITURES FOR ORDINARY WELFARE ACTIVITIES FOR ALL UNITS OF GOVERNMENT**

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (thousands)</th>
<th>% of National Income</th>
<th>% of Total Cost of Govt</th>
</tr>
</thead>
<tbody>
<tr>
<td>1903</td>
<td>$105,860</td>
<td>0.52</td>
<td>6.7</td>
</tr>
<tr>
<td>1913</td>
<td>182,587</td>
<td>0.55</td>
<td>9.25</td>
</tr>
<tr>
<td>1918</td>
<td>250,044</td>
<td>0.44</td>
<td>(*)</td>
</tr>
<tr>
<td>1923</td>
<td>372,291</td>
<td>0.54</td>
<td>3.63</td>
</tr>
<tr>
<td>1928</td>
<td>535,459</td>
<td>0.64</td>
<td>4.29</td>
</tr>
</tbody>
</table>

*Any computed percentage would be meaningless owing to World War costs of government.*


The general principles of local responsibility, worthiness, and independence of the individual that characterized colonial America were still deeply imbedded in the hearts of citizens. Prosperity was at a heretofore unknown peak.

**The Great Depression—Changing Philosophy and Structure of Assistance**

Then came the decade of the 1930's—the Great Depression. By March, 1930, unemployment was an estimated four million. New attitudes were bound to emerge out of this era. Leyendecker has characterized it in this way:

The great depression of 1929-1939 burst upon a nation which had neither the administrative machinery to cope with the misery that it produced nor the psychological readiness to
adopt prompt and appropriate measures for its alleviation. The "depression decade" has great significance for the student of public welfare because it was a period during which the nation as a whole was forced to grapple with a problem that was unique in its magnitude. Poverty and insecurity, and their attendant suffering, were not new; the nation had experienced many depressions in the past. But now, pressure of circumstances demanded a reexamination of the traditional attitudes toward the poor, and of the manner in which their needs were met. Although the historic explanation of the causes of deprivation and dependency continued to exert a strong emotional hold, it could offer no satisfactory reason why, during the period 1933-1938, the number of persons who were obliged to accept some form of public aid ranged from eighteen to twenty-eight million. Nor could it account for the swift declines in fortune, the almost overnight change from affluence to poverty, the fact that thrift and industry availed for naught.

Out of the bitter experience of this decade new forms of assistance have emerged, new administrative arrangements and relationships have been worked out, and a new approach to the problem of economic security has been adopted.6

These came in a great measure through the Committee on Economic Security established by President Roosevelt in June, 1934. This agency which called on the best minds in the country in the field of economics, public administration, and social welfare prepared for the Congress in six months a comprehensive piece of legislation whose major provisions have remained unaltered to this day—the Social Security Act.

The public assistance titles of the Act cover a broad area of the needy categories7 and offer to the states grants-in-aid on varying bases to set up aid programs. The eligibility requirements for states to receive grants-in-aid for public assistance did much to reform the abuses in their previous programs. Because of their importance in

6Leyendecker, op. cit., pp. 57-8.

7These include those mentioned above and add Medical Assistance for the Aged and Aid to the Permanently and Totally Disabled.
promoting sound policy these will be reprinted in their entirety as of December 31, 1962.

The general requirements for all categories are that the state plan must:

1. Provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them;

2. Provide for financial participation by the State;

3. Either provide for the establishment or designation of a single State agency to administer the plan, or provide for establishment or designation of a single State agency to supervise the administration of the plan;

4. Provide for granting an opportunity for a fair hearing before the State agency to an individual whose claim for assistance under the plan is denied or is not acted upon with reasonable promptness;

5. Provide such methods of administration (including methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Secretary to be necessary for the proper and efficient operation of the plan;

6. Provide that the State agency will make such reports, in such form and containing such information, as the Secretary may from time to time require, and comply with such provisions as the Secretary may from time to time find necessary to assure the correctness and verification of such reports;

7. Provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of the State plan;

8. Under more recent amendments grants-in-aid cannot be denied to a state which enacts or enforces legislation "prescribing any conditions under which public access may be had to records of the disbursement of any such funds or payments within such State, if such legislation prohibits the use of any list of names obtained through such access to such records for commercial or political purposes."
8. Provide that all individuals wishing to make application for assistance under the plan shall have opportunity to do so, and that such assistance shall be furnished with reasonable promptness to all eligible individuals;

9. Provide a description of the services which the State agency makes available to applicants for and recipients of such assistance to help them attain self-care, . . . .

Specific eligibility requirements cover, 1) how need shall be determined, and 2) age, residence, and citizenship requirements. Although these originally allowed states to make relatively stringent requirements, later Congresses have legislated more liberal provisions.

The original Act was a great step forward in the nation's provision for economic security. Since its passage in 1935 it has been amended twelve times adding two categories of assistance, Medical Assistance for the Aged and Assistance for the Permanently and Totally Disabled, and making other changes commensurate with the increasing knowledge in the field of social welfare. Much remains to be done to eradicate the vestiges of "poor law" philosophy remaining, but the federal government has provided the states with a tool whereby they can carry out the responsibilities delegated to them.

Although the benefits have been extended considerably, their size in national accounts has shown much less variation. (See Table III). Depression years brought about a considerable increase—up to 1.02 per cent of gross national product and 5.60 per cent of total government expenditures. On the other hand, war years with high prosperity and low unemployment brought a 50 per cent decrease in

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9U. S. Congress, House, Compilation of the Social Security Laws . . ., 87th Cong., 2d Sess., 1963, House Doc. 516, pp. 2-3. These were taken from the provisions for Old-Age Assistance. Other categories have very similar provisions.
### TABLE III

EXPENDITURES FOR PUBLIC ASSISTANCE PROGRAMS* FOR ALL UNITS OF GOVERNMENT: SELECTED YEARS 1937-61

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (thousands)</th>
<th>% of GNP</th>
<th>% of Total Cost of Govt.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937</td>
<td>803,845</td>
<td>0.89</td>
<td>5.42</td>
</tr>
<tr>
<td>1940</td>
<td>1,034,981</td>
<td>1.02</td>
<td>5.60</td>
</tr>
<tr>
<td>1946</td>
<td>1,182,594</td>
<td>0.56</td>
<td>2.52</td>
</tr>
<tr>
<td>1950</td>
<td>2,395,395</td>
<td>0.84</td>
<td>3.92</td>
</tr>
<tr>
<td>1954</td>
<td>2,653,013</td>
<td>0.73</td>
<td>2.73</td>
</tr>
<tr>
<td>1955</td>
<td>2,756,866</td>
<td>0.69</td>
<td>2.80</td>
</tr>
<tr>
<td>1956</td>
<td>2,816,146</td>
<td>0.67</td>
<td>2.62</td>
</tr>
<tr>
<td>1957</td>
<td>3,099,036</td>
<td>0.70</td>
<td>2.60</td>
</tr>
<tr>
<td>1958</td>
<td>3,133,296</td>
<td>0.77</td>
<td>2.60</td>
</tr>
<tr>
<td>1959</td>
<td>3,680,000</td>
<td>0.76</td>
<td>2.66</td>
</tr>
<tr>
<td>1960</td>
<td>3,808,444</td>
<td>0.76</td>
<td>2.66</td>
</tr>
<tr>
<td>1961</td>
<td>4,111,151</td>
<td>0.79</td>
<td>2.63</td>
</tr>
</tbody>
</table>

*Public assistance as used here includes Old-Age Assistance, Medical Assistance for the Aged, Aid for the Blind, Aid to Families With Dependent Children, Aid to the Permanently and Totally Disabled, and General Assistance.


The size of public assistance expenditures in national accounts even though their absolute totals rose slightly. Since 1950 the tendency has been towards a stabilization at approximately 3/4 of 1 per cent of gross national product and 2 1/2 per cent of total government expenditures.

Another measure of growth of public assistance benefits is their size in national accounts compared to all transfer payments. (See Table IV). Although public assistance benefits have risen from $.8 billion in 1937 to $4.1 billion in 1961—a fivefold increase, total
<table>
<thead>
<tr>
<th>Year</th>
<th>Public Assistance Payments (billions)</th>
<th>Total Transfer Payments (billions)</th>
<th>P. A. Payments as a % of Total Transfer Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937</td>
<td>0.8</td>
<td>2.4</td>
<td>33.0</td>
</tr>
<tr>
<td>1940</td>
<td>1.0</td>
<td>3.1</td>
<td>32.2</td>
</tr>
<tr>
<td>1946</td>
<td>1.2</td>
<td>11.4</td>
<td>10.7</td>
</tr>
<tr>
<td>1950</td>
<td>2.4</td>
<td>15.1</td>
<td>15.9</td>
</tr>
<tr>
<td>1954</td>
<td>2.7</td>
<td>16.2</td>
<td>16.7</td>
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<td>1955</td>
<td>2.8</td>
<td>17.5</td>
<td>14.0</td>
</tr>
<tr>
<td>1956</td>
<td>2.8</td>
<td>18.8</td>
<td>14.9</td>
</tr>
<tr>
<td>1957</td>
<td>3.1</td>
<td>21.9</td>
<td>14.2</td>
</tr>
<tr>
<td>1958</td>
<td>3.4</td>
<td>26.3</td>
<td>12.9</td>
</tr>
<tr>
<td>1959</td>
<td>3.7</td>
<td>27.5</td>
<td>13.5</td>
</tr>
<tr>
<td>1960</td>
<td>3.8</td>
<td>29.5</td>
<td>12.9</td>
</tr>
<tr>
<td>1961</td>
<td>4.1</td>
<td>33.6</td>
<td>12.2</td>
</tr>
</tbody>
</table>

*Public assistance as used here includes Old-Age Assistance, Medical Assistance for the Aged, Aid for the Blind, Aid to Families With Dependent Children, Aid to the Permanently and Totally Disabled, and General Assistance.


Transfer payments have risen from $2.4 billion in 1937 to $33.6 billion in 1961—a fourteen-fold increase! Thus, public assistance expenditures as a per cent of total transfer expenditures have actually decreased from 33 per cent in 1937 to 12 per cent in 1961.

These changes have been facilitated to a large extent by three other transfer payment categories, i.e., Old-Age and Survivors Disability Insurance, State Unemployment Insurance benefits, and Veterans' benefits. (See Table V). They provide a stopgap for public assistance.
**TABLE VII**

EXPENDITURES FOR SELECTED TRANSFER PROGRAMS: SELECTED YEARS 1937-61

<table>
<thead>
<tr>
<th>Year</th>
<th>OASDI benefits (billions)</th>
<th>Unemployment Compensation benefits (billions)</th>
<th>Veterans' benefits (billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937</td>
<td>(*)</td>
<td>(*)</td>
<td>.6</td>
</tr>
<tr>
<td>1940</td>
<td>(*)</td>
<td>.5</td>
<td>.5</td>
</tr>
<tr>
<td>1946</td>
<td>.4</td>
<td>1.1</td>
<td>6.8</td>
</tr>
<tr>
<td>1950</td>
<td>1.0</td>
<td>1.4</td>
<td>4.9</td>
</tr>
<tr>
<td>1954</td>
<td>3.6</td>
<td>2.0</td>
<td>3.8</td>
</tr>
<tr>
<td>1955</td>
<td>4.9</td>
<td>1.4</td>
<td>4.2</td>
</tr>
<tr>
<td>1956</td>
<td>5.7</td>
<td>1.1</td>
<td>4.2</td>
</tr>
<tr>
<td>1957</td>
<td>7.3</td>
<td>1.8</td>
<td>4.4</td>
</tr>
<tr>
<td>1958</td>
<td>8.5</td>
<td>3.9</td>
<td>4.6</td>
</tr>
<tr>
<td>1959</td>
<td>10.2</td>
<td>2.5</td>
<td>4.5</td>
</tr>
<tr>
<td>1960</td>
<td>11.1</td>
<td>2.8</td>
<td>4.5</td>
</tr>
<tr>
<td>1961</td>
<td>12.6</td>
<td>4.0</td>
<td>4.8</td>
</tr>
</tbody>
</table>

*Less than $50 million.


Were it not for the phenomenal increases in these programs, public assistance would have to absorb a greatly increased burden.

All of the above measures of the impact of public assistance on national accounts point to our conclusion that, contrary to the conventional wisdom, public assistance is not receiving any appreciably increasing proportion of the American dollar.

With this background in the position of public assistance in the United States we may now consider how it is financed.
CHAPTER III

FINANCING OF PUBLIC ASSISTANCE PROGRAMS

Rationale for Federal Participation

Present policy recognizes the importance of federal, state, and local government participation in the financing of public assistance. The widely held view that public assistance was a responsibility of local government was challenged by the framers of the Social Security Act because:

The local community is no longer a self-contained unit. Our economic life overflows our political boundaries of towns, municipalities, counties, and states. Destitution arises today from causes with which the local community is powerless to deal, and creates financial obligations beyond the capacity of local resources.¹

Local responsibility for financing public assistance was attacked not only on the basis of general social benefit, but also on the ability-to-pay principle. The property tax, the basic tax resource of local government, is not a fair measure of ability to pay because general property no longer represents the bulk of existing wealth.

A third basis of attack on local financing was the status of local government. These governments are a creation of the state and most often there are statutory or constitutional limitations on the amount of debt they are allowed to contract. Public assistance was thereby subject to fluctuations of the business cycle.

¹Social Security In America . . ., op. cit., p. 348.

26
Methods of Federal Assistance

A means of financing was sought which would maximize local control of administration yet obtain the objectives of the act. Several alternatives were available.

One alternative was the subsidy. The Kestnbaum report notes that this alternative

... would provide maximum help to the States that most need funds, give all States an opportunity to use money where they feel their need is the greatest, preserve for them a larger and more independent governing role, and relieve the National Government of administrative burdens and of the difficult task of selecting specific objects of aid.  

This alternative has the distinct disadvantage of giving the federal government no assurance that the objectives it desires to accomplish by providing the subsidy will be accomplished. More control is necessary to assure the job is being done.

Another possibility is the grant-in-aid which is currently being used in public welfare programs. It has a number of advantages. First of all, it is generally a continuing arrangement for a constant program as opposed to a "shot-in-the-arm" subsidy. With this guarantee a state can set up rational administrative machinery without the fear that the department will be wiped out after a short period of time.

Secondly, it allows the federal government to be more specific in its objectives, i.e., a state must meet certain requirements concerning a program in order to become eligible for the grant. Following this, they may be required to submit reports to the national agency so

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that the federal government can be assured that its objectives are being attained and the money is being properly spent.

Thirdly, the grant-in-aid can act as an incentive to the states by requiring matching of funds on certain bases, e.g., fiscal capacity or population. This is a recognition of the interest of the nation as a whole in the well-being of each of its citizens. This will be discussed later in this chapter.

Probably the major disadvantage of the grant-in-aid is the effect upon state budgets. These can be distorted when the attractiveness of the grant-in-aid forces states to concentrate on those activities which grant the most liberal matching provisions while passing over other more pressing needs. A good example of this in the field of public welfare is the General Assistance category. By defining their objectives too closely, the federal government has not provided grants for general relief. States, in an attempt to obtain maximum grants, have left this category in the sad state in which it is today. The answer to this problem need not rely on a denial of grants-in-aid, but may well be taken care of by a broader definition or even elimination of categories.

**Bases for Determining Shares of Assistance**

As we emphasized in Chapter I the basic purpose of public assistance, as seen by its framers, was provision of a basic level of services to all citizens—below which no one need fall. In order to accomplish this goal, the federal government instituted grants-in-aid on a $1 for $1 matching basis with the states.\(^3\) Matching grants did not accomplish

\(^3\)Except for Maternal and Child Welfare Services.
the purpose of providing a base level of security, for the low income states had a higher incidence of need than the high income states and less taxable resources to provide for their need.

Some method had to be chosen to reflect the varying fiscal capacities of the states which would be easy to understand and simple to administer. A proposal to issue grants on the basis of a standard level of need minus the state's capacity to tax (measured on a uniform tax system) met with disfavor because both the bases of need and taxable capacity fluctuate too often. A more flexible pattern was necessary. For this reason per capita personal income has been chosen as an index of a state's fiscal capacity. A certain fraction of approximately half the maximum average monthly payment plus a proportion of the other half (which proportion varies inversely with the state's per capita income) determines the level of the grant.¹ (See Appendix A for details of apportionment for individual programs). Data on personal income are collected regularly and thus present an easy-to-understand, non-debatable standard.

Programs of services, i.e., Maternal and Child Health Services, Services for Crippled Children, and Child Welfare Services, take into account population of the groups served as well as personal income.

State Financing

The state's share in the financing of public assistance programs does not present the legal entanglements which can occur at the federal level. This is so because local governments are a creation of the

¹Maternal and Child Health Services and Crippled Children Services have matching and non-matching grants.
state. The state delegates to them certain responsibilities; it pro-
vides them with the tax source necessary to carry out their functions;
and it supplements these when local resources are inadequate. The
economic question relevant then becomes the best means of financing.

Sources of State Revenues

The sources of revenue which the states have for financing their
share of public assistance are general fund revenues and earmarked
taxes. Originally, the states relied heavily on earmarked taxes for
their share in public assistance costs.

The reason for earmarking revenues for public assistance is ex-
plained by Moore:

This practice of earmarking revenues was the method used
to avoid the struggle to secure from the legislature the
appropriation of money, each alternate year, which was deemed
necessary to carry on the particular activity. Those agencies
which were not operating on special funds, or "earmarked"
funds, were in constant fear of having appropriations cut
down. The legislature was not trusted to make adequate pro-
vision out of the general fund for carrying out the business
of the state intrusted to these many agencies, and so the
trend for many years had been to avoid the battle for an
appropriation from the legislature and to "earmark" certain
revenues for particular purposes.5

This reason is obviously political rather than economic. An
economic justification—the benefit principle—certainly lacks applica-
tion here. More applicable to the field of public assistance would
be the arguments against earmarking—budget inflexibility, accumulation
of reserves in one fund with deficits in another, and lack of legislative

50. Otto Moore, Mile High Harbor (Denver: Associated Publishers,
control.6

In a study of old-age pensions in Colorado Dr. Crockett has opposed earmarking revenue for the pension fund because of the wide fluctuation in the size of pension payments due to the varying tax yield and because the type of taxation, i.e., sales and excise taxes, used in earmarking tend to be regressive.7

More recently the trend in state financing of public assistance has been toward the use of general fund revenues. (See Table VI). As the need for these programs has become more generally accepted legislators have become more sophisticated in their understanding of this need. They can be expected to provide suitable appropriations and a flexible framework within which the administrators of public assistance may work. Given these assumptions, the argument for use of general fund revenues stands. In the words of Moore:

My own position on this matter is that the legislature should, in theory, have control of all state revenues and should fairly appropriate the necessary funds required to maintain all the state functions. Any other method of handling financial affairs of the state inevitably leads to waste, inefficiency and extravagance. If a given fund has an oversupply of money there is a natural tendency to spend all of it, whether it is actually needed or not. . . . If our legislature is truly representative all necessary state functions will be provided for in a fair and reasonable manner.8

---


8Moore, op. cit., p. 125.
### TABLE VI

**SOURCES OF STATE REVENUES FOR PUBLIC ASSISTANCE:**
**SELECTED STATES 1960-61**

<table>
<thead>
<tr>
<th>State</th>
<th>General fund revenues only*</th>
<th>General fund and earmarked* revenues</th>
<th>Earmarked revenues only*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>A</td>
<td>B C</td>
<td>G</td>
</tr>
<tr>
<td>California</td>
<td>A</td>
<td>B C D</td>
<td></td>
</tr>
<tr>
<td>Colorado</td>
<td>A</td>
<td>B C D</td>
<td></td>
</tr>
<tr>
<td>Florida</td>
<td>A</td>
<td>B C D</td>
<td></td>
</tr>
<tr>
<td>Georgia</td>
<td>A</td>
<td>B C D</td>
<td></td>
</tr>
<tr>
<td>Idaho</td>
<td>A</td>
<td>B C D</td>
<td></td>
</tr>
<tr>
<td>Mississippi</td>
<td>A</td>
<td>B C D</td>
<td></td>
</tr>
<tr>
<td>Montana</td>
<td>A</td>
<td>B C D</td>
<td>G</td>
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<tr>
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<td>A</td>
<td>B C D</td>
<td>G</td>
</tr>
<tr>
<td>New York</td>
<td>A</td>
<td>M B C D G</td>
<td></td>
</tr>
<tr>
<td>North Dakota</td>
<td>A</td>
<td>B C D</td>
<td>G</td>
</tr>
<tr>
<td>Ohio</td>
<td>A</td>
<td>B C D</td>
<td>G</td>
</tr>
<tr>
<td>Washington</td>
<td>A</td>
<td>M B C D G</td>
<td></td>
</tr>
<tr>
<td>Wyoming</td>
<td>A</td>
<td>B C D</td>
<td>G</td>
</tr>
</tbody>
</table>

*A means Old-Age Assistance, and M means Medical Assistance for the Aged—both under Title I of the Social Security Act; B, Aid to the Blind; C, Aid to Dependent Children; D, Aid to the Permanently and Totally Disabled; G, General Assistance.


**Local Financing**

Financing of public assistance at a local level is normally accomplished on the county level, and its basic source of revenue is the property tax. This has the inherent advantage of providing a relatively secure share of revenue; it also has the disadvantage that there is pressure against reassessment of property as it rises in value. The amount of revenue necessary to provide the county's share of aid has to be obtained by increasing the levies on the assessments which exist;
this tends to be inequitable unless it is assumed that all property values within the taxing jurisdiction have actually remained the same or have risen or fallen in exact proportion.

The county's share in the financing of public assistance varies widely from state to state. An overall picture shows that although the absolute amount of local assistance has almost doubled since 1939, the percentage of total expenditure has been cut in half. (See Table VII). This is a trend which will, no doubt, continue unless our present structure of tax sources changes.

### TABLE VII

<table>
<thead>
<tr>
<th>Source of funds</th>
<th>Amount (in millions)</th>
<th>Per cent</th>
<th>Increase, 1960-61 from 1939-40</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1939-40</td>
<td>1960-61</td>
<td>1939-40</td>
</tr>
<tr>
<td>Total</td>
<td>$1,039.0 $3,937.9</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Federal</td>
<td>266.7</td>
<td>2,048.8</td>
<td>25.7</td>
</tr>
<tr>
<td>State</td>
<td>510.6</td>
<td>1,412.4</td>
<td>49.1</td>
</tr>
<tr>
<td>Local</td>
<td>261.7</td>
<td>476.7</td>
<td>25.2</td>
</tr>
</tbody>
</table>

*Five categorical public assistance programs only.


1 This figure differs from that given in Table III, page 23, because it does not include General Assistance.
Shares of State and Local Participation

An equally diverse pattern exists for the specific programs which are financed by state or local governments or both. A few trends may be noted. (See Table VIII). States assume the costs of assistance more readily than those of administration. In almost half the states for the category of General Assistance costs of administration and assistance are borne by local governments only. Still the most common trend for all categories is the joint participation of state and local government in financing. For more specific answers we must look to the comparative programs in the states.
### TABLE VIII
STATE-LOCAL FINANCING OF PUBLIC ASSISTANCE
BY PROGRAM (As of December 31, 1959)

<table>
<thead>
<tr>
<th>State</th>
<th>Administrative Costs</th>
<th>Assistance Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>State &amp; Local</td>
<td>Local Only</td>
</tr>
<tr>
<td>Arizona²</td>
<td>ALL</td>
<td></td>
</tr>
<tr>
<td>California</td>
<td>CP</td>
<td>GA</td>
</tr>
<tr>
<td>Colorado</td>
<td>CP</td>
<td>GA</td>
</tr>
<tr>
<td>Florida</td>
<td>CP</td>
<td>GA</td>
</tr>
<tr>
<td>Georgia</td>
<td>CP</td>
<td>GA</td>
</tr>
<tr>
<td>Idaho⁴</td>
<td>CP</td>
<td>GA</td>
</tr>
<tr>
<td>Mississippi</td>
<td>CP</td>
<td>GA</td>
</tr>
<tr>
<td>Montana</td>
<td>ALL</td>
<td></td>
</tr>
<tr>
<td>New Mexico</td>
<td>ALL</td>
<td></td>
</tr>
<tr>
<td>New York</td>
<td>ALL</td>
<td></td>
</tr>
<tr>
<td>North Dakota</td>
<td>CP</td>
<td>GA</td>
</tr>
<tr>
<td>Ohio</td>
<td>OAA, ADC, AB</td>
<td>APTD, GA</td>
</tr>
<tr>
<td>Washington</td>
<td>ALL</td>
<td></td>
</tr>
<tr>
<td>Wyoming</td>
<td>ALL</td>
<td></td>
</tr>
</tbody>
</table>

¹The following symbols are used throughout the table: QAA, Old-Age Assistance; ADC, Aid to Dependent Children; AB, Aid to the Blind; APTD, Aid to the Permanently and Totally Disabled; CP, all Federal aid categorical programs; GA, General Assistance; ALL, all public assistance programs (QAA, AB, APTD, GA).

²No APTD program operating.

³Five per cent or less is local share.

⁴Cooperative agreement (county, city, state) in 3 of 44 counties.

Source: Compiled by Tax Foundation from data of the Department of Health, Education and Welfare.
CHAPTER IV

THE PROGRAMS COMPARATIVELY IN THE STATES

Public assistance is, constitutionally, a function reserved for the states. The federal government cannot impose upon them the obligation of instituting these programs, but, by means of the strong financial inducement of grants-in-aid, it has been able to accomplish its purpose in most areas. As can be seen from Table IX, the fourteen states included in this survey have instituted all categorical programs except the most recent, Medical Assistance for the Aged.

In order to become eligible for grants-in-aid the states, through their public assistance agencies, are required to submit an outline of how they intend to operate their program. This includes:

1) The basic State laws enabling and limiting the administration of public assistance;
2) A description of the agency's organization and functions;
3) Rules and regulations governing personnel administration;
4) Policies with regard to eligibility conditions and methods of determining the amount of assistance;
5) Fiscal operations; and
6) Reporting and research activities.¹

### TABLE IX

FEDERAL GRANTS-IN-AID OF THE WELFARE ADMINISTRATION WITH YEAR PROGRAM ESTABLISHED AND ACCEPTED BY SELECTED STATES

<table>
<thead>
<tr>
<th>State</th>
<th>Program</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>OAA</td>
</tr>
<tr>
<td>Arizona</td>
<td>1937</td>
</tr>
<tr>
<td>California</td>
<td>1936</td>
</tr>
<tr>
<td>Colorado</td>
<td>1936</td>
</tr>
<tr>
<td>Florida</td>
<td>1936</td>
</tr>
<tr>
<td>Georgia</td>
<td>1937</td>
</tr>
<tr>
<td>Mississippi</td>
<td>1936</td>
</tr>
<tr>
<td>Montana</td>
<td>1936</td>
</tr>
<tr>
<td>New Mexico</td>
<td>1936</td>
</tr>
<tr>
<td>Ohio</td>
<td>1936</td>
</tr>
<tr>
<td>Wyoming</td>
<td>1936</td>
</tr>
</tbody>
</table>


States are given considerable room for determination of the programs which they institute. This is only reasonable because of the wide range of economic and social conditions which exist in various parts of the country. A number of practices are allowed, though, which could be reformed for the greater economic and social benefit of all citizens without restricting or impairing the freedom of the individual states. These we shall keep in mind while discussing comparative programs.
Reporting Procedures

In order to coordinate programs of public assistance it would seem desirable to have one agency within each state responsible for collecting statistical information on the nine programs, or portion thereof, which are being executed within the state. In collecting information for this work I have run into as many as four separate reporting agencies within a single state with, seemingly, no intercommunication. The concept of programs merely for action is fallacious. Unless one can compare the joint efforts of assistance, maximum social benefits from the available resources cannot be determined or even approached. Appendix B contains a letter from one administrator which emphasizes the problems of his state.

In the procedures of reporting emphasis seems to have been placed on assuring the agencies to whom they report that funds expended represent actual obligations incurred and that graft has been avoided. This is important, in itself, for any agency entrusted with public funds, but it is not enough. In order to keep these programs in proper perspective and allow measurement of benefit vs. cost, it is necessary that a clear differentiation be made between costs of

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2Before proceeding with the discussion of reporting, I want to acknowledge the efforts of the various departments of the selected states I am surveying. The response has been most gratifying. No comment made in this section is meant to reflect on any administrator or state. After studying these programs for six months I am beginning to realize the problems with which they must cope. My hope is, that by bringing these problems in the open, a greater awareness of them will be obtained and remedial action may be sought.
administration, costs of assistance, and costs of services. Costs of assistance are easy to measure, i.e., the dollar amount of payments to recipients, the vendor payments to outside persons and agencies, and the value of surplus commodities distributed under these programs. Separation of costs of administration and costs of services is more difficult as both tasks are often performed by the same person. Most agencies require detailed time sheets from their employees so the major burden is tallying these under separate totals.

Two further problems are encountered in trying to make comparisons. Because of the diverse programs of public assistance among the states interstate comparison is difficult. Programs are built to accommodate local conditions and similarly termed programs have different inclusions and exclusions. Comparison of a growing system within an individual state from year to year presents similar problems. "Program composition, the definition of 'source of funds' and the methods of allocating costs between programs are particularly susceptible to change."

In an analysis of costs of administering public assistance in Montana in 1938-40, Harry Hoffner differentiates between assistance and administrative expenses by lumping services with administrative expenses as follows: "Administrative expenses include 'expenses involved in the determination of the original and continuing eligibility of applicants to receive financial assistance and in rendering financial assistance and social services to recipients'". This simple method of segregation was no doubt valid when his study was made for social services represented a negligible portion of total cost. With the increased emphasis placed on social services in the past twenty-five years a more detailed breakdown is desirable.

In both of the above-mentioned cases of deficiency in data, the problem is much more acute with agencies handling the categories of Maternal and Child Health Services and Services for Crippled Children.

Letter from Miss Mary Lou Everson, Supervisor, Research and Statistics Unit, State of Washington, Department of Public Assistance, Olympia, Wash., June 29, 1961.
With these stipulations in mind we can now turn to the programs in the states.

Comparative Assistance

With almost thirty years of administration of a joint federal-state public assistance program a great deal has been accomplished. With few exceptions, e.g., Medical Assistance for the Aged, all categorical programs are functioning in each state. Costs of living and standards of living vary in the separate states, but the payments to recipients in the different states vary much more widely. This exists because no objective standard of need was set down in the federal act. It was left to the states which, for the most part, define need in the ambiguous terms of insufficiency of income or other resources to meet the requirements necessary to maintain a standard of living compatible with decency and health.

A look at Table X, which shows the average payments per recipient for the six categories that provide cash assistance in the selected sample of states for a representative month, points out the diversities: Old-Age Assistance payments ranged from $38.64 in Mississippi to $107.41 in California; Aid to the Blind payments from $42.97 to $126.89 in the same states; Aid to the Permanently and Totally Disabled payments from $43.86 in Mississippi to $124.73 in New York; Aid to Families With Dependent Children from $9.64 in Mississippi to $14.18 in New York; Medical Assistance payments from $129.51 in Washington to $396.37 in Florida; and General Assistance payments from $11.71 in Mississippi to $36.33 in New York.

Payments vary widely not only from state to state, but also from
TABLE X

AVERAGE PAYMENT PER RECIPIENT FOR ALL ASSISTANCE:
SELECTED STATES—OCTOBER, 1963

<table>
<thead>
<tr>
<th>State</th>
<th>Program</th>
<th>OAA</th>
<th>AB</th>
<th>APTD</th>
<th>AFDC</th>
<th>MAA</th>
<th>GA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td></td>
<td>$ 62.38</td>
<td>$ 72.66</td>
<td>$ 67.90</td>
<td>$ 28.64</td>
<td></td>
<td>$ 25.40</td>
</tr>
<tr>
<td>California</td>
<td>107.41</td>
<td>126.89</td>
<td>109.07</td>
<td>13.68</td>
<td>$247.79</td>
<td>27.75</td>
<td></td>
</tr>
<tr>
<td>Colorado</td>
<td>105.07</td>
<td>81.52</td>
<td>73.54</td>
<td>37.28</td>
<td>--</td>
<td>12.67</td>
<td></td>
</tr>
<tr>
<td>Florida</td>
<td>63.82</td>
<td>67.14</td>
<td>70.11</td>
<td>16.34</td>
<td>396.37</td>
<td>n.a.</td>
<td></td>
</tr>
<tr>
<td>Georgia</td>
<td>55.68</td>
<td>59.20</td>
<td>59.29</td>
<td>23.25</td>
<td>--</td>
<td>13.58</td>
<td></td>
</tr>
<tr>
<td>Idaho</td>
<td>71.71</td>
<td>69.18</td>
<td>54.71</td>
<td>39.71</td>
<td>129.60</td>
<td>--</td>
<td></td>
</tr>
<tr>
<td>Mississippi</td>
<td>38.64</td>
<td>12.97</td>
<td>13.86</td>
<td>9.64</td>
<td>--</td>
<td>11.71</td>
<td></td>
</tr>
<tr>
<td>Montana</td>
<td>68.13</td>
<td>79.87</td>
<td>75.77</td>
<td>33.80</td>
<td>--</td>
<td>14.88</td>
<td></td>
</tr>
<tr>
<td>New Mexico</td>
<td>79.17</td>
<td>93.10</td>
<td>90.33</td>
<td>33.81</td>
<td>--</td>
<td>24.82</td>
<td></td>
</tr>
<tr>
<td>New York</td>
<td>91.12</td>
<td>111.12</td>
<td>124.73</td>
<td>44.18</td>
<td>341.11</td>
<td>36.33</td>
<td></td>
</tr>
<tr>
<td>North Dakota</td>
<td>83.77</td>
<td>84.05</td>
<td>105.18</td>
<td>41.15</td>
<td>191.29</td>
<td>14.75</td>
<td></td>
</tr>
<tr>
<td>Ohio</td>
<td>81.76</td>
<td>87.12</td>
<td>80.85</td>
<td>30.86</td>
<td>--</td>
<td>20.50</td>
<td></td>
</tr>
<tr>
<td>Washington</td>
<td>77.72</td>
<td>90.05</td>
<td>57.29</td>
<td>33.91</td>
<td>129.54</td>
<td>30.05</td>
<td></td>
</tr>
<tr>
<td>Wyoming</td>
<td>83.22</td>
<td>78.94</td>
<td>85.63</td>
<td>38.11</td>
<td>(x)</td>
<td>19.62</td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>77.19</td>
<td>82.60</td>
<td>76.32</td>
<td>31.54</td>
<td>201.97</td>
<td>28.42</td>
<td></td>
</tr>
</tbody>
</table>

*Average payment not computed on base of fewer than 50 recipients.


category to category. Medical Assistance for the Aged takes by far the largest share—43 per cent of the payments for the five federally-assisted categories. If one includes vendor payments for medical care under the various categories this fraction increases to 53 per cent. This would seem to indicate that we are fulfilling the needs of the poor in health more readily than in the other aspects of subsistence, i.e., food, shelter, and clothing.

If medical assistance takes the giant's share of the states' public assistance dollar, General Assistance takes the least—5-3/4 per
cent of the six categories. As a move is made toward consolidation of categories into a unitary assistance program the logical step is the inclusion of these cases in federally-assisted programs. Only then can the states be expected to provide for the recipients who fall into this category.

States set up their own standards of need and determine their payments by several methods, the most common one being the budget deficit method. A budget of need is derived for the various classes of recipients, income is subtracted from this defined need and the remainder theoretically amounts to the payment.

Although these standards are set up, very often states do not meet their own definition of need. Table XI shows the amounts and percentages of unmet need for Old-Age Assistance recipients in a study done in 1960. The inadequacy in all public assistance categories is not fully emphasized here as needs are more closely met under Old-Age Assistance than under any other federally-aided category.

Structure of State Programs

Public assistance programs operate in the states under state administration, local administration with state supervision, or exclusively local administration. (See Table XII). Although there are no definite correlations, state administered programs are likely to provide a more equal treatment of recipients and there is less likelihood of the resort to ancient settlement requirements. This need not be the case in state supervision if the assistance programs are adequately integrated.
### TABLE XI

**QAA Recipients: Average Monthly Amount of Requirements and Unmet Need per Recipient, Selected States, Selected Month, July-September, 1960**

<table>
<thead>
<tr>
<th>State</th>
<th>Total recipients</th>
<th>Requirements</th>
<th>Unmet Need</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Amount</td>
<td>Per cent of requirements</td>
</tr>
<tr>
<td>Arizona</td>
<td>13,977</td>
<td>$83.99</td>
<td>$4.92</td>
</tr>
<tr>
<td>California</td>
<td>254,401</td>
<td>125.72</td>
<td>7.82</td>
</tr>
<tr>
<td>Colorado</td>
<td>50,809</td>
<td>110.09</td>
<td>--</td>
</tr>
<tr>
<td>Florida</td>
<td>69,050</td>
<td>74.38</td>
<td>3.70</td>
</tr>
<tr>
<td>Georgia</td>
<td>96,523</td>
<td>57.40</td>
<td>1.62</td>
</tr>
<tr>
<td>Idaho</td>
<td>7,169</td>
<td>87.06</td>
<td>--</td>
</tr>
<tr>
<td>Mississippi</td>
<td>80,081</td>
<td>54.29</td>
<td>5.82</td>
</tr>
<tr>
<td>Montana</td>
<td>6,745</td>
<td>90.54</td>
<td>.02</td>
</tr>
<tr>
<td>New Mexico</td>
<td>10,963</td>
<td>70.13</td>
<td>--</td>
</tr>
<tr>
<td>New York</td>
<td>78,468</td>
<td>115.82</td>
<td>--</td>
</tr>
<tr>
<td>North Dakota</td>
<td>6,982</td>
<td>82.68</td>
<td>--</td>
</tr>
<tr>
<td>Ohio</td>
<td>87,419</td>
<td>82.78</td>
<td>.03</td>
</tr>
<tr>
<td>Washington</td>
<td>48,283</td>
<td>100.56</td>
<td>.30</td>
</tr>
<tr>
<td>Wyoming</td>
<td>3,227</td>
<td>87.25</td>
<td>2.52</td>
</tr>
<tr>
<td>United States</td>
<td>2,336,595</td>
<td>84.63</td>
<td>3.90</td>
</tr>
</tbody>
</table>

1. Reflects primarily difference between rates for institutional care and amounts paid; also includes some reductions in QAA payments for study month to compensate for overpayment in prior months.

2. Less than 0.05 per cent.

3. Unmet need is determined by subtracting from requirements the amount of assistance payments plus outside income earned by the recipient. This explains why unmet need is low even though there is a wide variation between the requirements shown in this table and payments shown in Table VII.

TABLE XII
STATE-LOCAL ADMINISTRATION OF PUBLIC ASSISTANCE\(^1\)
BY PROGRAM: SELECTED STATES (as of December 31, 1959)

<table>
<thead>
<tr>
<th>State</th>
<th>State Supervised</th>
<th>State Administered</th>
<th>Local Only</th>
<th>Number of Local Welfare Offices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>ALL</td>
<td></td>
<td></td>
<td>14</td>
</tr>
<tr>
<td>California</td>
<td>CP</td>
<td>GA</td>
<td></td>
<td>58</td>
</tr>
<tr>
<td>Colorado</td>
<td>CP</td>
<td>GA</td>
<td></td>
<td>63</td>
</tr>
<tr>
<td>Florida</td>
<td>CP</td>
<td>GA</td>
<td></td>
<td>111(^2)</td>
</tr>
<tr>
<td>Georgia</td>
<td>CP</td>
<td>GA</td>
<td></td>
<td>159</td>
</tr>
<tr>
<td>Idaho</td>
<td>CP</td>
<td>GA</td>
<td></td>
<td>28</td>
</tr>
<tr>
<td>Mississippi</td>
<td>CP</td>
<td>GA</td>
<td></td>
<td>84</td>
</tr>
<tr>
<td>Montana</td>
<td>ALL</td>
<td></td>
<td></td>
<td>56</td>
</tr>
<tr>
<td>New Mexico</td>
<td>ALL</td>
<td></td>
<td></td>
<td>26</td>
</tr>
<tr>
<td>New York</td>
<td>ALL</td>
<td></td>
<td></td>
<td>65</td>
</tr>
<tr>
<td>North Dakota</td>
<td>CP</td>
<td></td>
<td></td>
<td>53</td>
</tr>
<tr>
<td>Ohio</td>
<td>ADC, AB</td>
<td>QAA</td>
<td></td>
<td>176</td>
</tr>
<tr>
<td></td>
<td>APTD, GA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Washington</td>
<td>ALL</td>
<td></td>
<td></td>
<td>30</td>
</tr>
<tr>
<td>Wyoming</td>
<td>ALL</td>
<td></td>
<td></td>
<td>23</td>
</tr>
</tbody>
</table>

\(^1\)See footnote (1), Table VIII, p. 35.

\(^2\)Florida has 12 administrative districts with 99 local offices (81 public assistance and 12 child welfare).

Source: Compiled by Tax Foundation from data of the Department of Health, Education, and Welfare.

Public Welfare Amendments of 1962
The most substantial changes in public assistance since its inception have been the Public Welfare Amendments of 1962. Their content has changed the outlook toward public welfare with the intent to:

- Assist the states in providing more rehabilitation services in order to get individuals off the welfare rolls and in developing better trained staffs to render these services;
- In increasing payments to the aged, to the blind and to the disabled; in improving the aid to dependent children program,
to provide for protective payments on the basis of the unemploy­
ment of the parent, community work and training programs,
and payments to children removed by court order to foster
home care, etc. Provide for gradually doubling the amount
authorized for annual child welfare appropriations from $25
million to $50 million per year; for gradually expanding
child welfare services throughout each state by July 1, 1975;
for special projects for training personnel for work in the
field of child welfare, including traineeships; and for ear­
marking up to $10 million of Federal child welfare funds for
day care services.6

Two provisions in the amendments are mandatory upon the states.
Under the first of these mandatory provisions Child Welfare Services
for each child receiving assistance under the AFDC program and needing
such services are to be extended to all political subdivisions by July
1, 1975. Secondly, all costs attributable to employment are to be in­
cluded in determining the amount of earned income to be considered in
establishing the need of a recipient in any category of assistance.
Specifically, with respect to the blind, up to twelve months of a
recipient's income and resources are to be disregarded as available
for subsistence when they are necessary to carry out an approved plan
for self-support. With minor exceptions these provisions have been
accepted in toto by the states.

Of the optional provisions only the one increasing federal finan­
cial participation in the costs of social services from 50 to 75 per
cent has been generally adopted. Stages of implementation of the other
provisions are given in detail in Appendix C. As may be noted, the
amount of effort in implementing the amendments has varied widely.

States such as New York, California, and Washington have either accepted or shown interest in implementing the greatest share of the programs. Other, such as Idaho, Arizona, Montana, Mississippi, New Mexico, and Wyoming, have shown little interest and do not intend to implement many of the amendments in the near future. It is perhaps not surprising that the previously mentioned states rank highest in per capita personal income among those surveyed while the latter ones were at the other end of the scale.

Much remains to be accomplished by the states, but the recent amendments have enabled them to cope with a most responsible area, i.e., children. Greater coordination between the administrators of the separate child welfare programs is made possible and by joint use and development of professional talent, a stronger program at local levels can be approached.
CHAPTER V

PUBLIC ASSISTANCE IN MONTANA

History

Public assistance in Montana dates back to the day of its formation as a territory. Its poor law was taken from those of other western territories and was reminiscent of Elizabethan poor law in England. Care of the poor was delegated to the counties whose boards of commissioners were responsible for its execution.

This administrative machinery was retained when Montana became a state. In 1891 the legislature authorized the levy of a $2.00 poll-tax to be collected by the county assessor, turned over to the county treasurer, and be used exclusively for the care of the poor.\(^1\)

Specific categories of assistance developed starting with "mothers' pensions" (Aid to Dependent Children) which were legislated in 1915 providing monthly allowances to mothers of children whose father was dead or an inmate of some Montana institution of charity or correction or physically or mentally unable to work. Two years of failure to support a child was required before the mother became eligible to receive aid under the act. Administrative authority for determining eligibility was vested in the district court. This authority passed to the county commissioners in the 1933 amendments to the act.

\(^1\)Montana Session Laws of 1891, p. 122, secs. 167-70.
Old age pensions were adopted in 1923. County commissioners were approved as the administrative authority. Strict regulations on the size of the pension ($25 per month maximum), other available income ($300 per year maximum), moral character (imprisonment or desertion made one ineligible), length of residence (minimum of 15 years), responsibility of relatives, and liens on property (equal to total assistance received plus 5 per cent interest) were instituted.\(^2\)

**State Administration and Financing**

Other public assistance remained under the category of general relief until the State Department of Public Welfare was created in 1937 to comply with the requirements of the Social Security Act. This agency replaced the Montana Relief Commission and assumed the duties of the State Board of Charities and Reforms, the Bureau of Child and Animal Protection, that part of the Child Welfare Division of the State Board of Health dealing with the category of Child Welfare Services, and the Montana Orthopedic Commission. Maternal and Child Health Services remained the responsibility of the State Board of Health.

The 1937 Act provided for the formation of a State Board of Public Welfare consisting of five members appointed by the governor with the advice and consent of the senate. This board supervises the activities and agencies of the public welfare department.

To finance the activities of the department a public welfare fund was set up under the state treasurer. Legislative appropriations

from the general fund and federal appropriations are placed in this fund to be disbursed to the proper agencies and welfare recipients.

County Administration and Financing

A similar structure exists on the county level. The county board of public welfare is made up of the county commissioners (elected rather than appointed as on the state level) who in turn choose the personnel for the county department of public welfare from a list of qualified persons prepared by the state department.

Caseworkers on the county level determine need for assistance under the various categories; these are approved or denied by the county commissioners. A list of eligible recipients is forwarded to the state department which issues the grants. The state department may review the decisions of the county department.

Financing at the county level is attained by per capita and millage taxes. The board of county commissioners prepares a preliminary budget to include the costs of financing general relief and of reimbursing the state for the county's share of administrative and assistance costs. Upon approval of the budget by the state administrator, the board of county commissioners levies a $2.00 per capita tax and a millage tax to cover the rest of the county's share. The original Public Welfare Act required the county to levy a six mill tax, but later amendments appended the clause to read "... or so much thereof as may be necessary." Additional levies needed to finance

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these activities may be obtained by appealing to the State Board of Equalization. A levy as high as seventeen mills has been permitted under 1963 legislation. If, after these resources have been depleted, the county still finds its poor fund inadequate, it may apply to the State Department of Public Welfare for assistance.

**The Programs in Montana**

Montana has instituted each of the public assistance programs except the most recent, Medical Care for the Aged. Characteristics of the state plans are given in Appendix D.

Old-Age Assistance is, by far, the largest program in Montana as in other states. The constant increase in this program represents not only increased benefits, but also an increasing proportion of the population over 65 years of age. While the percentage of the population over 65 years of age in the United States increased from 5.4 per cent in 1930 to 9.2 per cent in 1960, the increase in Montana was from 5.0 per cent to 9.7 per cent. (See Tables XIII and XIV).

In the first twenty years of the federal-state Old-Age Assistance program, average payments to recipients tended to be above the national level. Since then they have tended to be lower. (See Table XV). Forces promoting this situation can be seen as we discuss the trends in financing these programs.

The second largest categorical program in Montana is Aid to Families with Dependent Children. Similar circumstances affect this program. While the percentage of the population under 20 years of age in the United States has decreased from 38.8 per cent in 1930 to 38.5 per cent in 1960, in Montana it has increased from 39.0 per cent to
TABLE XIII

AGE DISTRIBUTION OF U. S. POPULATION, 1930-1960

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Population (thousands)</th>
<th>% of total population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1930 Total</td>
<td>123,107</td>
<td>100.0</td>
</tr>
<tr>
<td>under 20</td>
<td>47,798</td>
<td>38.8</td>
</tr>
<tr>
<td>20-65</td>
<td>68,664</td>
<td>55.8</td>
</tr>
<tr>
<td>over 65</td>
<td>6,645</td>
<td>5.4</td>
</tr>
<tr>
<td>1940 Total</td>
<td>132,164</td>
<td>100.0</td>
</tr>
<tr>
<td>under 20</td>
<td>45,511</td>
<td>34.4</td>
</tr>
<tr>
<td>20-65</td>
<td>77,617</td>
<td>58.8</td>
</tr>
<tr>
<td>over 65</td>
<td>9,036</td>
<td>6.8</td>
</tr>
<tr>
<td>1950 Total</td>
<td>151,324</td>
<td>100.0</td>
</tr>
<tr>
<td>under 20</td>
<td>51,341</td>
<td>33.9</td>
</tr>
<tr>
<td>20-65</td>
<td>87,687</td>
<td>58.0</td>
</tr>
<tr>
<td>over 65</td>
<td>12,296</td>
<td>8.1</td>
</tr>
<tr>
<td>1960 Total</td>
<td>179,322</td>
<td>100.0</td>
</tr>
<tr>
<td>under 20</td>
<td>69,005</td>
<td>38.5</td>
</tr>
<tr>
<td>20-65</td>
<td>93,757</td>
<td>52.3</td>
</tr>
<tr>
<td>over 65</td>
<td>16,560</td>
<td>9.2</td>
</tr>
</tbody>
</table>


41.2 per cent. (See Tables XIII and XIV).

Payments for Aid to Families With Dependent Children have shown a trend opposite to Old-Age Assistance payments. Whereas they were below the national average in 1940, since 1950 they have tended to be above. Even so, Montana's rank in size of average payments has remained the same so the above observation may well be due to the fact that the lowest ranking states have fallen abnormally behind the national average.
### TABLE XIV

#### AGE DISTRIBUTION OF MONTANA POPULATION, 1930-1960

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Population</th>
<th>% of total population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1930 Total</td>
<td>537,606</td>
<td>100.0*</td>
</tr>
<tr>
<td>under 20</td>
<td>209,786</td>
<td>39.0</td>
</tr>
<tr>
<td>20-65</td>
<td>300,783</td>
<td>55.9</td>
</tr>
<tr>
<td>over 65</td>
<td>26,700</td>
<td>5.0</td>
</tr>
<tr>
<td>1940 Total</td>
<td>559,456</td>
<td>100.0</td>
</tr>
<tr>
<td>under 20</td>
<td>193,031</td>
<td>34.5</td>
</tr>
<tr>
<td>20-65</td>
<td>330,168</td>
<td>59.0</td>
</tr>
<tr>
<td>over 65</td>
<td>36,257</td>
<td>6.5</td>
</tr>
<tr>
<td>1950 Total</td>
<td>591,024</td>
<td>100.0</td>
</tr>
<tr>
<td>under 20</td>
<td>210,732</td>
<td>35.7</td>
</tr>
<tr>
<td>20-65</td>
<td>329,928</td>
<td>55.7</td>
</tr>
<tr>
<td>over 65</td>
<td>50,364</td>
<td>8.6</td>
</tr>
<tr>
<td>1960 Total</td>
<td>674,767</td>
<td>100.0</td>
</tr>
<tr>
<td>under 20</td>
<td>277,959</td>
<td>41.2</td>
</tr>
<tr>
<td>20-65</td>
<td>331,388</td>
<td>49.1</td>
</tr>
<tr>
<td>over 65</td>
<td>65,420</td>
<td>9.7</td>
</tr>
</tbody>
</table>

*Totals do not add because 0.1 per cent of population was designated as "age unknown".


Aid to the Blind payments have increased steadily starting below the national average, exceeding the national average in the fifties and receding below it since.

Aid to the Permanently and Totally Disabled started well above the national average and have been rising at a slower rate than the average until they were about equal in 1963. A greater share of the costs of this program are supported by county governments in Montana.
TABLE XV

AVERAGE MONTHLY PAYMENTS IN CATEGORICAL PROGRAMS: U.S. AND MONTANA, AND MONTANA'S RANK AMONG THE STATES IN CASH PAYMENTS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1945</td>
<td>U.S. 29.97</td>
<td>20.50</td>
<td>48.06</td>
<td>26.17</td>
<td>29.41</td>
<td>27.00</td>
<td>45.48</td>
<td>21.50</td>
<td>14.17</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Montana 31.47</td>
<td>21.80</td>
<td>47.07</td>
<td>26.13</td>
<td>47.07</td>
<td>26.13</td>
<td>47.07</td>
<td>26.13</td>
<td>47.07</td>
<td>26.13</td>
</tr>
<tr>
<td>1950</td>
<td>U.S. 43.74</td>
<td>21.00</td>
<td>70.10</td>
<td>23.50</td>
<td>45.98</td>
<td>19.00</td>
<td>64.29</td>
<td>15.00</td>
<td>39.24</td>
<td>20.00</td>
</tr>
<tr>
<td></td>
<td>Montana 52.68</td>
<td>10.00</td>
<td>78.16</td>
<td>23.50</td>
<td>78.16</td>
<td>23.50</td>
<td>78.16</td>
<td>23.50</td>
<td>78.16</td>
<td>23.50</td>
</tr>
<tr>
<td>1955</td>
<td>U.S. 52.38</td>
<td>21.00</td>
<td>86.82</td>
<td>22.00</td>
<td>55.35</td>
<td>15.00</td>
<td>64.29</td>
<td>15.00</td>
<td>30.49</td>
<td>15.00</td>
</tr>
<tr>
<td></td>
<td>Montana 57.85</td>
<td>21.00</td>
<td>105.52</td>
<td>22.00</td>
<td>105.52</td>
<td>22.00</td>
<td>105.52</td>
<td>22.00</td>
<td>105.52</td>
<td>22.00</td>
</tr>
<tr>
<td>1960</td>
<td>U.S. 68.79</td>
<td>21.00</td>
<td>65.00</td>
<td>19.00</td>
<td>66.32</td>
<td>21.00</td>
<td>66.32</td>
<td>21.00</td>
<td>66.32</td>
<td>21.00</td>
</tr>
<tr>
<td></td>
<td>Montana 63.59</td>
<td>32.00</td>
<td>122.02</td>
<td>26.00</td>
<td>68.39</td>
<td>28.00</td>
<td>68.39</td>
<td>28.00</td>
<td>68.39</td>
<td>28.00</td>
</tr>
<tr>
<td>1963</td>
<td>U.S. 76.16</td>
<td>36.00</td>
<td>76.70</td>
<td>30.00</td>
<td>126.91</td>
<td>25.00</td>
<td>135.20</td>
<td>25.00</td>
<td>135.20</td>
<td>25.00</td>
</tr>
<tr>
<td></td>
<td>Montana 68.14</td>
<td>36.00</td>
<td>75.36</td>
<td>22.00</td>
<td>75.36</td>
<td>22.00</td>
<td>75.36</td>
<td>22.00</td>
<td>75.36</td>
<td>22.00</td>
</tr>
</tbody>
</table>

Source: Social Security Bulletin—payments shown are for August of each year.

than any of the other federally-aided categories.

General Assistance remains the domain of local government. All payments for medical care except certain ones under Aid to the Blind fall under this category. Thus, the inadequacy of these payments shown in Table XV is underemphasized. Under the present means of financing the situation can only be expected to get worse.
### TABLE XVI

ECONOMIC IMPACT OF PUBLIC ASSISTANCE PROGRAMS: TOTAL BENEFITS COMPARED TO PERSONAL INCOME--U.S. AND MONTANA: SELECTED YEARS 1937-61

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Benefits as a % of Personal Income: U.S.</th>
<th>Total Benefits as a % of Personal Income: Mont.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937</td>
<td>1.09</td>
<td>1.31</td>
</tr>
<tr>
<td>1940</td>
<td>1.32</td>
<td>1.20</td>
</tr>
<tr>
<td>1946</td>
<td>.67</td>
<td>.78</td>
</tr>
<tr>
<td>1950</td>
<td>1.06</td>
<td>1.04</td>
</tr>
<tr>
<td>1954</td>
<td>.93</td>
<td>1.03</td>
</tr>
<tr>
<td>1955</td>
<td>.90</td>
<td>.95</td>
</tr>
<tr>
<td>1956</td>
<td>.85</td>
<td>.86</td>
</tr>
<tr>
<td>1957</td>
<td>.89</td>
<td>.85</td>
</tr>
<tr>
<td>1958</td>
<td>.96</td>
<td>.82</td>
</tr>
<tr>
<td>1959</td>
<td>.97</td>
<td>.82</td>
</tr>
<tr>
<td>1960</td>
<td>.95</td>
<td>.79</td>
</tr>
<tr>
<td>1961</td>
<td>.99</td>
<td>.75</td>
</tr>
</tbody>
</table>

*Public assistance as used here includes Old-Age Assistance, Medical Assistance for the Aged, Aid for the Blind, Aid to Families With Dependent Children, Aid to the Permanently and Totally Disabled, and General Assistance.


The overall impact of public assistance payments in Montana compared to the entire United States can be seen from Table XVI. While benefits as a per cent of personal income in the United States have dropped from 1.09 per cent in 1937 to 0.99 per cent in 1961, in Montana they have decreased from 1.31 per cent to 0.75 per cent in the same period. Per capita benefits show this same trend. (See Table XVII). In 1937 Montana led the national average with a slight margin. By 1961 they dropped to 36 per cent below the national average.
TABLE XVII

ECONOMIC IMPACT OF PUBLIC ASSISTANCE PROGRAMS:* PER CAPITA
PERSONAL INCOME AND PUBLIC ASSISTANCE BENEFITS--
U. S. AND MONTANA: SELECTED YEARS 1937-61

<table>
<thead>
<tr>
<th>Year</th>
<th>Per capita Personal Income U.S.</th>
<th>Per capita P. A. Benefits U.S.</th>
<th>Per capita Personal Income Montana</th>
<th>Per capita P. A. Benefits Montana</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937</td>
<td>573</td>
<td>6.24</td>
<td>513</td>
<td>6.72</td>
</tr>
<tr>
<td>1940</td>
<td>595</td>
<td>7.54</td>
<td>570</td>
<td>6.81</td>
</tr>
<tr>
<td>1946</td>
<td>1,249</td>
<td>8.54</td>
<td>1,278</td>
<td>9.97</td>
</tr>
<tr>
<td>1950</td>
<td>1,491</td>
<td>15.04</td>
<td>1,606</td>
<td>16.87</td>
</tr>
<tr>
<td>1954</td>
<td>1,770</td>
<td>16.39</td>
<td>1,747</td>
<td>17.62</td>
</tr>
<tr>
<td>1955</td>
<td>1,866</td>
<td>16.70</td>
<td>1,862</td>
<td>17.31</td>
</tr>
<tr>
<td>1956</td>
<td>1,975</td>
<td>16.75</td>
<td>1,902</td>
<td>16.02</td>
</tr>
<tr>
<td>1957</td>
<td>2,048</td>
<td>18.10</td>
<td>1,934</td>
<td>16.22</td>
</tr>
<tr>
<td>1958</td>
<td>2,064</td>
<td>19.71</td>
<td>2,015</td>
<td>16.19</td>
</tr>
<tr>
<td>1959</td>
<td>2,163</td>
<td>20.78</td>
<td>1,991</td>
<td>16.20</td>
</tr>
<tr>
<td>1960</td>
<td>2,217</td>
<td>21.16</td>
<td>2,004</td>
<td>15.89</td>
</tr>
<tr>
<td>1961</td>
<td>2,267</td>
<td>22.48</td>
<td>1,920</td>
<td>14.42</td>
</tr>
</tbody>
</table>

*Public assistance as used here includes Old-Age Assistance, Medical Assistance for the Aged, Aid for the Blind, Aid to Families With Dependent Children, Aid to the Permanently and Totally Disabled, and General Assistance.


One might suppose that Montana's decreasing benefits relative to the rest of the nation represents a highly affluent state population. Table XVII shows that this is not so. Actually an opposite correlation appears, i.e., Montana's per capita public assistance benefits are greater than the national average in those years in which its per capita personal income is greater than the national average, and vice versa. Evidently, state government is either unable or unwilling to cope with the situation.
Trends in Financing

Percentage distribution of expenditures for assistance and administration for the past thirty-four years in the categories we have been discussing (OAA, AB, AFDC, APTD, and GA) are shown in Table XVIII. Some interesting trends are noticeable. Throughout the United States the federal government is assuming a greater proportion of the costs each year. In most states the state governments are likewise assuming a greater proportion of the non-federal share, although their share of the total is decreasing. Local governments are the beneficiaries in that their share is decreasing not only absolutely, but as a percentage of the non-federal share. These trends are reasonable as we see greater interdependence in the economy, i.e., the increased interdependence of the states upon each other in a more mobile economy and the increased interdependence of counties within their state.

This is further enhanced by the recognition of economy in collection of tax funds. As one moves down the ladder of government costs of tax collection per tax dollar collected increases.

A third rationale for this trend is the ability-to-pay principle in taxation. Progressive taxation is more operative at the federal level than at the state level, and more operative at the state level than at the local level because of the tax sources available to the specific levels of government. By increasing the proportion of participation on higher levels of government, a more equitable system is established.

Montana has run against these national trends. Federal participation in these programs increased through the forties, but has decreased
### TABLE XVIII

PERCENTAGE DISTRIBUTION OF EXPENDITURES FOR ASSISTANCE AND ADMINISTRATION (OAA, AB, AFDC, APTD, GA) BY SOURCE OF FUNDS FOR SELECTED YEARS: U.S. AND MONTANA

<table>
<thead>
<tr>
<th>Year</th>
<th>Federal</th>
<th>State</th>
<th>Local</th>
</tr>
</thead>
<tbody>
<tr>
<td>1940</td>
<td>28.8</td>
<td>46.9</td>
<td>24.3</td>
</tr>
<tr>
<td></td>
<td>41.4</td>
<td>36.0</td>
<td>22.6</td>
</tr>
<tr>
<td>1945</td>
<td>40.0</td>
<td>46.2</td>
<td>13.8</td>
</tr>
<tr>
<td></td>
<td>45.0</td>
<td>33.0</td>
<td>22.0</td>
</tr>
<tr>
<td>1949</td>
<td>44.8</td>
<td>45.0</td>
<td>10.2</td>
</tr>
<tr>
<td></td>
<td>50.9</td>
<td>30.1</td>
<td>19.0</td>
</tr>
<tr>
<td>1954</td>
<td>49.8</td>
<td>37.2</td>
<td>12.9</td>
</tr>
<tr>
<td></td>
<td>44.6</td>
<td>28.3</td>
<td>27.1</td>
</tr>
<tr>
<td>1960</td>
<td>50.7</td>
<td>36.2</td>
<td>13.0</td>
</tr>
<tr>
<td></td>
<td>45.9</td>
<td>21.7</td>
<td>32.4</td>
</tr>
</tbody>
</table>

Source: Compiled from annual statistical supplements to the Social Security Bulletin.

since that time. This would seem to arise from an increasing share of all public assistance benefits in the United States going to medical care. Since this is a county-financed program in Montana, ineligible for federal participation, total federal participation will naturally decline. The extent of medical assistance as a proportion of total public assistance has already been pointed out in Chapter IV (pp. 40-42).
State participation in Montana has likewise been a decreasing proportion of the total, placing a constantly increased burden on the counties. In 1960 local government's share in public assistance payments in Montana was two and one-half times the national average. This is a certain means of assuring the widest possible range in standards of assistance for it is the county commissioners who approve or reject recommendations for assistance. Fifty-six sets of three elected officials making up budgets on the basis of which their constituents will be taxed can hardly be expected to arrive at any consensus on the recipients of General Assistance.

The Future of Public Assistance in Montana

As was mentioned in Chapter IV, the greatest challenge to the solution of the problems of public assistance since the inception of the Social Security Act has been the Public Welfare Amendments of 1962. Of the ten major changes specified in the Appendix C, only one has been implemented by Montana, i.e., federal financial participation in aid for a second parent (AFDC program) when both are in the home and one is incapacitated or unemployed. Public assistance personnel alone cannot implement these programs. Further efforts must await a more informed public and a more receptive administration.

Conclusions and Recommendations

Increased resistance to an adequate program of assistance will remain as long as Montana retains the large share of financing by counties whose source of revenue is the property tax. Reasons for this have already been outlined in the discussion of local financing in
Chapter III (pp. 32-34). The most desirable alternative would be a movement toward greater shares being financed by the state through the general fund for this would not only provide a more equitable distribution of the burden of financing, but it would also permit an increased share of financing from the federal government on those areas currently financed solely by local government and thus ineligible for federal participation. A case in point is medical assistance presently covered in Montana under General Assistance.

If this alternative is politically unpalatable, a lesser goal would be the elimination of the county levy and the substitution of a statewide levy. This would be not only an affirmation of the state's economic interest in each of its citizens, but also a means of removing the poor from the play of local political forces.
CHAPTER VI

SUMMARY AND CONCLUSIONS

The general conclusion of this thesis is that society has come to recognize the importance of public assistance in a highly interdependent economy and has appropriated significant sums of money for carrying out the tasks associated with it. Students of social welfare have made great strides in developing sound methods of casework services. But economists, at least in the postwar years, have shown little interest in analyzing the economic effects of these expenditures. With the increasingly refined tools available to them, an analysis in terms of the implications for investment in human resources and for economic growth would be valuable in policy formation. The question of financing presents another worthwhile area. A macroanalysis of the effects of these expenditures on consumption, investment, and saving presents a wide field yet untouched.

Lacking the empirical evidence necessary to make definitive appraisals, I have tried to indicate general directions. Also, I have mentioned the difficulties met in analyzing this area, e.g., diversities of reporting procedures.

A few conclusions may be drawn. Contrary to the opinion of those framing the original social security legislation, public assistance is not about to disappear. Expenditures for public assistance have grown at about the same rate as gross national product over the
long run. Certainly a much higher level of assistance is offered today than was in 1936, but there is no reason to believe that it will not continue to expand.

With a continuing trend towards financing government activity at higher levels public assistance must either move in this direction or go backwards. If the present division of tax sources for various levels of government remains, it is only equitable that the direction of financing moves towards higher levels of government. This is so because income is a better indicator of wealth than property. It is likewise more amenable to taxation by ability to pay.

This does not mean that administration should move in the same direction. Because of the personal contact inherent in this service, the present county or state administration seems to serve best. Better training of supervisors and caseworkers spelled out in the Public Welfare Amendments of 1962 would be the preferable trend.

Even so, there seems to be little justification for the wide standards of assistance prevailing in the separate states. Americans do not differ so markedly in their goals. The differing standards revolve more around the varying fiscal capacities of the states than around a wide difference in goals. Such a situation is not difficult to rectify. And rectified it must be as the population grows increasingly more interdependent and mobile.

Although Montana established an early lead in public assistance programs, more recently it has fallen behind. This has been due to a failure of the state to establish new programs as the need appears and to support them to the fullest extent. As a result one of the fastest
growing programs in the nation today, i.e., Medical Care for the Aged, is supported in Montana by local funds under General Assistance. A move toward greater participation by the state in instituting and financing these programs would bring greater support from federal funds and a more adequate level of public assistance benefits to the needy citizens of the state.
APPENDICES
APPENDIX A

FORMULAE FOR DETERMINING FEDERAL PARTICIPATION IN PUBLIC ASSISTANCE PROGRAMS

I. OLD-AGE ASSISTANCE

A. Amount of Statutory Authorization

Not fixed—open end.

B. Apportionment Formula (statutory)

1. Each State receives funds equal to 29/35 of the first $35 of a maximum average monthly payment of $70 per recipient. (The average monthly payment per recipient is the total of State payments directly to recipients and to the vendors of medical or remedial care, divided by the number of recipients during the month.)

2. Of the next $35 of such payments, each State receives a variable proportion based on its average per capita income (for the most recent three years), ranging from a minimum of 50% to a maximum of 65%.

3. Each State receives additional funds for vendor medical payments which shall be the greater of:


2The Public Welfare Amendments of 1962 (P. L. 87-543) give the States the option of administering Old-Age Assistance, Aid to the Blind, Aid to the Disabled, and Medical Assistance for the Aged under a single State plan.
a. 15% of such payments, up to $15 per recipient, or
b. a variable proportion, based on the State's average per capita income (for the most recent three years), ranging from a minimum of 50% to a maximum of 80% of such vendor payments which are in excess of $70 per month, up to $15 per recipient.

4. Each State which makes the following services available also receives Federal funds equal to 75% of the costs: of providing preventive and rehabilitative services that are specified by the Secretary of Health, Education, and Welfare as (1) services that will help dependent persons to develop their capacities for self-care and self-support and to achieve greater family stability, and (2) services that may be provided, at their request, to persons likely to become dependent; and of staff training, including educational leave, and agency training sessions. Federal share of administrative costs is one-half.

C. Matching Provisions

See apportionment formula.

II. MEDICAL ASSISTANCE FOR THE AGED

A. Amount of Statutory Authorization

Not fixed—open end.

B. Apportionment Formula (statutory)

1. Depending upon per capita State income, Federal grants vary

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3See footnote (2) under Old-Age Assistance.
from a minimum of 50% to a maximum of 80% of total expenditures for vendor medical payments.

2. In addition if certain services prescribed by the Secretary are provided, Federal funds are available to cover 75% of the cost of providing certain preventive and rehabilitative services and staff training. Federal funds cover half of the other costs of State and local administration of the program.

C. Matching Provisions

See apportionment formula.

III. AID TO THE BLIND

A. Amount of Statutory Authorization

Not fixed—open end.

B. Apportionment Formula (statutory)

1. Each State received funds equal to $35 of a maximum average monthly payment of $70. (The average monthly payment per recipient is the total of State payments directly to recipients and to the vendors of medical or remedial care divided by the number of recipients during the month.)

2. Of the next $35 of such payments, each State receives a variable proportion based on its average per capita income (for the most recent three years), ranging from a minimum of 50% to a maximum of 65%.

3. Each State which makes the following services available also receives Federal funds equal to 75% of the cost of providing

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\[\text{See footnote (2) under Old-Age Assistance.}\]
preventive and rehabilitative services that are specified by the Secretary of Health, Education, and Welfare as (1) services that will help dependent persons to develop their capacities for self-care and self-support and to achieve greater family stability, and (2) services that may be provided, at their request, to persons likely to become dependent; and of staff training, including educational leave, and agency training sessions. Federal share of administrative costs is one-half.

C. Matching Provisions

See apportionment formula.

IV. AID TO FAMILIES WITH DEPENDENT CHILDREN

A. Amount of Statutory Authorization

Not fixed—open end.

B. Apportionment Formula (statutory)

1. Each State received \( \frac{14}{17} \) of the first $17 of a maximum average monthly payment of $30 per recipient (for direct payments to recipients and to vendors for medical or remedial care).

2. Of the next $13 of such payments, each State receives a proportion which varies, depending upon average per capita income within the State, but not less than 50% nor more than 65%.

3. Each State which makes the following services available also receives Federal funds equal to 75% of the cost: of providing preventive and rehabilitative services that are specified by the Secretary of Health, Education, and Welfare as (1) services

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5See footnote (2) under Old-Age Assistance.
that will help dependent persons to develop their capacities for self-care and self-support and to achieve greater family stability, and (2) services that may be provided, at their request, to persons likely to become dependent; and of staff training, including educational leave, and agency training sessions. Federal share of administrative costs is one-half.

C. Matching Provisions

See apportionment formula.

V. AID TO THE PERMANENTLY AND TOTALLY DISABLED

A. Amount of Statutory Authorization

Not fixed—open end.

B. Apportionment Formula (statutory)

1. Each State receives funds equal to 29/35 of the first $35 of a maximum average monthly payment of $70 per recipient. (The average monthly payment per recipient is the total of State payments directly to recipients and to the vendors of medical or remedial care divided by the number of recipients during the month.)

2. Of the next $35 of such payments, each State receives a variable proportion based on its average per capita income (for the most recent three years), ranging from a minimum of 50% to a maximum of 65%.

3. Each State which makes the following services available also receives Federal funds equal to 75% of the cost: of providing

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6 See footnote (2) under Old-Age Assistance.
preventive and rehabilitative services that are specified by the Secretary of Health, Education, and Welfare as (1) services that will help dependent persons to develop their capacities for self-care and self-support and to achieve greater family stability, and (2) services that may be provided, at their request, to persons likely to become dependent; and of staff training, including educational leave, and agency training sessions. Federal share of other non-assistance costs is one-half.

C. **Matching Provisions**

See apportionment formula.

VI. **MATERNAL AND CHILD HEALTH SERVICES**

A. **Amount of Statutory Authorization**

$25 million annually for fiscal years 1962 and 1963; $30 million for fiscal year 1964; $35 million for fiscal year 1965; $40 million annually for fiscal years 1966 and 1967; $45 million annually for fiscal years 1968 and 1969; and $50 million annually thereafter.\(^7\)

B. **Apportionment Formula (statutory in part)**

1. Half of the funds are placed in "Fund A," from which each State receives $70,000, plus a portion of the remainder which is in the ratio of the number of live births in the State to total live births in the United States.

2. Of the remainder, known as "Fund B," a specified amount ($1 million, beginning for fiscal year 1957 and continuing) is set

\(^7\)As amended by P. L. 88-156, October 24, 1963.
aside for special projects for mentally retarded children.

Of the remaining amount of "Fund B":

3. Up to 25% is reserved for special projects of regional or national significance which may contribute to the advancement of maternal and child health, and payment is on a project basis.

4. The remainder of "Fund B" is apportioned by a formula which takes into consideration State program need and fiscal ability. Need is measured by the number of (rural and urban) live births in the State, giving double weight to rural live births. Fiscal capacity is indicated by State per capita income. The greater the proportion of rural to urban live births in the State, and the lower its per capita income, the greater will be its allotted share of the Federal funds. At a minimum, no state receives less than $35,000.

C. Matching Provisions

Fund A: Federal, 50%; State, 50%.

Fund B: No matching.

VII. CRIPPLED CHILDREN'S SERVICES

A. Amount of Statutory Authorization


8By administrative determination; the statutes make no specific mention of fiscal capacity or per capita income.

B. Apportionment Formula (statutory in part)

1. Half of the funds are placed in "Fund A," from which each State receives a basic grant of $70,000, plus a portion of the remainder based upon the number of children under age 21 (which is used as an index of the number of crippled children).

The other half is placed in "Fund B" and apportioned as follows:

2. 25% or less is reserved for grants on a project basis to State official agencies, and to public or other nonprofit institutions of higher learning for special projects of regional or national significance which may contribute to the advancement of services for crippled children.

3. 75% or more (depending upon the relative size of the reserve "Fund B") is apportioned by a formula which takes into consideration State program need and fiscal ability. Need is measured by the number of children under 21 in rural and urban areas of the State, giving double weight to rural children. Fiscal capacity is indicated by State per capita income. The greater the proportion of rural to urban children in the State, and the lower its per capita income, the greater will be its allotted share of the Federal funds. At a minimum, no State receives less than $35,000.

C. Matching Provisions

Fund A: Federal 50%; State, 50%.

Fund B: No matching.

10By administrative determination; the statutes make no mention of fiscal capacity or per capita income.
A. **Amount of Statutory Authorization**

$30 million for fiscal year 1962-63; $35 million for 1963-64; $40 million each for 1964-65 and 1965-66; $45 million each for 1966-67 and 1967-68; and $50 million a year thereafter.

B. **Apportionment Formula (statutory)**

1. Basic allotment. Each State receives up to $70,000 annually, but not less than $50,000, depending upon the ratio of annual appropriations to the amount which is authorized to be appropriated.

2. The remainder of the fund, with the exception of those funds earmarked for day-care described in (3), is allocated to each State according to the ratio that the State's population under 21, weighted by its "allotment percentage" bears to the sum of the corresponding weighted populations under 21 for all the States.

3. Funds appropriated in excess of $25 million a year, up to a maximum of $10 million, are to be earmarked for day-care services, and allotted among the States on the basis of the population under age 21 and the States' allotment percentages, with a minimum allotment of $10,000.\(^{11}\)

A State's allotment percentage is defined as 100% less the State percentage. The latter is that percentage which bears the same ratio to 50% as the per capita income of the State bears to the per capita income of the United States.

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\(^{11}\) Effective for fiscal years beginning after June 30, 1962.
per capita income of the United States. Upper and lower limits are fixed for the allotment percentage, at 70% and 30%.

C. Matching Provisions

Variable, Federal participation ranges from one-third to not more than two-thirds of the total program cost, based upon the allotment percentage. (See apportionment formula).
APPENDIX B

EXHIBIT ON REPORTING DIFFICULTIES:
A LETTER FROM A STATE DEPARTMENT OF PUBLIC HEALTH
May 27, 1964

Mr. William C. O'Connor
Department of Economics
Montana State University
Missoula, Montana

Dear Mr. O'Connor:

I am very much afraid that I will not be able to give you a satisfactory reply to your questions about funds for maternal and child health. I will try to explain why this is so, in order that you will understand our desire to assist but lack of an appropriate mechanism to do so.

Our bookkeeping system is such that it is virtually impossible to determine how much money is spent on MCH activities without going to each county to get this information. Even then we would have to determine how much of a nurse's or nutritionist's time was spent on MCH. We utilize a formula grant system for all our county health department based on population, average income, etc. Each county prepares a budget of its needs which is presented to the local county Commission. Each county has a millage system and the needs are evaluated in terms of local tax money available. Then, following the formula, the state makes up all or part of the difference and the county can proceed.

All the money, both local and state, plus the federal formula contribution, is put in county trust funds at the state level and all expenditures are made from these funds. The state allocates all state and federal money by special earmarked and general funds so that we know how much earmarked federal money goes into MCH, or any other similar area but the counties keep track of their own money and the audits, etc., are all done by state auditors from Tallahassee, who merely notify us that all is in order, etc. Therefore, we do not know how much money is being used for MCH activities unless we go into each county's budget for the years you requested. We have 67 counties and to do this would be a major operation which we are not able to undertake. Such a study would, I am sure, take months to complete.

Children's Bureau contributions for 1946 for instance amounted to about $600,000 but other areas such as nutrition, etc., received other funds while part of their activities were centered in MCH work. Thus we do not know the true extent of even federal contributions. In addition perhaps twice this sum was appropriated by counties for MCH services—we don't have these figures either. Thus we just cannot give you a reliable figure on federal, state and local support and/or expenditures for MCH services.

We have nothing to do with Crippled Children's activities as this comes within the jurisdiction of the Florida Crippled Children's Commission. I referred your request to them hoping that they may be of more assistance than we were.
I regret that we are not able to help you in this matter. I hope that you will be able to complete your study from other available materials. Perhaps other states do not use our rather difficult system of bookkeeping.

Sincerely yours,

David L. Crane, M.D., Acting Director
Bureau of Maternal and Child Health
APPENDIX C

IMPLEMENTATION OF PUBLIC WELFARE AMENDMENTS OF 1962 BY SELECTED STATES (As of July 1, 1963)

**Table 1.** Extension of AFDC to Dependent Children of Unemployed Parents, as of July 1, 1963

A. Currently taking action
   1. Program in effect; plan material submitted
      New York
   2. Enabling legislation; program not in effect
      California    Washington

B. Legislation in process to give basis for program or to provide appropriation

C. Giving other official consideration; no official decision as yet
   Florida

D. Considered by 1963 legislature; not enacted
   Ohio    Wyoming    Colorado

E. Not planning to implement in near future; legislation thought to be needed in most cases
   Arizona\(^1\)    Georgia    Idaho    Mississippi
   Montana    New Mexico    North Dakota

\(^1\)State cancelled plan because not approved as submitted.

Table 2. Community Work and Training Program, as of July 1, 1963

A. Plan material in preparation
   Washington

B. Legislation enacted, plan not yet submitted
   California (cf. 2/1/64)

C. Interested, but no action taken yet
   Georgia

D. Do not intend to implement at present
   Arizona  Colorado  Florida  Idaho  Mississippi
   Montana  New Mexico  New York  North Dakota
   Ohio\(^1\)  Wyoming

Table 3. Protective Payments in AFDC, as of July 1, 1963

A. Legislation enacted, plan not yet submitted
   New York\(^2\)

B. Need legislation—legislation pending
   Ohio

C. Will not implement at present
   Arizona  California  Colorado  Florida  Georgia
   Idaho  Mississippi  Montana  New Mexico
   North Dakota  Washington  Wyoming

\(^1\) Legislation on subject was not passed; future plans of State not known.

\(^2\) Will not implement at present.
### Table 4. Conservation of Income or Earnings of AFDC for Future Needs, as of July 1, 1963

A. Plan material submitted

- Arizona
- California
- Florida
- New York
- North Dakota
- Washington

B. Will not implement at present

- Colorado
- Idaho
- Mississippi
- Montana
- New Mexico
- Ohio
- Wyoming

C. Intentions of State not yet settled or not reported

- Georgia

### Table 5. Federal Financial Participation in Aid for Second Parent in AFDC When Both Are in the Home and One is Incapacitated or Unemployed, as of July 1, 1963

A. Plan material submitted

- Arizona
- California
- Colorado
- Idaho
- Montana
- New Mexico
- New York
- North Dakota
- Ohio
- Washington
- Wyoming

B. Intend to implement

- Georgia

C. Will not implement at present

- Mississippi
Table 6. AFDC Assistance Continued for Children Placed in Foster Care Under Specified Conditions, as of July 1, 1963

A. Plan material submitted

1. Home care in operation, plan submitted or in preparation to implement other phases as indicated
   California---home; private institution; other public agency

2. Home care in operation; at present do not intend to implement any other phase
   Arizona

3. Plan submitted, not in operation
   Washington---home

B. Plan material in preparation

   Georgia---home only\(^1\)   Mississippi---home only

C. Legislation enacted 1963 session; plan not yet submitted

   New York\(^2\)

D. Need legislation---legislation pending

   Ohio---home; child care institution

E. Will not implement at present any phase of such foster care

   Colorado   Florida   Idaho   Montana

   North Dakota   Wyoming

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\(^1\)Legislation enacted, 1963 session.

\(^2\)Will not implement at present.
Table 7. Provisions for Payment of Costs of Medical Care for Adult in AFDC Family in a Month When Child Does Not Receive a Money Payment, as of July 1, 1963

A. Plan Material Submitted
   California    New York

B. Plan material in preparation
   Ohio

C. Interested or intend to use
   North Dakota    Washington

D. Will not implement at present
   Arizona   Colorado   Florida   Georgia   Idaho
   Mississippi  Montana  New Mexico  Wyoming

Table 8. Title XIV—Combination of Old-Age Assistance, Aid to the Blind, and Aid to the Permanently and Totally Disabled, as of July 1, 1963

A. Plan material submitted to some degree or reviewed in draft
   Florida (ef. 7/1/63)   New York    North Dakota

B. Need Legislation
   Georgia—may consider in 1964 session

C. Interested or intend to use
   New Mexico

D. Will not implement at Present
   Arizona   California   Colorado   Idaho   Mississippi
   Montana   Washington   Wyoming

E. Intentions of State not yet settled or not reported
   Ohio
   journed; State believes can operate on basis of present
Table 9. Exemption of Earned Income up to Defined Amount for Persons Aged 65 and Over, as of July 1, 1963

A. Plan material submitted
   California Florida Georgia North Dakota

B. Will not implement at present
   Arizona Colorado Idaho Mississippi Montana
   New Mexico New York Ohio Washington Wyoming

Table 10. Federal Financial Participation in Costs of Vendor Payment for Medical Care for a Period of up to Three Months Prior to Date of Application, as of July 1, 1963

A. Plan material in preparation
   California (MAA only)

B. Interested or intend to implement
   North Dakota

C. Will not implement at present
   Arizona Colorado Florida Georgia Idaho
   Mississippi New Mexico New York Ohio Washington

D. Intentions of State not yet settled or not reported
   Montana Wyoming

\(^1\)For one month prior to application.
APPENDIX D

CHARACTERISTICS OF MONTANA PUBLIC ASSISTANCE PLANS 1-31-62

I. OLD-AGE ASSISTANCE

1. Age—65 years.
2. Citizenship—No provision.
3. Residence—5 of last 9 years, with 1 year immediately preceding date of receipt of assistance.
4. Old-age—see (1).
5. Institutional status and standard-setting authority—Payments made to patients in public medical institutions and to persons in private institutions. Exclusions same as those in Federal act. No payments made for persons in a general medical institution for any period after a diagnosis of tuberculosis or psychosis. Standard-setting authority: State Board of Health.
6. Need—Has insufficient income or resources to provide a reasonable subsistence compatible with decency and health.
7. Property and income limitations—Real property used as home limited to $3,000 equity, and other real property limited to less than $1,000. Personal property limited to $300. Face value of life insurance limited to $1,000. Has not assigned or transferred

property within 5 years immediately prior to application in order to qualify.

8. Assistance provided—In money payment to recipient: No maximum, except for $85 per person hospitalized or in nursing or boarding homes. By vendor payment for medical care: (Limited to services related to prevention of blindness and restoration of eyesight.) Hospital care, nursing home care, ophthalmologist and optometrist, special duty nursing services in medical institution, X-rays, occupational therapy, eyeglasses, transportation.

9. Recoveries, liens, and assignments—Lien taken on all real property. Claim executed against estate for total amount of assistance received. This constitutes preferred claim. Not enforceable against real estate occupied as home by surviving spouse or dependent.

10. State agency—State Board of Public Welfare (policy-forming)—5 members appointed by Governor with advice and consent of Senate, for 4-year overlapping terms; selected on basis of broad experience and interest in civic affairs and public welfare; must be United States citizen and resident of State for 5 years immediately preceding appointment. State administrator appointed by Board in cooperation with Governor. State-supervised program.

11. Local agency—County Department of Public Welfare (56). County Board of Public Welfare, composed of board of county commissioners serving in ex-officio capacity. County supervisor appointed by County Board.

12. Place of application—County Department of Public Welfare.

13. Responsibility for decision—County Department of Public Welfare,
in accordance with rules and regulations prescribed by State Department.

14. State-local financing of assistance and administrative costs—
Assistance costs: State and local funds. Source of State funds: general fund. Source of local funds: property and per capita tax. Each county department to reimburse the State department in the amount of 1/3 of approved grants paid to recipients each month exclusive of Federal share.¹

Administrative costs: State and local funds. Source of State and local funds same as for assistance costs. Counties reimburse State for one-half amounts advanced for salaries, travel expense, and industrial accident premiums for county welfare workers. County bears all other administrative costs. State equalization fund available when counties unable to meet share from other costs.

II. AID TO THE BLIND

1. Age—No provision.

2. Citizenship—No provision.

3. Residence—Same as OAA, or if under 21 years of age became blind while living in State.

4. Blindness—No vision, or vision, with corrective glasses, so defective prevents performance of ordinary activities for which eyesight is essential. Vision with corrective glasses 20/200 or less in

¹Assistance costs for vendor payments for medical care are paid only from State funds allocated to the program of Aid to the Blind, regardless of category in which the recipient receives a money payment for subsistence. Source of funds: general fund appropriation.
better eye, or field defect is such that widest diameter of visual
field subtends to an angular distance no greater than 20 degrees.
5. Institutional status and standard-setting authority—Same as OAA.
6. Need—Same as OAA, except that in determining need the first $85 of earned income per month plus one-half of that in excess of $85 is disregarded.
7. Property and income limitations—Same as OAA.
8. Assistance provided—Same as OAA.
9. Recoveries, liens, and assignments—Same as OAA with regard to lien on real property. No provision for claim against other property.
10. State agency—Same as OAA.
11. Local agency—Same as OAA.
12. Place of application—Same as OAA.
13. Responsibility for decision—Same as OAA after review of eye examination report by State supervising ophthalmologist.
14. State-local financing of assistance and administrative costs—Same as OAA.

III. AID TO FAMILIES WITH DEPENDENT CHILDREN

1. Age—Under 18 years.
2. Citizenship—No provision.
3. Residence—1 year immediately prior to receipt of assistance for children 1 year of age or over; no residence requirement for children under 1 year of age, including unborn child. Eligible relative must meet residence requirement for youngest child.
4. Dependent child—Deprived of parental support or care by reason of
death, continued absence from home, or physical or mental incapacity of a parent, and living with relatives listed in Federal act, as interpreted.

5. Institutional status and standard-setting authority—Does not apply to AFDC.

6. Need—Same as OAA.

7. Property and income limitations—Real property used as home limited to $3,000 equity, and other real property limited to $1,000 except in special circumstances. Personal property limited to $150 each for first two persons included in assistance budget, plus $100 each for additional persons up to a total of $600 per case. Has not assigned or transferred property within 5 years immediately prior to application in order to qualify.

8. Assistance provided—In money payment to recipient: No maximum. *By vendor payment for medical care:* Same as OAA.

9. Recoveries, liens, and assignments—No provision.

10. State agency—Same as OAA.

11. Local agency—Same as OAA.

12. Place of application—Same as OAA.

13. Responsibility for decision—Same as OAA.

14. State-local financing of assistance and administrative costs—Same as OAA.

IV. AID TO THE PERMANENTLY AND TOTALLY DISABLED

1. Age—18 years or over.

2. Citizenship—No provision.
3. Residence--1 year immediately preceding receipt of assistance.

4. Permanent and total disability--Defined as a physical or mental condition severe enough to prevent a person from engaging in useful occupations within his competence, such as holding a job or home-making, and of such nature that it will likely remain static, become worse, or make no substantial improvement in the foreseeable future.

5. Institutional status and standard-setting authority--Same as OAA.

6. Need--Same as OAA.

7. Property and income limitations--Same as OAA.

8. Assistance provided--Same as OAA.

9. Recoveries, liens, and assignments--Same as Aid to the Blind.

10. State agency--Same as OAA.

11. Local agency--Same as OAA.

12. Place of application--Same as OAA.

13. Responsibility for decision--Same as OAA except for disability factor which is determined by the State Review Team.

14. State-local financing of assistance and administrative costs--Assistance costs: Same as OAA except State's share is 1/3 and local 2/3 of amounts paid in grants exclusive of Federal share. Administrative costs: Same as OAA.
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C. CORRESPONDENCE


